



NOTICE is hereby given that the Collin County Community College District Board of Trustees will hold a meeting of the Finance and Audit Committee (Gomel, Collins, and Hardin) at 6:00 p.m. on Tuesday, June 15, 2021, in Room 227 at the Collin Higher Education Center, 3452 Spur 399, McKinney, Texas 75069.

Locations

Celina Campus

Collin Higher Education Center
McKinney, Texas

Courtyard Center
Plano, Texas

Farmersville Campus

Frisco Campus

McKinney Campus

Plano Campus

Public Safety Training Center
McKinney, Texas

Rockwall Center

Technical Campus
Allen, Texas

Wylie Campus

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District President

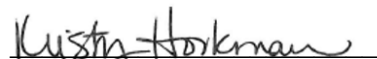
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PUBLIC COMMENT

REVIEW AND DISCUSSION ITEMS

1. Consideration of Approval of the Annual Review of Investment Policy CAK (Local)
2. Consideration of Approval of the Authorized Broker/Dealer List
3. Collin Central Appraisal District 2021 Certified Estimate of Taxable Value
4. Collin College 2021 Planning Calendar for Tax Appraisal and Related Due Dates
5. Discuss Audit Results for the District
6. Consideration of Approval of Revisions to the Audit Plan for FY 2021

Andrew Hardin
Chairman, Board of Trustees


For the Board of Trustees

Collin County Community College District Board of Trustees

1. Finance and Audit Committee

June 15, 2021

Resource: Melissa Irby
Chief Financial Officer

DISCUSSION ITEM: Consideration of Approval of the Annual Review of Investment Policy CAK (Local)

DISCUSSION: The Public Funds Investment Act Government Code 2256.005(e) requires the following:

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

The College's investment advisory firm, Meeder Investment Management, Inc., has conducted its annual review and recommends the following changes:

- elimination of the requirement for broker/dealers to certify the policy
- addition that each broker/dealer will receive a copy of the policy
- extension of the maturity limit on commercial paper from 180 days to 270 days
- addition of "interest bearing accounts from Texas banks" as an authorized investment type

APPROPRIATIONS AND REVENUE SOURCES
INVESTMENTS

CAK
(LOCAL)

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|----------------------------|---|
| Purpose Statement | The College District is required under the Public Funds Investment Act (PFIA) Chapter 2256, Texas Government Code, to adopt a written investment policy. The College District is required to comply with the investment policy as approved by the Board in accordance with the standard of care as set forth in Chapter 2256.006, Texas Government Code. |
| Statement of Intent | The College District will invest public funds in a manner that provides the maximum security while meeting the daily cash flow demands of the College District, providing maximum potential interest earnings, and conforming to all state and local statutes governing the investment of public funds. |
| Scope | This investment policy applies to all financial assets of the College District. All funds are accounted for in the College District's Annual Financial and Compliance Report. |
| Prudence | <p>Investments will be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.</p> <p>The standard of prudence to be used by investment officers will be the "prudent person" standard and will be applied in the context of managing the overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence will be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.</p> <p>Prudent measures will be used to liquidate any investment that is downgraded to less than the required minimum rating.</p> |
| Objectives | <p>The primary objectives, in priority order, of the College District's investment activities will be:</p> <ol style="list-style-type: none">1. Safety: Safety of principal is the foremost objective of the College District's investment program. Investments of the College District will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.2. Liquidity: The College District's investment portfolio will remain sufficiently liquid to enable the College District to meet all operating requirements that might be reasonably anticipated. |

APPROPRIATIONS AND REVENUE SOURCES
INVESTMENTS

CAK
(LOCAL)

3. Return on Investments: The College District's investment portfolio will be designed with the objective of attaining a reasonable market yield throughout budgetary and economic cycles commensurate with the College District's investment risk constraints and the cash flow characteristics of the portfolio.

Designated Officers

The College District's chief financial officer, the associate vice president of accounting and financial reporting, and the associate vice president/controller are expressly authorized by the Board to cause the investment of all available College District funds consistent with this policy and are therefore designated as the investment officers. Because of the various duties and responsibilities related to managing the investment portfolio, the College District's designated investment officers may delegate specific support duties and responsibilities to the revenues and receivables accountant. No person may engage in an investment transaction except as provided under the terms of this policy.

The College District may contract with a Securities and Exchange Commission (SEC)-registered investment adviser for non-discretionary management of the portfolio.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process will refrain from personal business activity that could conflict with proper execution of the College District's investment program or that could impair their ability to make impartial investment decisions. Investment officers who have a personal business relationship with a business organization seeking to sell investments to the College District will file a statement disclosing the relationship to the College District's Board. Any material financial interests in financial institutions that conduct business with the College District, as well as any personal financial/investment positions that could be related to or have an impact upon the performance of the College District's portfolio, will be disclosed.

Additionally, any investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the College District will file a statement disclosing that relationship to the Texas Ethics Commission. A personal business relationship for this disclosure is defined as:

1. Owning ten percent or more of the voting stock or shares of the business organization or owning \$5,000 or more of the fair market value of the business organization;
2. Receiving funds from the business organization exceeding ten percent of gross income for the previous year; or

APPROPRIATIONS AND REVENUE SOURCES
INVESTMENTS

CAK
(LOCAL)

3. Acquiring from the business organization during the previous year investments with a book value of \$2,500 or more for a personal account.

Sellers of Investments

~~Prior to authorization by the College District as a broker/dealer for the College District, a broker/dealer or a qualified representative of a business organization must submit required written documents in accordance with law.~~

The firm and representatives of brokers/dealers will be registered with the Texas State Securities Board and must have membership in the Securities Investor Protection Corporation (SIPC), and be in good standing with the Financial Industry Regulatory Authority (FINRA). **A copy of the policy will be sent to every authorized broker/dealer.**

Authorized Financial Dealers and Institutions

The College District will maintain a list of qualified brokers/dealers authorized to engage in investment transactions. The Board will annually review, revise, and adopt this list of qualified brokers.

All approved brokers must have completed a College District broker/dealer questionnaire and will be sent a copy of the investment policy for their records.

Approved brokers will have a current financial statement on file and, if applicable, will have executed a Master Repurchase Agreement.

Local government pools will be sent a copy of the policy and must certify that they have reviewed that policy.

Authorized Investments

The College District will pursue a conservative, proactive approach to investment activity and although other investments may be authorized by law, the College District may invest only in investments authorized by the Board as listed below:

1. Treasury bills, treasury notes, and treasury bonds of the United States and other direct obligations of the agencies and instrumentalities of the United States.
2. Federal Deposit Insurance Corporation (FDIC) insured or collateralized time or demand deposits issued by a state or national bank domiciled in this state that are:
 - a. Insured by the FDIC or its successor; or
 - b. Secured by obligations described by the Public Funds Collateral Act, Chapter 2257.
3. Fully collateralized repurchase agreements, as expressly defined in Section 2256.011, Texas Government Code.

APPROPRIATIONS AND REVENUE SOURCES
INVESTMENTS

CAK
(LOCAL)

4. Local government investment pools approved by the College District's Board, by resolution, with a continuous rating of no lower than AAA or an equivalent rating by at least one nationally recognized rating service, and striving to maintain a \$1 net asset value.
5. AAA-rated money market mutual funds meeting the following criteria:
 - a. The fund must be registered with and regulated by the SEC;
 - b. The fund must have a dollar-weighted average stated maturity of not more than 60 days;
 - c. An established objective of the fund must be to maintain a stable net asset value of \$1 for each share;
 - d. The fund must comply with SEC Rule 2a-7; and
 - e. The fund must meet all requirements of the Texas Public Funds Investment Act, as amended.
6. Domestic commercial paper rated A1/P1 or equivalent with a maximum maturity of ~~180 days~~ 270 days.
7. Obligations of states, agencies, counties, cities, and other political subdivisions of any U.S. state rated A or equivalent by a nationally recognized investment rating agency.
8. FDIC-insured brokered certificates of deposit securities issued by any bank in the U.S. delivery-versus-payment (DVP) to the College District's safekeeping agent.
9. Share certificates of credit unions domiciled in the state insured by the National Credit Union Insurance Fund.
10. **Interest bearing accounts in any bank in Texas, FDIC insured or collateralized in accordance with this policy.**

**Prohibited
Investments**

The College District is strictly prohibited from investing in any of the following collateralized mortgage obligations (CMO):

1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
3. Collateralized mortgage obligations that have a stated final maturity date of greater than ten years.

APPROPRIATIONS AND REVENUE SOURCES
INVESTMENTS

CAK
(LOCAL)

4. Collateralized mortgage obligations that have interest rates determined by an index that adjusts opposite to the changes in a market index.

Collateralization

Collateralization will be required on all bank time or demand deposits and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102 percent of market value of principal and accrued interest. The custodian will be independent and outside the holding company of the pledging institution or repurchase agreement counter-party.

Acceptable collateral for depository time and demand deposits includes only:

- Obligations of the U.S. government, its agencies, and instrumentalities;
- Obligations of or guaranteed by state and local governmental entities if rated "A" or better; and
- FHLB letters of credit.

Acceptable collateral for repurchase agreements includes only:

- Obligations of the U.S. government, its agencies, and instrumentalities; and
- Obligations of or guaranteed by state and local governmental entities if rated "A" or better.

All these securities are authorized by the Public Funds Collateral Act, Chapter 2257, Texas Government Code.

Additional collateral may be pledged or purchased as required, released as it is not needed, and substituted, if necessary, with the written consent of the investment officer.

Safekeeping

All security transactions, including collateral for repurchase agreements, entered into by the College District will be conducted on a DVP basis. Securities owned by the College District will be held by a College District contracted third-party safekeeping institution. Safekeeping receipts and clearance documents will be required for all securities purchased or sold by the College District and held in safekeeping by an authorized third party.

Diversification

Diversification by investment maturity based on cash flow needs will reduce the impact of adverse market fluctuations.

APPROPRIATIONS AND REVENUE SOURCES
INVESTMENTS

CAK
(LOCAL)

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| Maximum Maturities | <p>To the extent possible, the College District will attempt to match its investments with anticipated cash flow requirements except the College District will not invest in securities maturing more than 36 months from the date of purchase.</p> <p>The maximum dollar weighted average maturity of the total portfolio will not exceed 12 months.</p> |
| Internal Controls | <p>Duties related to investment activities will be delegated so that segregation of duties will be maintained with respect to purchasing, recording, authorizing, and reconciling investment accounts. The College District's designated investment officers will be responsible for all investment decisions. Written signature authorization of two of the aforementioned investment officers will be required to execute all investment purchases or sales.</p> <p>As part of the annual financial audit, the external auditors will perform a compliance audit of management controls on investments and adherence to investment policies and procedures.</p> |
| Delivery Versus Payment | <p>All security transactions (with the exception of pool or money funds) by the College District will be settled "delivery versus payment." That is, the College District authorizes the safekeeping institution to release its funds only after a purchased security has been received by the institution.</p> |
| Competitive Bidding Required | <p>All investments will be purchased or sold on a competitive basis with bids or offers from a minimum of three College District authorized brokers/dealers for the best yield and maturity. New issue agencies must be compared to comparable securities as a competitive bid.</p> |
| Monitoring Credit Ratings | <p>The investment officer or investment adviser will monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by policy, the investment officer or adviser will notify the CFO of the loss of rating, conditions affecting the rating, and possible loss of principal with liquidation options available, within five days after the loss of the required rating.</p> |
| Loss of Credit Rating | <p>The College District will monitor the credit ratings on securities that require minimum ratings. This may be accomplished through staff research or with the assistance of brokers/dealers, banks, safekeeping agents, advisers, or other independent sources. In the event that the credit rating of any security falls below the minimum required rating, the College District will take all prudent measures that are consistent with its policy to liquidate the investment.</p> |

APPROPRIATIONS AND REVENUE SOURCES
INVESTMENTS

CAK
(LOCAL)

The College District is not required to liquidate investments that were authorized investments at the time of purchase. [See 2256.017]

Monitoring FDIC Coverage

The investment officer or investment adviser will monitor, on no less than a weekly basis, the status and ownership of all banks issuing brokered CDs owned by the College District based upon information from the FDIC. If any bank has been acquired, or merged with another bank in which brokered CDs are owned, the investment officer or adviser will immediately liquidate any brokered CD that places the College District above the FDIC insurance level.

Reporting

Not less than quarterly, a written report of investment transactions for all funds will be prepared and signed by the investment officers and will be submitted to the Board. Reports will be prepared in accordance with requirements as specified in Section 2256.023, Texas Government Code. The quarterly written reports will be reviewed annually during the compliance audit of an independent auditor with the results reported to the Board.

Market Price

The investment portfolio will be marked to market monthly. Pricing information will be obtained from sources deemed independent and comparable by the associate vice president of accounting and financial reporting or the associate vice president/controller. If the price of a security is not available, the price may be estimated by analyzing similar securities' market values (matrix pricing).

Training

The College District's chief financial officer, the associate vice president of accounting and financial reporting, and the associate vice president/controller, being designated by the Board as the investment officers for the College District, will receive ten hours of instruction in accordance with the PFIA of the State of Texas within the first 12 months of assuming the position. Every succeeding two years the officers will receive at least ten additional hours of training relating to investment responsibility from an independent source approved by the Board.

Investment Policy Review and Adoption

The College District's investment policy will be adopted by written resolution of the Board stating that the Board has reviewed the investment policy and strategy and will include any changes made to either. The investment policies and strategies will be reviewed by the Board not less than annually. All revisions will be formally approved by the Board.

Investment Strategy

The College District maintains portfolios that use four specific investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolio(s).

APPROPRIATIONS AND REVENUE SOURCES
INVESTMENTS

CAK
(LOCAL)

The weighted average maturity of the overall portfolio will not exceed one year.

Strategies for the investment of College District funds will address:

1. Investment suitability as it relates to the financial requirements and credit concerns of the College District;
2. Preservation and safety of principal to ensure that capital losses are avoided whether they be from defaults or erosion of market value;
3. Liquidity to the extent needed to pay the College District's obligations as they become due;
4. Investment marketability provided the need arises for the College District to liquidate the investment prior to its maturity date, although securities of all types are purchased with the intention of holding until maturity;
5. Investment diversification by maturity and market sector; and
6. Yield to attain the best yield on investments, while considering risk constraints and cash flow needs; the basis or benchmark used to determine whether market yields are being achieved will be the one-year Treasury Bill chosen for its comparability to the portfolio's maximum weighted average maturity.

| | |
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| Operating Fund | The primary objective of the investment strategy for the operating fund will be to ensure that anticipated cash flows are matched with adequate investment liquidity. Maturities will be staggered to meet operating expenditures, based on known and projected cash flows and market conditions. Thirty-six months is the maximum maturity for the majority of securities in the portfolio. |
| Building Fund | The primary objective of the investment strategy for the building fund will be to ensure that maturities are matched with anticipated cash flows. Maturities will be staggered so that they coincide with estimated draw down dates based on construction schedules and estimated project completion dates. |
| Debt Service Fund | The primary objective of the investment strategy for the debt service fund will be to ensure that investment liquidity is adequate to cover each succeeding debt service obligation on the required payment date. No investments may be made that exceed the next unfunded debt service payment date. |
| Debt Service Reserve Funds | Debt service reserves have no anticipated expenditures. The funds are deposited to provide annual debt service payment protection to bond holders. Market conditions and arbitrage regulation compli- |

APPROPRIATIONS AND REVENUE SOURCES
INVESTMENTS

CAK
(LOCAL)

ance determine the advantage of security diversification and liquidity. Generally, if investment rates exceed the applicable arbitrage yield for a specific bond issue, the College District is best served by locking in investment maturities and reducing liquidity. If the arbitrage yield cannot be exceeded, the concurrent market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields. Managing the portfolios maturities to not exceed the call provisions of the bond issue will reduce the investment's market risk if the College District's bonds are called and the reserve fund liquidated. No investment maturity will exceed three years. All portfolio investments will be in compliance with bond covenants and insurance requirements of all bond issues.

June 22, 2021

SUBJECT:

Report Out of the Finance and Audit Committee and Consideration of Approval of the Annual Review of Investment Policy CAK (Local) – Appropriations and Revenue Sources - Investments

RECOMMENDATION:

The District President presents the annual review of the Investment Policy CAK (Local) for review by the Board of Trustees.

RATIONALE:

The Public Funds Investment Act Government Code 2256.005(e) requires the following:

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

The College's investment advisory firm, Meeder Investment Management, Inc., has conducted its annual review and recommends the following changes:

- elimination of the requirement for broker/dealers to certify the policy
- addition that each broker/dealer will receive a copy of the policy
- extension of the maturity limit on commercial paper from 180 days to 270 days
- addition of "interest bearing accounts from Texas banks" as an authorized investment type

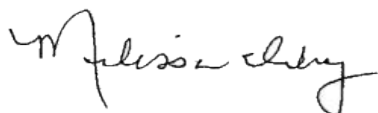
RESOURCE PERSONNEL:

Melissa Irby, Chief Financial Officer

ATTACHMENT:

A. CAK (Local)

Respectfully Submitted By:



Melissa Irby
Chief Financial Officer

Collin County Community College District Board of Trustees

2. Finance and Audit Committee

June 15, 2021

Resource: Melissa Irby
Chief Financial Officer

DISCUSSION ITEM: Consideration of Approval of the Authorized Broker/Dealer List

DISCUSSION: Policy CAK (Local) requires that the Board of Trustees annually review and approve the list of approved broker/dealers with which the College is authorized to transact investment activity. At the regular meeting of the Board in March 2020, a contract was awarded to Meeder Investment Management, Inc. to act as investment advisors to the College. In their capacity as investment advisors, Meeder Investment Management, Inc. has recommended a list of primary dealers with which the College is authorized to execute securities transactions. Primary dealers are banks or securities broker-dealers who may trade directly with the Federal Reserve System of the United States. Primary dealers purchase the vast majority of U.S. Treasury securities and resell them to the public and other brokerage firms. Due to the large volume of U.S. Treasury securities they trade, they are often able to offer securities at advantageous prices.

**RESOLUTION
ADOPTING AUTHORIZED BROKER/DEALER LIST**

WHEREAS, the Public Funds Investment Act (Texas Government Code, Chapter 2256) governs local government investment; and

WHEREAS, the Public Fund Investment Act (Section 2256.025) requires the governing body or its designated investment committee, no less than annually, to review, revise and adopt a list of qualified broker/dealers authorized to engage in investment transactions; and

WHEREAS, the following broker/dealers are recommended for approval:

NOW, THEREFORE, BE IT RESOLVED that:

| Broker/Dealers | |
|-------------------------------|------------------------|
| Cantor Fitzgerald | Oppenheimer |
| FHN Financial | Piper Sandler & Co. |
| InCapital | Raymond James |
| Bank of America/Merrill Lynch | RBC Capital Markets |
| BOK Financial | Robert W. Baird |
| Jefferies* | Siebert Williams Shank |
| JP Morgan* | Stifel Nicolaus |
| Loop Capital* | StoneX Group |
| Mizuho Securities | UBS Financial Services |
| Moreton Securities* | Vining Sparks |
| Morgan Stanley | Wells Fargo |

are authorized as broker/dealers for the District. (* New Broker for 2021-22)

In accordance with the Act and the Investment Policy, a copy of the Investment Policy will be sent to each broker/dealer on the list whenever a material change is made to the Policy, and each broker/dealer will be required to provide written certification of their review of the Investment Policy.

Any qualified Texas bank used for time or demand deposits may be approved by the investment officers as identified through the competitive process without Board action.

That the College has complied with the requirements of the Public Funds Investment Act, and the list of authorized broker/dealers is hereby adopted.

PASSED, ADOPTED, AND APPROVED by the Board this the 22rd day of June 2021.

Board Secretary

Board Treasurer

June 22, 2021

SUBJECT:

Report Out of the Finance and Audit Committee and Consideration of Approval of the Authorized Broker/Dealer List

RECOMMENDATION:

The District President recommends approval of the approved broker/dealers with which the College is authorized to transact investment activity.

Policy CAK (Local) requires that the Board of Trustees annually review and approve the list of approved broker/dealers with which the College is authorized to transact investment activity. At the regular meeting of the Board in March 2020, a contract was awarded to Meeder Investment Management, Inc. to act as investment advisors to the College. In their capacity as investment advisors, Meeder Investment Management, Inc. has recommended a list of primary dealers with which the College is authorized to execute securities transactions. Primary dealers are banks or securities broker-dealers who may trade directly with the Federal Reserve System of the United States. Primary dealers purchase the vast majority of U.S. Treasury securities and resell them to the public and other brokerage firms. Due to the large volume of U.S. Treasury securities they trade, they are often able to offer securities at advantageous prices.

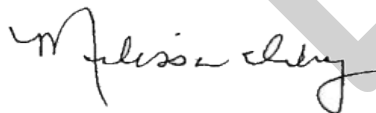
RESOURCE PERSONNEL:

Melissa Irby, Chief Financial Officer

ATTACHMENT:

A. Resolution – Adopting Authorized Broker/Dealer List

Respectfully Submitted By:



Melissa Irby
Chief Financial Officer

Collin County Community College District Board of Trustees

3. Finance and Audit Committee

June 15, 2021

Resource: Melissa Irby
Chief Financial Officer

DISCUSSION ITEM: Collin Central Appraisal District 2021 Certified Estimate of Taxable Value

DISCUSSION: As part of the appraisal of real and personal property, the Collin Appraisal District issues a Certified Estimate of Taxable Value each April. Melissa Irby, Chief Financial Officer, will provide an informational update for the Finance and Audit Committee's review and discussion.

**COLLIN CENTRAL APPRAISAL DISTRICT
2021 PRELIMINARY ESTIMATE OF TAXABLE VALUE**

| TAXING ENTITY NAME | 2020 CERTIFIED TAXABLE VALUE, SUPP # 11, MARCH 4, 2021 | 2021 ESTIMATED NEW PROPERTY (INCLUDED IN PRELIMINARY ESTIMATED TAXABLE) | 2021 ANNEXATIONS TAXABLE (INCLUDED IN PRELIMINARY ESTIMATED TAXABLE) | 2021 CERTIFIED ESTIMATE OF TAXABLE VALUE, APRIL 30, 2021 (Based on April 26th Preliminary Totals) | 2021 PRELIM. TAXABLE VALUE COMPARED TO 2020 SUPP #11 | 2021 ESTIMATED PERCENT CHANGE IN EXISTING PROPERTY TAXABLE, YEAR-OVER-YEAR | 2021 ESTIMATED TAXABLE VALUE CHANGE DUE TO NEW PROPERTY & ANNEXATIONS | 2020 AVG HOMESTEAD MARKET VALUE, AS OF MARCH 4, 2021 SUPP #11 | 2021 AVG HOMESTEAD MARKET VALUE, AS OF APRIL 26, 2021 PRELIMINARY TOTALS | 2021 PRELIMINARY OVER-65 FREEZE TAXABLE LOSS, APRIL 26, 2021 PRELIMINARY TOTALS | 2021 PRELIMINARY FREEZE ADJUSTED TAXABLE VALUE (ROUNDED), (Based on April 26th Preliminary Totals) |
|---------------------------|--|---|--|---|--|--|---|---|--|---|--|
| SCHOOLS | | | | | | | | | | | |
| ALLEN ISD | \$15,822,301,241 | \$465,711,000 | \$0 | \$16,540,000,000 | 4.54% | 1.59% | 2.94% | \$374,968 | \$393,400 | \$1,500,326,167 | \$15,030,000,000 |
| ANNA ISD | \$1,733,167,564 | \$166,609,000 | \$0 | \$1,960,000,000 | 13.09% | 3.47% | 9.61% | \$241,208 | \$255,600 | \$201,659,292 | \$1,750,000,000 |
| BLAND ISD | \$19,207,742 | \$726,000 | \$0 | \$20,600,000 | 7.25% | 3.47% | 3.78% | \$234,939 | \$259,500 | \$3,297,751 | \$17,300,000 |
| BLUE RIDGE ISD | \$333,170,575 | \$19,129,000 | \$0 | \$366,000,000 | 9.85% | 4.11% | 5.74% | \$223,803 | \$244,448 | \$49,471,023 | \$316,000,000 |
| CELINA ISD | \$1,793,522,656 | \$164,481,000 | \$0 | \$2,020,000,000 | 12.63% | 3.46% | 9.17% | \$348,612 | \$371,000 | \$236,093,821 | \$1,780,000,000 |
| COMMUNITY ISD | \$1,238,765,726 | \$110,326,000 | \$0 | \$1,410,000,000 | 13.82% | 4.92% | 8.91% | \$239,215 | \$262,100 | \$179,891,999 | \$1,230,000,000 |
| FARMERSVILLE ISD | \$803,898,981 | \$29,512,000 | \$0 | \$868,000,000 | 7.97% | 4.30% | 3.67% | \$220,127 | \$238,000 | \$124,715,168 | \$743,000,000 |
| FRISCO ISD | \$33,201,383,907 | \$1,277,677,000 | -\$4,611 | \$34,900,000,000 | 5.12% | 1.27% | 3.85% | \$420,184 | \$440,900 | \$2,030,787,204 | \$32,860,000,000 |
| GUNTER ISD | \$720,872 | \$0 | \$0 | \$728,000 | 0.99% | 0.99% | 0.00% | \$434,902 | \$446,800 | \$416,282 | \$311,000 |
| LEONARD ISD | \$19,980,619 | \$799,000 | \$0 | \$22,000,000 | 10.11% | 6.11% | 4.00% | \$204,129 | \$214,400 | \$3,057,986 | \$18,900,000 |
| LOVEJOY ISD | \$3,099,917,419 | \$65,146,000 | \$0 | \$3,270,000,000 | 5.49% | 3.39% | 2.10% | \$605,611 | \$641,800 | \$769,738,570 | \$2,500,000,000 |
| MCKINNEY ISD | \$17,783,506,087 | \$569,952,000 | \$0 | \$18,800,000,000 | 5.72% | 2.51% | 3.20% | \$354,396 | \$375,400 | \$2,436,858,499 | \$16,360,000,000 |
| MELISSA ISD | \$1,781,767,372 | \$238,360,000 | \$0 | \$2,090,000,000 | 17.30% | 3.92% | 13.38% | \$307,280 | \$328,500 | \$198,423,522 | \$1,890,000,000 |
| PLANO ISD | \$60,307,812,800 | \$581,316,000 | \$0 | \$61,200,000,000 | 1.48% | 0.52% | 0.96% | \$391,314 | \$405,400 | \$8,405,732,463 | \$52,790,000,000 |
| PRINCETON ISD | \$1,791,070,206 | \$282,324,000 | \$0 | \$2,130,000,000 | 18.92% | 3.16% | 15.76% | \$209,704 | \$222,800 | \$186,028,643 | \$1,940,000,000 |
| PROSPER ISD | \$9,486,665,009 | \$777,348,000 | \$0 | \$10,570,000,000 | 11.42% | 3.23% | 8.19% | \$445,405 | \$471,100 | \$865,456,630 | \$9,700,000,000 |
| ROCKWALL ISD | \$972,254 | \$0 | \$0 | \$1,010,000 | 3.88% | 3.88% | 0.00% | \$511,837 | \$562,800 | \$367,243 | \$642,000 |
| ROYSE CITY ISD | \$220,407,039 | \$4,708,000 | \$0 | \$232,000,000 | 5.26% | 3.12% | 2.14% | \$229,964 | \$241,800 | \$28,922,995 | \$203,000,000 |
| TRENTON ISD | \$19,080,557 | \$86,000 | \$0 | \$19,700,000 | 3.25% | 2.80% | 0.45% | \$283,891 | \$336,500 | \$1,526,165 | \$18,100,000 |
| VAN ALSTYNE ISD | \$64,942,409 | \$3,460,000 | \$0 | \$70,000,000 | 7.79% | 2.46% | 5.33% | \$308,420 | \$355,100 | \$11,979,093 | \$58,000,000 |
| WHITEWRIGHT ISD | \$7,288,396 | \$483,000 | \$0 | \$8,070,000 | 10.72% | 4.10% | 6.63% | \$245,113 | \$257,600 | \$2,168,617 | \$5,900,000 |
| WYLIE ISD | \$7,523,150,005 | \$275,742,000 | \$0 | \$8,060,000,000 | 7.14% | 3.47% | 3.67% | \$301,415 | \$318,000 | \$853,907,956 | \$7,200,000,000 |
| CITIES & TOWNS | | | | | | | | | | | |
| CITY OF ALLEN | \$14,890,007,944 | \$340,644,000 | \$0 | \$15,470,000,000 | 3.90% | 1.61% | 2.29% | \$370,652 | \$388,000 | N/A | N/A |
| CITY OF ANNA | \$1,476,403,622 | \$155,757,000 | \$0 | \$1,690,000,000 | 14.47% | 3.92% | 10.55% | \$232,267 | \$243,500 | N/A | N/A |
| CITY OF BLUE RIDGE | \$57,845,960 | \$388,000 | \$0 | \$61,000,000 | 5.45% | 4.78% | 0.67% | \$133,272 | \$145,300 | N/A | N/A |
| CITY OF CARROLLTON | \$129,760,350 | \$9,178,000 | \$0 | \$140,000,000 | 7.89% | 0.82% | 7.07% | NA | \$0 | N/A | N/A |

**COLLIN CENTRAL APPRAISAL DISTRICT
2021 PRELIMINARY ESTIMATE OF TAXABLE VALUE**

| TAXING ENTITY NAME | 2020 CERTIFIED TAXABLE VALUE, SUPP # 11, MARCH 4, 2021 | 2021 ESTIMATED NEW PROPERTY (INCLUDED IN PRELIMINARY ESTIMATED TAXABLE) | 2021 ANNEXATIONS TAXABLE (INCLUDED IN PRELIMINARY ESTIMATED TAXABLE) | 2021 CERTIFIED ESTIMATE OF TAXABLE VALUE, APRIL 30, 2021 (Based on April 26th Preliminary Totals) | 2021 PRELIM. TAXABLE VALUE COMPARED TO 2020 SUPP #11 | 2021 ESTIMATED PERCENT CHANGE IN EXISTING PROPERTY TAXABLE, YEAR-OVER-YEAR | 2021 ESTIMATED TAXABLE VALUE CHANGE DUE TO NEW PROPERTY & ANNEXATIONS | 2020 AVG HOMESTEAD MARKET VALUE, AS OF MARCH 4, 2021 SUPP #11 | 2021 AVG HOMESTEAD MARKET VALUE, AS OF APRIL 26, 2021 PRELIMINARY TOTALS | 2021 PRELIMINARY OVER-65 FREEZE TAXABLE LOSS, APRIL 26, 2021 PRELIMINARY TOTALS | 2021 PRELIMINARY FREEZE ADJUSTED TAXABLE VALUE (ROUNDED), (Based on April 26th Preliminary Totals) |
|---------------------------|--|---|--|---|--|--|---|---|--|---|--|
| CITIES & TOWNS | | | | | | | | | | | |
| CITY OF CELINA | \$2,074,020,456 | \$278,252,000 | \$26,956,669 | \$2,450,000,000 | 18.13% | 3.41% | 14.72% | \$385,675 | \$403,000 | \$196,495,051 | \$2,250,000,000 |
| CITY OF DALLAS | \$5,850,700,355 | \$27,105,000 | \$0 | \$5,880,000,000 | 0.50% | 0.04% | 0.46% | \$434,450 | \$451,900 | N/A | N/A |
| TOWN OF FAIRVIEW | \$2,084,413,172 | \$66,221,000 | \$0 | \$2,180,000,000 | 4.59% | 1.41% | 3.18% | \$537,319 | \$569,800 | N/A | N/A |
| CITY OF FARMERSVILLE | \$292,071,969 | \$7,750,000 | \$364,952 | \$312,000,000 | 6.82% | 4.04% | 2.78% | \$170,960 | \$187,600 | N/A | N/A |
| CITY OF FRISCO | \$21,185,352,633 | \$978,669,000 | \$0 | \$22,440,000,000 | 5.92% | 1.30% | 4.62% | \$450,434 | \$472,600 | N/A | N/A |
| CITY OF GARLAND | \$29,263,023 | \$86,000 | \$0 | \$29,400,000 | 0.47% | 0.17% | 0.29% | \$362,331 | \$367,200 | N/A | N/A |
| CITY OF JOSEPHINE | \$133,648,313 | \$8,589,000 | \$0 | \$149,000,000 | 11.49% | 5.06% | 6.43% | \$198,657 | \$210,700 | \$17,150,580 | \$131,000,000 |
| CITY OF LAVON | \$408,386,820 | \$24,707,000 | \$0 | \$447,000,000 | 9.46% | 3.41% | 6.05% | \$266,397 | \$283,600 | \$55,347,126 | \$391,000,000 |
| LOWRY CROSSING | \$177,365,286 | \$1,316,000 | \$0 | \$188,000,000 | 6.00% | 5.25% | 0.74% | \$280,337 | \$299,800 | \$41,526,075 | \$146,000,000 |
| CITY OF LUCAS | \$1,497,501,013 | \$43,789,000 | \$2,009,438 | \$1,590,000,000 | 6.18% | 3.12% | 3.06% | \$646,884 | \$688,400 | \$218,981,343 | \$1,370,000,000 |
| CITY OF MCKINNEY | \$25,067,191,976 | \$798,855,000 | \$0 | \$26,540,000,000 | 5.88% | 2.69% | 3.19% | \$352,399 | \$371,500 | N/A | N/A |
| CITY OF MELISSA | \$1,425,047,583 | \$189,923,000 | \$701,669 | \$1,670,000,000 | 17.19% | 3.81% | 13.38% | \$298,986 | \$318,800 | N/A | N/A |
| CITY OF MURPHY | \$2,646,701,003 | \$27,393,000 | \$0 | \$2,697,000,000 | 1.90% | 0.87% | 1.03% | \$395,212 | \$401,700 | N/A | N/A |
| CITY OF NEVADA | \$124,855,514 | \$2,155,000 | \$0 | \$133,000,000 | 6.52% | 4.80% | 1.73% | \$249,671 | \$269,200 | N/A | N/A |
| TOWN OF NEW HOPE | \$68,096,864 | \$226,000 | \$0 | \$71,100,000 | 4.41% | 4.08% | 0.33% | \$279,366 | \$298,100 | N/A | N/A |
| CITY OF PARKER | \$1,126,221,420 | \$48,857,000 | \$0 | \$1,200,000,000 | 6.55% | 2.21% | 4.34% | \$656,614 | \$678,700 | N/A | N/A |
| CITY OF PLANO | \$45,070,344,206 | \$616,165,000 | \$0 | \$45,750,000,000 | 1.51% | 0.14% | 1.37% | \$378,406 | \$393,600 | \$4,682,141,566 | \$41,060,000,000 |
| CITY OF PRINCETON | \$1,326,814,362 | \$220,996,000 | -\$6,076 | \$1,600,000,000 | 20.59% | 3.93% | 16.66% | \$217,857 | \$227,100 | \$98,416,957 | \$1,500,000,000 |
| TOWN OF PROSPER | \$4,188,711,722 | \$298,476,000 | \$0 | \$4,590,000,000 | 9.58% | 2.45% | 7.13% | \$544,133 | \$579,100 | \$419,316,676 | \$4,170,000,000 |
| CITY OF RICHARDSON | \$8,198,952,594 | \$150,623,000 | \$0 | \$8,290,000,000 | 1.11% | -0.73% | 1.84% | \$391,819 | \$398,800 | N/A | N/A |
| CITY OF ROYSE CITY | \$212,625,009 | \$4,264,000 | \$2,949,733 | \$223,000,000 | 4.88% | 1.49% | 3.39% | \$238,825 | \$245,200 | \$28,936,507 | \$194,000,000 |
| CITY OF SACHSE | \$1,057,050,320 | \$35,426,000 | \$0 | \$1,120,000,000 | 5.96% | 2.60% | 3.35% | \$329,637 | \$348,100 | \$116,124,042 | \$1,000,000,000 |
| CITY OF ST. PAUL | \$127,098,792 | \$610,000 | \$0 | \$133,700,000 | 5.19% | 4.71% | 0.48% | \$340,815 | \$370,200 | N/A | N/A |
| CITY OF VAN ALSTYNE | \$1,133 | \$0 | \$0 | \$1,140 | N/A | 0.62% | N/A | N/A | \$0 | N/A | N/A |
| CITY OF WESTON | \$39,028,302 | \$1,909,000 | \$0 | \$43,100,000 | 10.43% | 5.54% | 4.89% | \$181,751 | \$198,500 | \$6,215,689 | \$36,800,000 |
| CITY OF WYLIE | \$5,174,051,991 | \$147,114,000 | \$800,095 | \$5,500,000,000 | 6.30% | 3.44% | 2.86% | \$279,917 | \$296,500 | \$488,106,281 | \$5,010,000,000 |

**COLLIN CENTRAL APPRAISAL DISTRICT
2021 PRELIMINARY ESTIMATE OF TAXABLE VALUE**

| TAXING ENTITY NAME | 2020 CERTIFIED TAXABLE VALUE, SUPP # 11, MARCH 4, 2021 | 2021 ESTIMATED NEW PROPERTY (INCLUDED IN PRELIMINARY ESTIMATED TAXABLE) | 2021 ANNEXATIONS TAXABLE (INCLUDED IN PRELIMINARY ESTIMATED TAXABLE) | 2021 CERTIFIED ESTIMATE OF TAXABLE VALUE, APRIL 30, 2021 (Based on April 26th Preliminary Totals) | 2021 PRELIM. TAXABLE VALUE COMPARED TO 2020 SUPP #11 | 2021 ESTIMATED PERCENT CHANGE IN EXISTING PROPERTY TAXABLE, YEAR-OVER-YEAR | 2021 ESTIMATED TAXABLE VALUE CHANGE DUE TO NEW PROPERTY & ANNEXATIONS | 2020 AVG HOMESTEAD MARKET VALUE, AS OF MARCH 4, 2021 SUPP #11 | 2021 AVG HOMESTEAD MARKET VALUE, AS OF APRIL 26, 2021 PRELIMINARY TOTALS | 2021 PRELIMINARY OVER-65 FREEZE TAXABLE LOSS, APRIL 26, 2021 PRELIMINARY TOTALS | 2021 PRELIMINARY FREEZE ADJUSTED TAXABLE VALUE (ROUNDED), (Based on April 26th Preliminary Totals) |
|--------------------------------|--|---|--|---|--|--|---|---|--|---|--|
| COUNTY & COLLEGE | | | | | | | | | | | |
| COLLIN COUNTY | \$156,740,192,270 | \$5,004,088,000 | \$0 | \$165,240,000,000 | 5.42% | 2.23% | 3.19% | \$375,720 | \$393,900 | \$17,365,108,610 | \$147,800,000,000 |
| COLLIN CO. COLLEGE | \$159,744,328,557 | \$5,032,403,000 | \$0 | \$168,400,000,000 | 5.42% | 2.27% | 3.15% | \$375,720 | \$393,900 | \$18,108,521,118 | \$150,200,000,000 |
| SPECIAL DISTRICTS | | | | | | | | | | | |
| COLLIN CO.WCID#3 (INSPIRATION) | \$358,389,978 | \$68,932,000 | \$0 | \$441,000,000 | 23.05% | 3.82% | 19.23% | \$375,304 | \$386,400 | N/A | N/A |
| COLLIN COUNTY MUD CR412 WM412 | \$0 | \$0 | \$0 | \$1,500,000 | N/A | N/A | N/A | \$0 | \$194,100 | N/A | N/A |
| COLLIN COUNTY MUD#1 WCCM1 | \$726,188,510 | \$73,787,000 | \$0 | \$824,000,000 | 13.47% | 3.31% | 10.16% | \$416,417 | \$432,600 | N/A | N/A |
| COLLIN COUNTY MUD#2 WCCM2 | \$10,635,647 | \$28,440,000 | \$1,471,274 | \$56,900,000 | 434.99% | 153.76% | 281.24% | \$0 | \$195,300 | N/A | N/A |
| COLLIN COUNTY MUD#4 WCCM4 | \$0 | \$0 | \$4,315,332 | \$4,310,000 | N/A | N/A | N/A | \$0 | \$0 | N/A | N/A |
| LAKEHAVEN MUD (WLHM) | \$0 | \$0 | \$2,947,057 | \$2,940,000 | N/A | N/A | N/A | \$0 | \$0 | N/A | N/A |
| MAGNOLIA POINTE MUD #1 WDRM1 | \$68,047,805 | \$43,208,000 | \$0 | \$137,000,000 | 101.33% | 37.83% | 63.50% | \$198,289 | N/A | N/A | N/A |
| MCKINNEY MUD#1 WMM1 | \$475,109,202 | \$82,664,000 | \$0 | \$583,000,000 | 22.71% | 5.31% | 17.40% | \$374,472 | \$404,700 | N/A | N/A |
| MCKINNEY MUD#2 WMM2 | \$65,940,319 | \$12,193,000 | \$0 | \$89,000,000 | 34.97% | 16.48% | 18.49% | \$298,783 | \$297,500 | N/A | N/A |
| SEIS LAGOS UTILITY DIST WSE | \$255,145,465 | \$13,237,000 | \$0 | \$276,000,000 | 8.17% | 2.99% | 5.19% | \$510,848 | \$549,700 | N/A | N/A |
| TRAILS OF BLUE RIDGE RDTBR | \$30,108,845 | \$10,083,000 | \$0 | \$41,600,000 | 38.17% | 4.68% | 33.49% | \$374,388 | \$423,400 | N/A | N/A |
| VAN ALSTYNE MUD#2 WVAM2 | \$0 | \$0 | \$0 | \$0 | N/A | N/A | N/A | \$0 | \$0 | N/A | N/A |

Collin County Community College District Board of Trustees

4. Finance and Audit Committee

June 15, 2021

Resource: Melissa Irby
Chief Financial Officer

DISCUSSION ITEM: Collin College 2021 Planning Calendar for Tax Appraisal and Related Due Dates

DISCUSSION: Chief Financial Officer, Melissa Irby, will review the 2021 planning calendar for the Finance and Audit Committee's review and discussion.

2021 PLANNING CALENDAR



COLLIN COLLEGE

| | |
|--------------------------|---|
| <u>April - May</u> | Mailing of "Notices of Appraised Value" by Chief Appraiser. |
| <u>April 30</u> | The Chief Appraiser prepares and certifies to the Tax Assessor for each county, municipality, and school district participating in the appraisal district an estimate of the taxable value. |
| <u>May 15</u> | Deadline for submitting Appraisal Records to ARB. |
| <u>July 20 (Aug 30)</u> | Deadline for ARB to approve Appraisal Records. |
| <u>July 25</u> | Deadline for Chief Appraiser to certify Appraisal Rolls to each Taxing Unit. |
| <u>Aug</u> | Certification of anticipated collection rate by collector. |
| <u>07/25/21</u> | Calculation of Effective and Rollback Tax Rates. |
| | Publication of " Effective and Rollback Tax Rates, Statement and Schedules "; Submission to the Governing Body |
| <u>07/31/21</u> | 72 Hour Notice for Meeting (Open Meetings Notice). |
| <u>08/03/21</u> | Meeting of Governing Body to Discuss Tax Rates. If proposed tax rate will exceed the Rollback Rate or the Effective Tax Rate (whichever is lower), take record vote and schedule Public Hearing. |
| <u>08/17/21</u> | Publication of the " Notice of Public Hearing on Tax Increase " This Notice is the first quarter-page notice in the newspaper and website, if available. Publish at least five days before Public Hearing. |
| <u>08/20/21</u> | 72 Hour Notice for First Public Hearing (Open Meetings Notice). |
| <u>08/24/21</u> | Public Hearing |
| <u>08/24/21</u> | Meeting to Adopt 2021 Tax Rate. |

Tax Code Section 81.06 directs that if a date falls on a weekend, the deadline is extended to the following regular business day.
Advice of taxing unit legal counsel should be sought to determine how to fulfill the requirements of Section 140.010 Local Code (SB 1510).

**Copy of the Ordinance adopted by the Board of Trustees of the 2021 Tax Rate to the Tax
Office by: September 15, 2021.**

Collin County Community College District Board of Trustees

5. Finance and Audit Committee

June 15, 2021

Resource: Ali Subhani
Director of Internal Audit

DISCUSSION ITEM: Discuss Audit Results for the District

DISCUSSION: The following topics will be discussed:

- Report Number 21-02– Purchasing
- Follow-up process
- Audits completed by external agencies:
 - Texas Higher Education Coordinating Board HB-1735 Compliance Audit
 - State Auditor’s Office - Compliance with Public Funds Investment Act and Rider 5



PURCHASING AUDIT

AUDIT # 21-02

15 JUNE, 2021

Report Distribution:

H. Neil Matkin, Ed.D., District President
Melissa Irby, CPA, Chief Financial Officer
Cindy White, CPPO, CPPB, Director of Purchasing and Contracts

Trustee Andrew Hardin
Trustee Jay Saad
Trustee Jim Orr
Trustee Dr. Raj Menon
Trustee Stacy Anne Arias

Trustee Dr. J. Robert Collins
Trustee Dr. Stacey Donald
Trustee Greg Gomel
Trustee Fred Moses

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Internal Audit

TABLE OF CONTENTS

| | |
|--------------------------------------|----|
| Executive Summary | 3 |
| Background | 4 |
| Methodology | 5 |
| Controls & Strengths Noted | 6 |
| Audit Results & Management Responses | 7 |
| Priority Findings and Risk Matrix | 15 |
| Audit Observation Categories | 15 |

EXECUTIVE SUMMARY

AUDIT OBJECTIVE

The objective of the audit was to evaluate compliance with the District's purchasing policies and applicable external requirements. The scope of the audit included the period from the fiscal year 2019 through the fiscal year 2020.

AUDIT RECOMMENDATIONS

| Recommendation | Risk Level | Implementation Date |
|---|------------|---------------------|
| 1. Strengthen Process for Reporting Contracts to the Legislative Budget Board | High | December 2021 |
| 2. Update Approval Workflow to Facilitate Segregation of Duties | High | December 2021 |
| 3. Enhance Vendor Evaluation and Improve Compliance with Texas Education Code | Medium | December 2021 |
| 4. Require that Solicitations be Posted on the Electronic State Business Daily Portal | Low | December 2021 |

Other less significant opportunities for improvement were communicated to management separately.

DESIGNATED MANAGEMENT

Responsible Parties



Melissa Irby, CPA
Chief Financial Officer



Cindy White, CPPO, CPPB
Director of Purchasing and Contracts

CONCLUSION

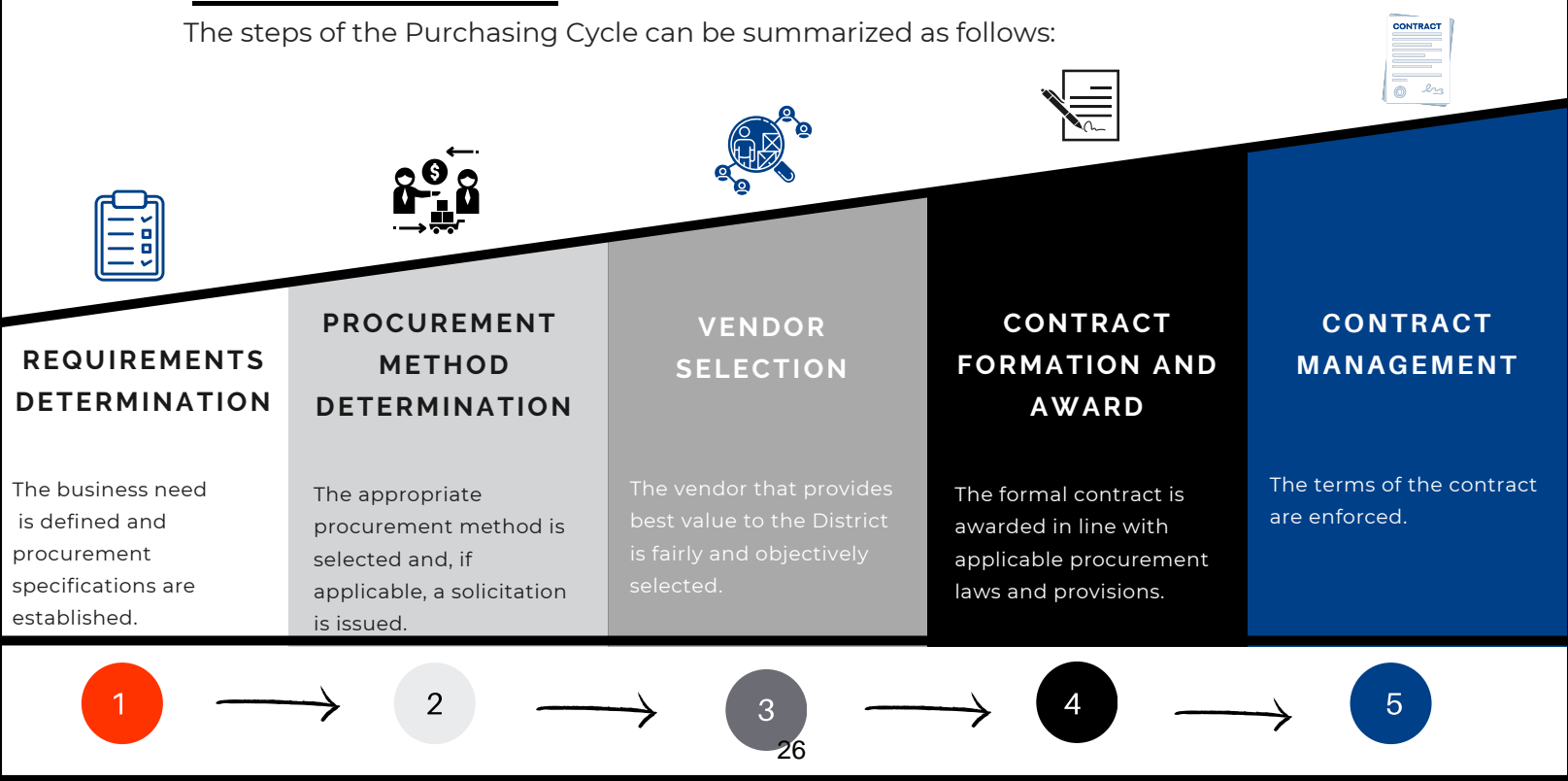
Implementation of the recommendations outlined in the report will strengthen processes and improve compliance.

BACKGROUND

Purchasing decisions at Collin College are governed by provisions of the Texas Education Code (TEC) Chapter 44, Subchapter B. According to TEC §44.0312 (a), the Board may, as appropriate, delegate certain purchasing authority to a designated person, representative, or committee. Under Board Policy CF (LOCAL), the Board has delegated to the District President the authority to make budgeted purchases for goods and services with the desire to accept the bid/proposal that represents the best value. The Purchasing Department at the District has sole responsibility and authority for the procurement process within the College's Board policies. The Purchasing Department has invested in multiple applications to streamline the purchasing process. The Ion Wave sourcing and bidding application is utilized for evaluating all competitive solicitations. In contrast, the electronic procurement application developed by Jaggaer is used for managing contracts after execution and for the submission and processing of requisitions and purchase orders.

PURCHASING CYCLE SUMMARIZED

The steps of the Purchasing Cycle can be summarized as follows:



METHODOLOGY

To satisfy audit objectives, the following procedures were performed:

- Gained an understanding of the District's purchasing policies and purchasing department procedures.
- Gained an overview of the process for posting purchasing solicitations and evaluating vendors.
- Reviewed purchases to confirm Board approval.
- Validated that the budget notification configuration was set up on contracts.
- Reviewed the purchase approval workflow for segregation of duties.
- Evaluated compliance with contract reporting requirements mandated by Article IX, Section 7.04 of the General Appropriations Act.
- Performed data analysis procedures to compute the average number of responses that are received on competitively bid solicitations.
- Reviewed controls within the bid solicitation and e-procurement applications.
- Selected a sample of purchases to evaluate compliance with District purchasing procedures.

The International Standards for the Professional Practice of Internal Auditing were utilized as guidance for conducting the audit. The Standards are statements of core requirements for the professional practice of internal auditing. Those standards require that sufficient and appropriate evidence is obtained in performing and planning the audit to provide a reasonable basis for the findings and conclusions based on the audit objectives. The evidence obtained provides a reasonable basis for the findings and conclusion based on the audit objectives.

CONTROLS & STRENGTHS NOTED

The following controls and strengths were noted as the audit was completed:

- A policy that outlines the District's purchasing requirements is in place.
- Board approval was consistently noted on purchases that required Board approval.
- Contracts were set up to notify the designated Contract Manager when budget spend reached the 85 percent threshold.
- Implementation of the electronic procurement application has allowed for the approval process for purchases to be streamlined.
- A summary of bid tabulations that outlines the scores assigned to each vendor by evaluators is posted publically once the contract is awarded. This allows for greater transparency in the purchasing process.
- District personnel that were set up as users within the e-procurement application were offered training on applicable purchasing requirements by the Purchasing Director.
- An audit trail that detailed that bids are only unsealed after the bid submission deadline has elapsed was in place.
- Documentation was maintained as evidence that the required legal notices for upcoming bid opportunities with the District were published in the county newspaper.



reviewed were approved by the Board. This is based on a review of 196 contracts with total budgeted contract value of \$215.16 million.



reviewed were set up to notify the designated Contract Manager when budget spend reached the 85 % threshold. This is based on a review of 740 contracts.



The average time for issuing purchase orders once requisitions were submitted was two days.

AUDIT RESULTS & MANAGEMENT RESPONSES

1. Strengthen Process for Reporting Contracts to the Legislative Budget Board

Risk Level: High

Category: Compliance, Reputation

According to the General Appropriations Act, Article IX, Section 7.04 :

"A state agency or institution of higher education receiving an appropriation under this Act shall report a contract pursuant to this section without regard to source of funds or method of finance associated with the expenditure, including a contract for which only non-appropriated funds will be expended." The requirements mandate reporting of all contracts that exceed fifty thousand dollars to the LBB within 30 days. In addition, contract modifications that exceed 10 percent of the originally reported amount must also be reported. "

In a review of 193 contracts that met the criteria for reporting to the Legislative Budget Board (LBB), it was noted that the:

- Contract values for 155 contracts were accurately reported to the LBB.
- Contract values for 38 contracts were underreported to the LBB by at least \$54 million.

LBB Reporting Review Results



The contract values were not accurately reported either due to the designated Purchasing staff member failing to submit the required information or misunderstanding the reporting requirements whenever contract revisions were executed. The District risks negative publicity with continued non-compliance with the LBB's reporting requirements.



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Recommendation:

The process for reporting contracts to the LBB should be strengthened so that the required information is submitted accurately.

Management Response:

Management agrees to strengthen the reporting process. The Contract Administrator in the Purchasing Department is now running PO reports monthly to catch any purchases that exceed \$50,000 and is also reviewing the entire Board agenda to catch purchase items that went as a committee agenda item and were not included on the Bid Report. All LBB reported contracts have been updated.

Person Responsible for Implementation:

Cindy White, Director of Purchasing and Contracts

2. Update Approval Workflow to Facilitate Segregation of Duties

Risk Level: High

Category: Governance

Security Control Standards Catalog, Control AC-5 states:

"organizations shall ensure adequate controls and separation of duties for tasks that are susceptible to fraudulent or other unauthorized activity."

The District has implemented an e-procurement application for managing contracts and facilitating purchases. The application offers critical functionality such as the capability for:

- Personnel to create and submit a requisition. A requisition is an internal document that requests the purchasing department to initiate a purchase order.
- Supervisors to review and electronically approve requisitions to authorize the use of funds for purchases.
- Personnel to confirm receipt of an item after delivery.

Departments where Requisitions were Processed



- **Other - \$ 2,255**
- **Grounds Maintenance - \$ 243,822**
- **Physical Plant - \$ 976,286**

A total of \$ 1.2 million in requisitions were processed within different departments, where the same individual carried out the tasks of submitting the purchase requisition, providing approval to authorize the use of funds, and providing confirmation that the items were received. This is due to the fact that the approval workflow is not configured to route requisitions to the next individual in the organization hierarchy if requisitions are submitted and approved by the same individual. Inadequate segregation of duties may allow individuals the opportunity to misuse the District's fiscal resources.



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Recommendation:

The approval workflow should be updated to facilitate the segregation of duties on purchase requisitions.

Management Response:

While requisitions under \$15,000 do not go to a next-level supervisor for approval, they are reviewed by two individuals in the Purchasing Department, unless they are being purchased through a punch-out or catalog supplier and the dollar amount is under \$5,000. However, Purchasing does not approve or review receivers.

Management agrees to revise the workflow for those individuals who do not have a Division Secretary to have their direct supervisor approve the requisition or have another individual submit the requisition for their approval and create the receiver. The workflow in Workday will be set to not allow an individual who submits a requisition to also approve the requisition.

Person Responsible for Implementation:

Cindy White, Director of Purchasing and Contracts

3. Enhance Vendor Evaluation and Improve Compliance with Texas Education Code

| | |
|--------------------|-----------------------------------|
| Risk Level: Medium | Category: Governance / Compliance |
|--------------------|-----------------------------------|

Texas Education Code, Subchapter B, Section 44.0351 states that:

" A school district shall award a competitively bid contract at the bid amount to the bidder offering the best value for the district. "

In a review of 21 solicitations with a budgeted contract value of \$ 10.28 million, it was noted that:

- On 1 solicitation with a budgeted contract value of \$400,000, there was a large variance in the scores assigned by the evaluators for the reference check evaluation factor. Scores of 15, 6, 6, and 8 were assigned. This gives the impression that the evaluators did not ask the same questions when

performing the reference check. The same script or format of questions must be used when conducting reference checks so that the results are consistent and fair to all respondents. Currently, there is no documented reference form that details the questions that the evaluators posed.

- On 1 solicitation with a budgeted contract value of \$185,000, 3 of the 4 evaluators did not assign the highest scores for pricing to the vendor with the lowest cost. No comments were identified to support the assigned lower scores.
- 1 solicitation with a budgeted contract value of \$242,258, for purchase of colocation and internet services, did not follow the standard procurement process where prospective vendors had the opportunity to submit a bid. No sole source exemption was claimed on the contract.
- Lastly, sole source documentation was not consistently maintained. According to the Purchasing Procedures Manual, " Sole Source documentation must be current and may not be more than 12 months old."

The District risks non-compliance with requirements of the Texas Education Code Subchapter B, Section 44.035 if vendor evaluations and documentation retention is not improved.

Recommendation:

Vendor evaluations should be enhanced by:

- Requiring solicitation evaluators to document the results of vendor reference checks on a standardized reference check form.
- Implementing a documented review process so that scoring discrepancies can be identified and addressed prior to execution of the contract.

Additionally, compliance with requirements of Texas Education should be improved:

- For solicitations, where a sole-source exemption cannot be claimed, the standard business practice that allows competitive bidding by prospective vendors should be followed.
- When a sole source exemption is claimed, the contract should not be executed before the required sole-source documentation is in place.

Management Response:

Management agrees to:

- Share a standard reference check form with all staff involved in the evaluation process and update procedures to require the use of the reference form.
- Create a ratings key to assist evaluators in determining their scores. Since the implementation of the evaluation tool in Ion Wave, the scoring for pricing has been set as a "Buyer Only" entered field and a formula is used for scoring the prices.
- For solicitations, where a sole-source exemption cannot be claimed, the standard business practice that allows competitive bidding by prospective vendors will be followed.
- Review sole source purchases to ensure the required documentation has been completed prior to processing the order or submission for Board approval. In Workday, the sole source justification will be a required field for all requisitions that are created as a Sole Source requisition type.

Person Responsible for Implementation:

Cindy White, Director of Purchasing and Contracts

4. Require that Solicitations be Posted on the Electronic State Business Daily Portal

Risk Level: Low Category: Cost Savings

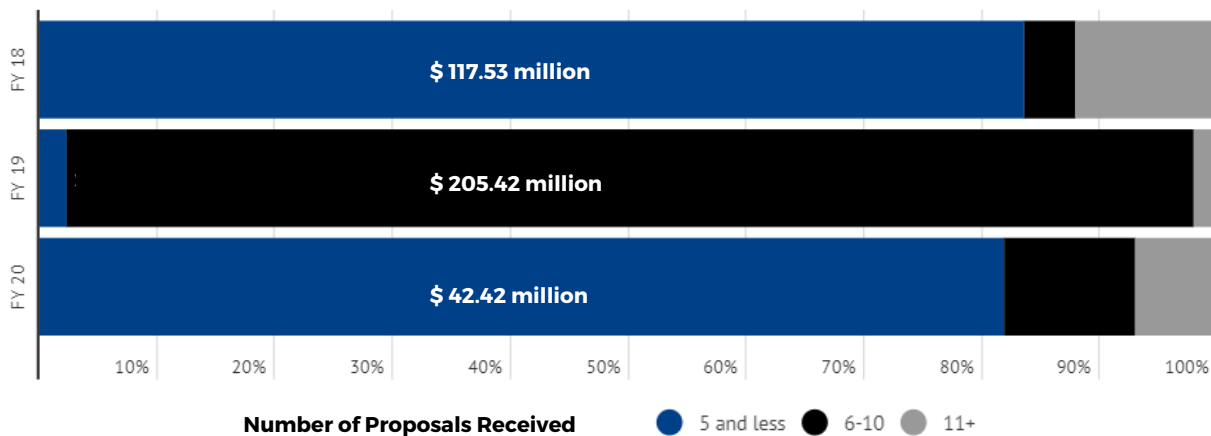
Texas Education Code, Subchapter B, Section 44.0351 states that:

" A school district shall award a competitively bid contract at the bid amount to the bidder offering the best value for the district. "

The District provides a means for prospective vendors to register electronically to receive notifications of bid opportunities via email, based on the commodity codes selected by the vendor during registration. In addition, the District posts the required legal notices in the county newspaper to share information about upcoming bid opportunities. However, in an analysis of the number of proposals that were received during the past

three fiscal years, it was noted that approximately \$164.87 million (40.41 %) was authorized for contracting based on the submission of five or less proposals.

Contract Budgets and the Number of Proposals Received



Since it is optional for junior college districts to utilize the Electronic State Business (EBSB) portal, the District currently does not post solicitations on the EBSB portal. State agencies utilize the portal to inform vendors about upcoming bid opportunities. The District may derive improved best value as a result of greater competition between vendors by posting bid opportunities on the EBSB portal.



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Recommendation:

The practice of posting solicitations on the Electronic State Business Daily Portal should be adopted as a standard business practice.

Management Response:

The Purchasing Department will review the added practice of posting solicitations to the Electronic State Business Daily (ESBD) to determine the amount of time that will be required by the Buyers to add this step and evaluate the number of suppliers responding to solicitations who indicate that they received the information from the ESBD.

Person Responsible for Implementation:

Cindy White, Director of Purchasing and Contracts

PRIORITY FINDINGS AND RISK MATRIX

Definitions of Risks

| Risk Level | Definition |
|-----------------|--|
| Priority | High probability of occurrence that would significantly impact Collin College. If not addressed in a timely way, could directly impact achievement of a strategic or important operational objective of Collin as a whole. |
| High | Risks are considered to be substantially undesirable and pose a moderate to significant level of exposure to the college's operations. Without appropriate controls, the risk will happen on a consistent basis. |
| Medium | The risks are considered to be undesirable and could moderately expose the college. Without appropriate controls, the risk will occur some of the time. |
| Low | Low probability of various risk factors occurring. Even with no controls, the exposure to the college will be minimal. |

AUDIT OBSERVATION CATEGORIES

- Compliance
- Cost Savings
- Financial Reporting
- Governance
- Information Technology / Security
- Operations
- Reputation



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THANK YOU

I appreciate the courtesies and considerations extended to me during the engagement.

Please let me know if you have questions or comments regarding this audit.

A handwritten signature in black ink that reads 'Ali Subhani'.

Ali Subhani, CIA, CISA, GSNA
Director Internal Audit



TEXAS HIGHER EDUCATION COORDINATING BOARD

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May 25, 2021

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Dr. H. Neil Matkin
President
Collin County Community College District
2200 W. University Drive
McKinney, Texas 75071

Dear Dr. Matkin,

Collin County Community College District substantially complied with the requirements of House Bill 1735 of the 86th Regular Legislative Session (HB-1735), based on our desk review of 18 requirements identified in HB-1735. The attached Summary of Results lists the areas reviewed and results obtained.

Our desk review included:

- Analyzing information available on your public website,
- Submitting a request for information to your Title IX administrator, and
- Compiling all information obtained to determine the level of compliance achieved by your institution.

The cooperation of your staff during this engagement is greatly appreciated. If you have any questions or comments on the conduct of this review, please let me know.

Sincerely,

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

PERFORMED BY:

Mr. Bobby Lane, CFE, CICA, Compliance Specialist

CC:

THECB

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Mr. Ali Subhani, Director Internal Audit

Mr. Terrence Brennan, District Dean of Students, Title IX Coordinator for Students

Mr. Floyd Nickerson, Chief Human Resources Officer, Title IX Coordinator for Employees

Texas Association of Community Colleges

Mr. Jacob Fraire, President and CEO

STATUTORY DISTRIBUTION REQUIREMENT

Governor's Office - Budget and Policy Division

Ms. Sarah Hicks, Director

State Auditor's Office

Internal Audit Coordinator

Legislative Budget Board

Mr. Christopher Mattson, Manager

Sunset Advisory Commission

Ms. Jennifer Jones, Executive Director

Summary of Results

| Item Number | Bill Reference by Section | Policy Compliance Requirements | Compliance Assessment |
|-------------|---------------------------|---|--------------------------------------|
| 1 | 51.282 (a)(1)(A) | A "Definitions" page and details prohibited behavior. | No Improvement Recommendations Noted |
| 2 | 51.282 (a)(2) | Board-approved policy. | |
| 3 | 51.282 (b)(1) | Included in student handbook and personnel handbook. | |
| 4 | 51.282 (b)(2) | Dedicated webpage and clearly linked to the IHE homepage. | |
| 5 | 51.282 (c) | Requires each entering freshman or undergraduate transfer students to attend an orientation on the institution's policy. | |
| 6 | 51.282 (d) | Prevention and outreach program that addresses required elements. | |
| 7 | 51.282 (e)(1) and (2) | Protocol addresses counseling resources and must allow course drop. | |
| 8 | 51.282 (f) | Biennial review and governing board approval of policy revisions. | |
| 9 | 51.283 | Electronic reporting option for an enrolled student or an IHE employee. | |
| 10 | 51.284 | Provides "Amnesty for Students Reporting Certain Incidents". | |
| 11 | 51.285 | Procedures for documenting a victim request not to investigate and to notify the victim of the IHE's decision whether it will investigate the alleged incident. | |
| 12 | 51.286 | A disciplinary process for certain violations. | |
| 13 | 51.287 | Protocol for when a student withdraws or graduates with pending disciplinary charges. | |

| Item Number | Bill Reference by Section | Policy Compliance Requirements | Compliance Assessment |
|-------------|---------------------------|--|--------------------------------------|
| 14 | 51.288 | Trauma-informed investigation training to each peace officer employed by an IHE. | No Improvement Recommendations Noted |
| 15 | 51.289 | IHE has an MOU with one or more of the following: (1) local law enforcement agencies; (2) sexual harassment, sexual assault, dating violence, or stalking advocacy groups; or (3) hospitals or other medical resource providers. | |
| 16 | 51.290 | Provides for at least one or more responsible employee, confidential employee, and student advocate. Responsible employee for the purposes of Title IX; (1) Confidential employee to whom enrolled students may speak confidentially; and (2) Student advocate is an enrolled student to whom an enrolled student may speak confidentially. | |
| 17 | 51.291 | Addresses confidentiality adheres to these requirements stipulated in this sub-section. | |
| 18 | 51.293 | Protocols address equal access for students enrolled at or employees of an IHE who are persons with disabilities. | |



Lisa R. Collier, CPA, CFE, CIDA
First Assistant State Auditor

A Report on

**Agencies', Higher Education
Institutions', and Community Colleges'
Compliance with Public Funds
Investment Act and Rider 5, General
Appropriations Act, Reporting
Requirements**

June 2021
Report No. 21-023

State Auditor's Office reports are available on the Internet at <http://www.sao.texas.gov/>.



A Report on

Agencies', Higher Education Institutions', and Community Colleges' Compliance with Public Funds Investment Act and Rider 5, General Appropriations Act, Reporting Requirements

SAO Report No. 21-023
June 2021

Overall Conclusion

All agencies, higher education institutions, and community colleges subject to Texas Government Code, Chapter 2256, the Public Funds Investment Act (Act), reported that they complied with the Act for the reporting period ending August 31, 2019¹. Additionally, higher education institutions, including universities, university systems, and community colleges², are subject to the reporting requirements of Special Provisions Relating Only to State Agencies of Higher Education (Rider 5), page III-261, General Appropriations Act (86th Legislature), and prescribed by the State Auditor's Office. All of those institutions complied with Rider 5. Entities subject to the requirements of the Act, Rider 5, or both reported total investment holdings of \$118.5 billion³ as of August 31, 2020.

It is important to note that the entities provided the information in this report and that the State Auditor's Office did not independently verify this information.

Background Information

The Legislature enacted the Public Funds Investment Act (Act) in 1995 to improve the transparency and management of investments by state agencies, higher education institutions, community colleges, and local governments. The Act requires certain state agencies, higher education institutions, and community colleges to implement controls in the form of investment policies, contracting, training, reporting, and reviewing, as well as to obtain audits of those controls at least once every two years and provide those audits to the State Auditor's Office by January 1 of every even numbered year.

In addition, Rider 5, the General Appropriations Act (86th Legislature), requires higher education institutions and community colleges to file an annual investment report prepared in a method prescribed by the State Auditor's Office. The State Auditor's Office prescribed that method and additional reporting requirements at

<http://www.sao.texas.gov/InternalAudit/PublicFunds/>. Additionally, the higher education institutions and community colleges are required to publish quarterly investment reports on their websites.

Sources: The Act, the General Appropriations Act (86th Legislature), and the State Auditor's Office website.

¹ The Act requires compliance reporting once every two years. As a result, this report reviewed compliance reports as of August 31, 2019, two years after the previous report. Rider 5 compliance requires information posted by the higher education institutions for the previous two years. Rider 5 compliance testing is for the two years ended August 31, 2020, and investment balances are as of August 31, 2020.

² For the purposes of this report, if a community college is within a community college district (with multiple community colleges), the phrase "community college" refers to the community college district.

³ Total investment holdings is the sum of investments of the agencies, higher education institutions, and community colleges that are subject to the Act, as well as investments of the higher education institutions that are not subject to the Act. The total excludes those entities' investments in the Texas Local Government Pool (TexPool) and Texas Local Government Investment Pool Prime (TexPool Prime) to prevent counting those holdings twice. The sources for the investment amounts are the entities' annual investment reports and annual financial statements.

Summary of Compliance

The following describes compliance by the type of entity.

- **Agencies.** All 13⁴ agencies subject to the Act submitted compliance audit reports that indicated full or substantial compliance with the Act.
- **Higher Education Institutions.**
 - **Compliance with the Act.** All four higher education institutions subject to the Act submitted compliance reports that indicated substantial or minimal compliance with the Act. Midwestern State University and Texas Southern University provided compliance audits that indicated multiple or significant instances of noncompliance.
 - **Compliance with the Higher Education Investment Reporting Requirements.** All of the higher education institutions, including three universities and one system subject to the Act and one university and six university systems not subject to the Act, complied with the reporting requirements of Rider 5, page III-261, General Appropriations Act (86th Legislature).
- **Community Colleges.**
 - **Compliance with the Act.** All 50 community colleges subject to the Act submitted compliance audit reports that indicated full or substantial compliance with the Act. Amarillo College, Clarendon College, and San Jacinto College provided compliance audits with minor instances of noncompliance.
 - **Compliance with the Higher Education Investment Reporting Requirements.** All 50 community colleges complied with the reporting requirements of Rider 5. Southwest Texas Junior College was determined to be substantially compliant due to one instance of noncompliance.

⁴ The 13 agencies include agencies of the state, self-directed semi-independent agencies, and nonprofit corporations established by and for the benefit of the state agency.

Some entities did not submit compliance reports by the statutorily required due date of January 1, 2020. In addition, a number of institutions using external auditors submitted reports limited to material noncompliance. Further, a number of higher education institutions did not fully comply with the higher education reporting requirements by the due date of December 31, 2020. However, the entities or auditors were able to provide the missing information or verify that the reporting requirements were met prior to completion of this report.

Audit Objectives and Scope

The objectives of this project were to:

- Determine whether state agencies and higher education institutions complied with the Act requirement to submit a compliance report to the State Auditor's Office by January 1, 2020.
- Determine whether higher education institutions complied with Special Provisions Relating Only to State Agencies of Higher Education, page III-261, the General Appropriations Act (86th Legislature), and reporting requirements as prescribed by the State Auditor's Office on its website.

The scope of this project covered compliance audit reports with due dates of January 1, 2020, and Rider 5 investment disclosures with due dates of December 31, 2019, and December 31, 2020. State auditors performed reviews of the reports from February 2021 through April 2021.

Contents

Detailed Results

| | |
|---|----|
| Chapter 1 | |
| All Agencies Subject to the Act Submitted Compliance Reports that Indicated They Were Fully or Substantially Compliant..... | 1 |
| Chapter 2 | |
| Higher Education Institutions Subject to the Act Were Determined to be Substantially or Minimally Compliant with the Act and Fully Compliant With Investment Reporting Requirements of Rider 5 | 3 |
| Chapter 3 | |
| Community Colleges Submitted Compliance Audit Reports Indicating that They Were Fully or Substantially Compliant with the Act, and Most Were Compliant with the Reporting Requirements of Rider 5 | 6 |
| Chapter 4 | |
| The University and the University Systems Subject to Rider 5 But Not Subject to the Act Complied with Reporting Requirements..... | 9 |
| Chapter 5 | |
| Summary of Investments for Agencies, Higher Education Institutions, and Community Colleges..... | 10 |

Appendices

| | |
|---|----|
| Appendix 1 | |
| Objectives, Scope, and Methodology | 20 |
| Appendix 2 | |
| Instances of Noncompliance with the Act | 23 |
| Appendix 3 | |
| Definitions of Asset Classes | 28 |
| Appendix 4 | |
| Related State Auditor’s Office Reports | 32 |

Detailed Results

Chapter 1





All Agencies Subject to the Act Submitted Compliance Reports That Indicated They Were Fully or Substantially Compliant

The Public Funds Investment Act (Act) in Texas Government Code, Chapter 2256, requires that the governing bodies of state agencies with authority to invest public funds implement investment-related controls in the following areas: policies, contracting, training, reporting, reviewing, and auditing. The Act contains multiple requirements for each of those areas, and the agencies' internal or external auditors must test compliance with those policies every two years. The Act requires the agencies to submit those audit results to the State Auditor's Office.

For the compliance reporting period ended August 31, 2019, all entities subject to the Act submitted the required compliance audit reports.

The State Auditor's Office reviewed those reports and defined levels of compliance (see text box).

Definitions of Compliance with the Act

-  **Fully Compliant:** No findings were reported.
-  **Substantially Compliant:** Few findings were reported that may include a significant finding related to policies, contracting, training, reporting, reviewing, or auditing.
-  **Minimally Compliant:** Some findings were reported that were significant to policies, contracting, training, reporting, reviewing, or auditing.
-  **Noncompliant:** The required compliance report was not provided or contained many findings that were significant to policies, contracting, training, reporting, reviewing, or auditing.

Agencies' Compliance with the Act. Of the 13 agencies subject to the Act, 11 agencies submitted reports that indicated full compliance with the Act. Two agencies submitted reports that indicated they were substantially compliant with the Act. Instances of noncompliance are noted in Appendix 2.

Table 1 on the next page shows ratings for compliance by agencies subject to the Act.

Table 1





| Agencies' Compliance with the Act | |
|-----------------------------------|---|
| Rating | Agency |
| ● | Board of Law Examiners |
| ● | Department of Criminal Justice |
| ● | Department of Housing and Community Affairs |
| ● | Department of Transportation |
| ● | Office of the Consumer Credit Commissioner |
| ● | Real Estate Commission |
| ● | School for the Blind and Visually Impaired |
| ● | State Bar of Texas |
| ● | Texas Access to Justice Foundation |
| ● | Texas State Affordable Housing Corporation |
| ● | Texas Treasury Safekeeping Trust Company (TexPool and TexPool Prime) |
| ● | Trusted Programs within the Office of the Governor |
| ● | Water Development Board |

Higher Education Institutions Subject to the Act Were Determined to Be Substantially or Minimally Compliant with the Act and Fully Compliant with Investment Reporting Requirements of Rider 5

The State Auditor’s Office reviewed the compliance audit reports submitted, and based on the results of those reports, determined the level of compliance with the Act (see text box for definitions of compliance with the Act).

The Act defines state agencies to include higher education institutions with authority to invest public funds. However, higher education institutions with total endowments of \$150 million in book value as of September 1, 2017, are exempt from the Act. Requirements for compliance with the Act are discussed in Chapter 1. Also, see Chapter 4 for more information on the university and university systems determined to be exempt from the Act.

Definitions of Compliance with the Act

-  **Fully Compliant:** No findings were reported.
-  **Substantially Compliant:** Few findings were reported that may include a significant finding related to policies, contracting, training, reporting, reviewing, or auditing.
-  **Minimally Compliant:** Some findings were reported that were significant to policies, contracting, training, reporting, reviewing, or auditing.
-  **Noncompliant:** The required compliance report was not provided or contained many findings that were significant to policies, contracting, training, reporting, reviewing, or auditing.

In addition, the State Auditor’s Office reviewed the investment reports and disclosures on the institutions’ websites to determine compliance with Rider 5, page III-261, General Appropriations Act (86th Legislature), and as prescribed by the State Auditor’s Office requirements.

Higher Education Institutions’ Compliance with the Act. All four higher education institutions provided compliance audit reports for the compliance period ending August 31, 2019. Two institutions provided reports from which auditors determined that they were substantially compliant with the Act. Two institutions provided reports from which auditors determined that they were minimally compliant with the Act. Instances of noncompliance with the Act are noted in Appendix 2.

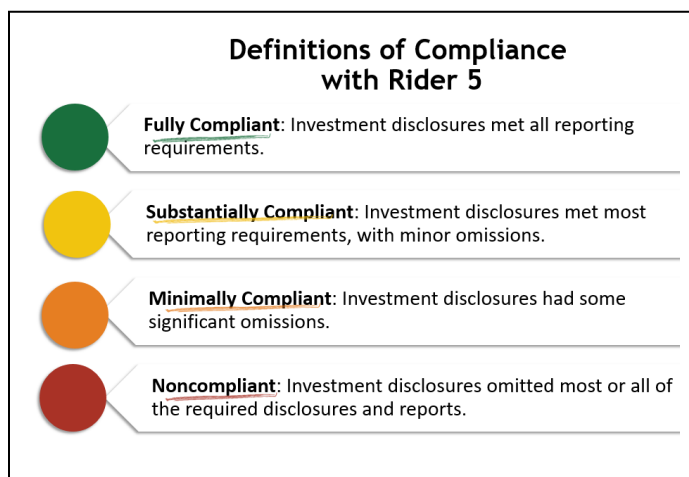
Higher Education Institutions’ Compliance with Investment Reporting Requirements of Rider 5. Rider 5 requires all higher education institutions to provide an annual report of investment transactions, in a manner prescribed by the State Auditor’s Office.

Those requirements include the following:

- Submitting an annual investment report to the State Auditor’s Office, the Office of the Comptroller of Public Accounts, the Office of the Governor, and the Legislative Budget Board, using the format prescribed by the State Auditor’s Office.
- Disclosing the following information on the higher education institution’s website:
 - ♦ Quarterly investment reports.
 - ♦ The use of outside investment advisors or managers.
 - ♦ The use of soft dollar agreements, directed brokerage or directed commission, commission recapture, or similar arrangements.⁵
 - ♦ Associations with independent endowments or foundations.
 - ♦ Current investment policies.









All four institutions provided reports from which auditors determined that they were fully compliant with Rider 5 (see text box for definitions of the levels of compliance with Rider 5).

Table 2 on the next page shows ratings for compliance by higher education institutions subject to the Act and Rider 5.



⁵ Those arrangements typically involve using brokerage commissions as a means of paying for other related investment services through credits of a portion of brokerage commissions paid, rather than through direct payments or using selected brokers who rebate a portion of the commission they receive on trades for the investor.

Table 2





| Higher Education Institutions' Compliance | | |
|---|---|--------------------------------------|
| Act | Rider 5 | Higher Education Institution |
|  |  | Midwestern State University |
|  |  | Stephen F. Austin State University |
|  |  | Texas Southern University |
|  |  | Texas State Technical College System |

Community Colleges Submitted Compliance Audit Reports Indicating That They Were Fully or Substantially Compliant with the Act, and Most Were Compliant with the Reporting Requirements of Rider 5

The Act requires that the governing bodies of higher education institutions, including community colleges with authority to invest funds, implement investment-related controls in the following areas: policies, contracting, training, reporting, reviewing, and auditing. The Act contains multiple requirements for each of those areas, and the community colleges' internal or external auditors must test compliance with those policies every two years. The Act also requires the community colleges to submit those audit results to the State Auditor's Office.

Of the 50 community colleges in Texas, all 50 provided compliance audit reports for the reporting period ending August 31, 2019. The State Auditor's Office reviewed those reports and established definitions of compliance with the Act (see text box).

Definitions of Compliance with the Act

-  **Fully Compliant:** No findings were reported.
-  **Substantially Compliant:** Few findings were reported that may include a significant finding related to policies, contracting, training, reporting, reviewing, or auditing.
-  **Minimally Compliant:** Some findings were reported that were significant to policies, contracting, training, reporting, reviewing, or auditing.
-  **Noncompliant:** The required compliance report was not provided or contained many findings that were significant to policies, contracting, training, reporting, reviewing, or auditing.

Additionally, community colleges are subject to the investment reporting requirements of Rider 5, page III-261, General Appropriations Act (86th Legislature).

Community Colleges' Compliance with the Act and Rider 5. Of the 50 community colleges, 47 fully complied and 3 substantially complied with the Act. Instances of noncompliance are listed in Appendix 2.

In reviewing the community colleges' websites, 49 fully complied with the reporting requirements of Rider 5 (see text box for definitions of compliance with Rider 5). One community college, Southwest Texas Junior College, was determined to be substantially compliant because of a minor omission related to the review, approval, and publication of its investment policies.

Definitions of Compliance with Rider 5











































-  **Fully Compliant:** Investment disclosures met all reporting requirements.
-  **Substantially Compliant:** Investment disclosures met most reporting requirements, with minor omissions.
-  **Minimally Compliant:** Investment disclosures had some significant omissions.
-  **Noncompliant:** Investment disclosures omitted most or all of the required disclosures and reports.

Table 3 provides additional details of community colleges' compliance with the Act and reporting requirements of Rider 5.

Table 3

| Community College Compliance | | |
|---|---|---|
| Act | Rider 5 | Community College |
|  |  | Alamo Community College |
|  |  | Alvin Community College |
|  |  | Amarillo College |
|  |  | Angelina College |
|  |  | Austin Community College |
|  |  | Blinn College |
|  |  | Brazosport College |
|  |  | Central Texas College |
|  |  | Cisco Junior College |
|  |  | Clarendon College |
|  |  | Coastal Bend College |
|  |  | College of the Mainland |
|  |  | Collin County Community College |
|  |  | Dallas County Community College |
|  |  | Del Mar College |
|  |  | El Paso Community College |
|  |  | Frank Phillips College (Borger Junior College District) |
|  |  | Galveston College |
|  |  | Grayson County College |

| Community College Compliance | | |
|------------------------------|---------|-----------------------------------|
| Act | Rider 5 | Community College |
| ● | ● | Hill College |
| ● | ● | Houston Community College |
| ● | ● | Howard College |
| ● | ● | Kilgore College |
| ● | ● | Laredo Community College |
| ● | ● | Lee College |
| ● | ● | Lone Star College System |
| ● | ● | McLennan Community College |
| ● | ● | Midland College |
| ● | ● | Navarro College |
| ● | ● | North Central Texas College |
| ● | ● | 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 |
| ● | ● | 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 |

The University and the University Systems Subject to Rider 5 But Not Subject to the Act Complied with Reporting Requirements

The seven higher education institutions (one university and six university systems) that were subject to Rider 5, page III-261, General Appropriations Act (86th Legislature), and prescribed by the State Auditor's Office at <http://www.sao.texas.gov/internalaudit/publicfunds/> but exempt from the Act complied with the reporting requirements of Rider 5. Those higher education institutions are:

- Texas A&M University System.
- Texas State University System.
- Texas Tech University System.
- Texas Woman's University.
- The University of Texas System.
- University of Houston System.
- University of North Texas System.

The Act does not apply to any institution of higher education with total endowments of at least \$150 million in book value as of September 1, 2017. However, all institutions of higher education are subject to the investment reporting requirements of Rider 5.

Summary of Investments for Agencies, Higher Education Institutions, and Community Colleges

The agencies, higher education institutions, and community colleges reviewed reported total investment holdings of \$118.5 billion as of August 31, 2020. Specifically:

- The 13 agencies **subject to the Act** reported investments of \$38.6 billion as of August 31, 2020.
- The four higher education institutions **subject to the Act** reported total investments of \$402.5 million as of August 31, 2020.
- The 50 community colleges **subject to the Act** reported total investments of \$3.8 billion as of August 31, 2020.
- The seven higher education institutions that are **not subject to the Act** reported investments of \$75.7 billion as of August 31, 2020.

Investments at Agencies Subject to the Act

Table 4 on the next page lists the total investments for agencies subject to the Act as of August 31, 2020. To avoid double counting, these amounts do not include TexPool and TexPool Prime investments of \$1.3 billion held by certain agencies and included with Texas Treasury Safekeeping and Trust Company investments.

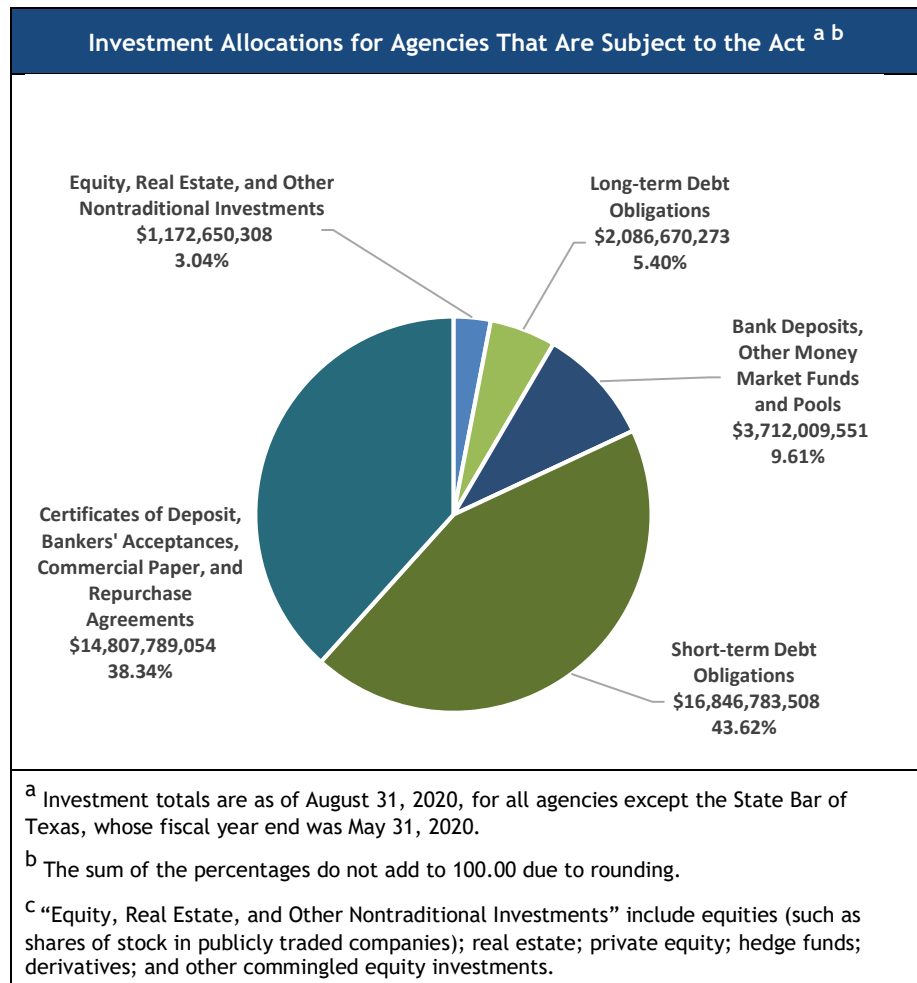
Table 4

| Total Investments for Agencies Subject to the Act ^a | |
|--|---|
| Agency | Market Value of Investments as of August 31, 2020 |
| Board of Law Examiners | \$ 4,245,420 |
| Department of Criminal Justice | 54,405,252 |
| Department of Housing and Community Affairs | 1,640,636,617 |
| Department of Transportation | 1,193,613,000 |
| Office of the Consumer Credit Commissioner | 8,466,107 |
| Real Estate Commission | 28,564,840 |
| School for the Blind and Visually Impaired | 984,516 |
| State Bar of Texas ^b | 51,492,815 |
| Texas Access to Justice Foundation | 42,269,785 |
| Texas State Affordable Housing Corporation | 98,197,426 |
| Texas Treasury Safekeeping Trust Company | 32,778,368,268 |
| Trusted Programs within the Office of the Governor | 11,428,877 |
| Water Development Board | 2,713,229,771 |
| Total | \$ 38,625,902,694 |
| <p>^a This table includes investment information only for agencies subject to the Act. The amounts in this table are based on information the agencies provided. Auditors did not perform tests or other procedures to verify the accuracy of the reported amounts. These amounts include agency investments that are subject to the Act but exclude agencies' investments in the Texas Treasury Safekeeping Trust Company (TexPool and TexPool Prime) to prevent counting those holdings twice.</p> <p>^b Data is as of the agency's fiscal year end, May 31, 2020.</p> | |

Sources: **Unaudited annual financial reports:** Department of Criminal Justice, Department of Housing and Community Affairs, Office of the Consumer Credit Commissioner, Real Estate Commission, School for the Blind and Visually Impaired, Trusted Programs within the Office of the Governor, and Water Development Board. **Annual investment report:** Texas Access to Justice Foundation. **Audited annual financial reports:** Board of Law Examiners, Department of Transportation, State Bar of Texas, Texas State Affordable Housing Corporation, and Texas Treasury Safekeeping Trust Company.

Figure 1 on the next page shows the allocation of investments held by agencies subject to the Act as of August 31, 2020. See Appendix 3 for definitions of asset classes.

Figure 1



Sources: **Unaudited annual financial reports:** Department of Criminal Justice, Department of Housing and Community Affairs, Office of the Consumer Credit Commissioner, Real Estate Commission, School for the Blind and Visually Impaired, Trusteed Programs within the Office of the Governor, and Water Development Board. **Annual investment report:** Texas Access to Justice Foundation. **Audited annual financial reports:** Board of Law Examiners, Department of Transportation, State Bar of Texas, Texas State Affordable Housing Corporation, and Texas Treasury Safekeeping Trust Company.

Investments at Higher Education Institutions Subject to the Act

Table 5 lists the total investments as of August 31, 2020, reported by higher education institutions that are subject to the Act and subject to the reporting requirements of Rider 5. These amounts do not include TexPool and TexPool Prime investments of \$124.4 million held by multiple institutions and included with Texas Treasury Safekeeping and Trust Company investments.

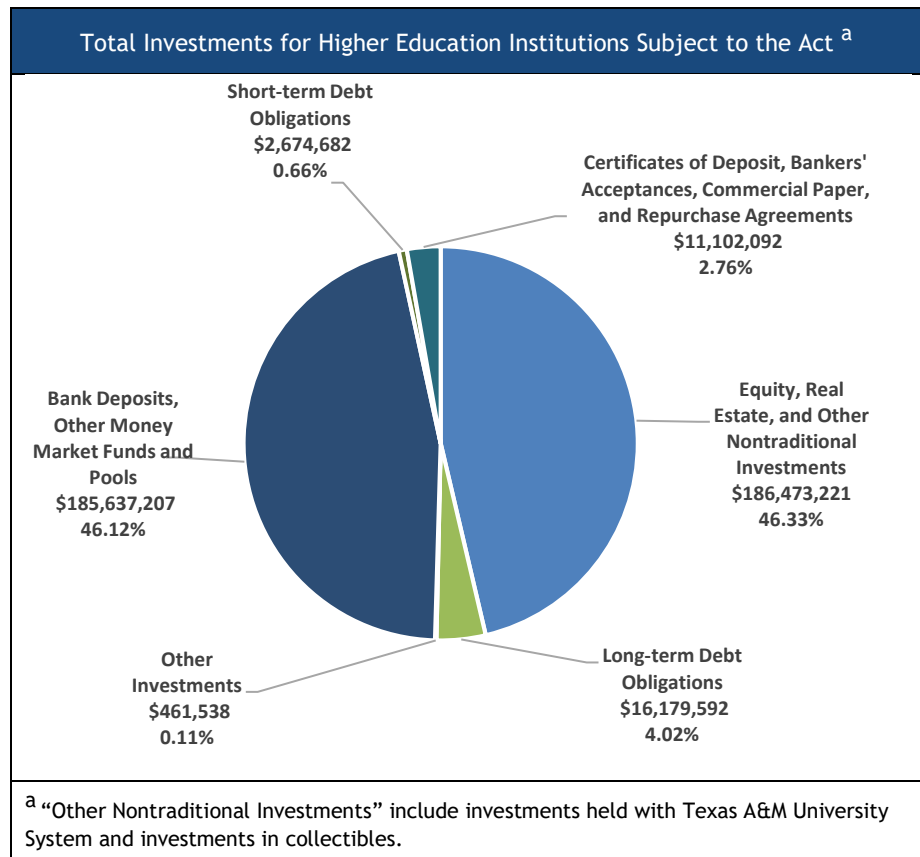
Table 5

| Total Investments for Higher Education Institutions Subject to the Act ^a | |
|---|---|
| University or System | Market Value of Investments as of August 31, 2020 |
| Midwestern State University | \$ 74,883,842 |
| Stephen F. Austin State University | 205,632,395 |
| Texas Southern University | 67,022,818 |
| Texas State Technical College System | 54,989,277 |
| Total | \$ 402,528,332 |
| ^a This table includes investment information only for higher education entities subject to the Act and does not include cash. The amounts in this table are based on self-reported information. Auditors did not perform tests or other procedures to verify the accuracy of the reported amounts. These amounts include higher education institutions' investments that are subject to the Act but exclude higher education institutions' investments in the Texas Treasury Safekeeping Trust Company (TexPool and TexPool Prime) to prevent counting those holdings twice. | |

Sources: Annual investment reports as of August 31, 2020, provided by the universities and system.

Figure 2 on the next page shows the investment allocations as of August 31, 2020, for higher education institutions subject to the Act.

Figure 2



Sources: Annual investment reports as of August 31, 2020, provided by the universities and system.

Investments at Community Colleges Subject to the Act

Table 6 on the next page lists the total investments at community colleges subject to the Act as of August 31, 2020, and subject to the reporting requirements of Rider 5. These amounts do not include TexPool and TexPool Prime investments of \$1.3 billion held by certain institutions and included with Texas Treasury Safekeeping and Trust Company investments.

Table 6

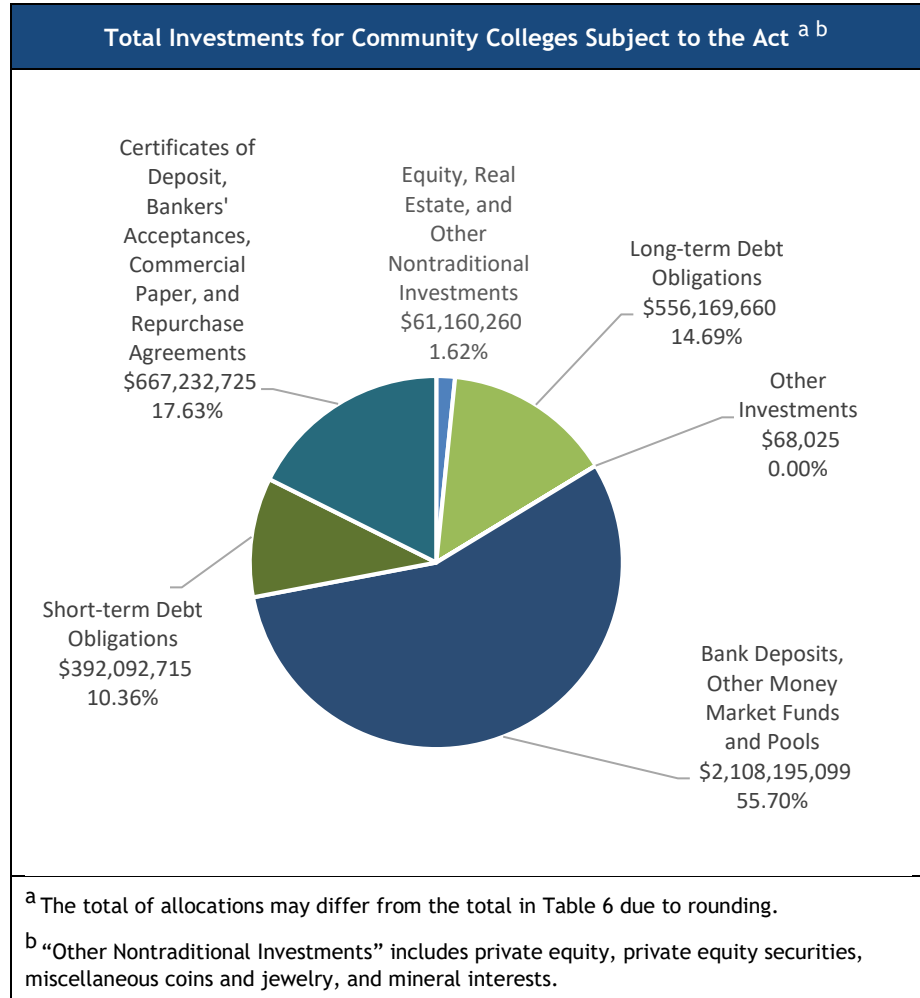
| Total Investments for Community Colleges Subject to the Act ^a | |
|---|---|
| Community College | Market Value of Investments as of August 31, 2020 |
| Alamo Community College | \$ 168,428,585 |
| Alvin Community College | 15,242,361 |
| Amarillo College | 26,483,133 |
| Angelina College | 24,319,056 |
| Austin Community College | 109,667,524 |
| Blinn College | 120,412,889 |
| Brazosport College | 13,207,978 |
| Central Texas College | 104,899,555 |
| Cisco Junior College | 6,140,860 |
| Clarendon College | 4,536,687 |
| Coastal Bend College | 7,403,464 |
| College of the Mainland | 106,283,851 |
| Collin County Community College | 140,871,177 |
| Dallas County Community College | 423,977,421 |
| Del Mar College | 250,649,996 |
| El Paso Community College | 153,191,370 |
| Frank Phillips College (Borger Junior College District) ^b | - |
| Galveston College | 15,682,324 |
| Grayson County College | 34,100,677 |
| Hill College | 19,393,110 |
| Houston Community College | 156,203,857 |
| Howard College | 26,403,869 |
| Kilgore College | 22,990,579 |
| Laredo Community College | 94,763,430 |
| Lee College | 33,013,029 |
| Lone Star College System | 193,736,407 |
| McLennan Community College | 15,526,746 |
| Midland College | 53,688,647 |
| Navarro College | 27,343,248 |
| North Central Texas College | 7,220,961 |
| Northeast Texas Community College | 6,319,011 |
| Odessa College | 36,869,927 |
| Panola College | 36,745,243 |

| Total Investments for Community Colleges Subject to the Act ^a | |
|--|---|
| Community College | Market Value of Investments as of August 31, 2020 |
| Paris Junior College | 27,609,212 |
| Ranger College | 2,955,355 |
| San Jacinto College | 34,284,819 |
| South Plains College | 29,725,295 |
| South Texas College | 277,285,094 |
| Southwest Texas Junior College | 10,704,069 |
| Tarrant County College | 642,928,649 |
| Temple College | 24,619,031 |
| Texarkana College | 26,762,173 |
| Texas Southmost College | 70,491,673 |
| Trinity Valley Community College | 21,429,736 |
| Tyler Junior College | 31,799,472 |
| Vernon College | 7,398,745 |
| Victoria College | 14,096,057 |
| Weatherford College | 55,023,746 |
| Western Texas College | 27,723,648 |
| Wharton County Junior College | 24,364,739 |
| Total | \$ 3,784,918,485 |
| <p>^a The amounts in this table are based on information the community colleges provided. Auditors did not perform tests or other procedures to verify the accuracy of the reported amounts. This table includes investment information only for community colleges subject to the Act. These amounts include investments that are not subject to the Act and exclude community colleges' investments in the Texas Treasury Safekeeping Trust Company (TexPool and TexPool Prime) to prevent counting those holdings twice.</p> <p>^b Frank Phillips College investments included \$3,615 invested in TexPool. TexPool and TexPool Prime are not reflected in the investment totals above.</p> | |

Sources: Annual investment reports as of August 31, 2020, provided by the community colleges.

Figure 3 shows the allocation of investments held by community colleges as of August 31, 2020.

Figure 3



Sources: Annual investment reports as of August 31, 2020, provided by the community colleges.

Investments at Higher Education Institutions Not Subject to the Act

Table 7 on the next page lists the total investments reported by higher education institutions that are not subject to the Act but are subject to the higher education reporting requirements of Rider 5. These amounts do not include TexPool and TexPool Prime investments of \$902.5 million held by certain institutions and included with Texas Treasury Safekeeping and Trust Company investments.

Table 7

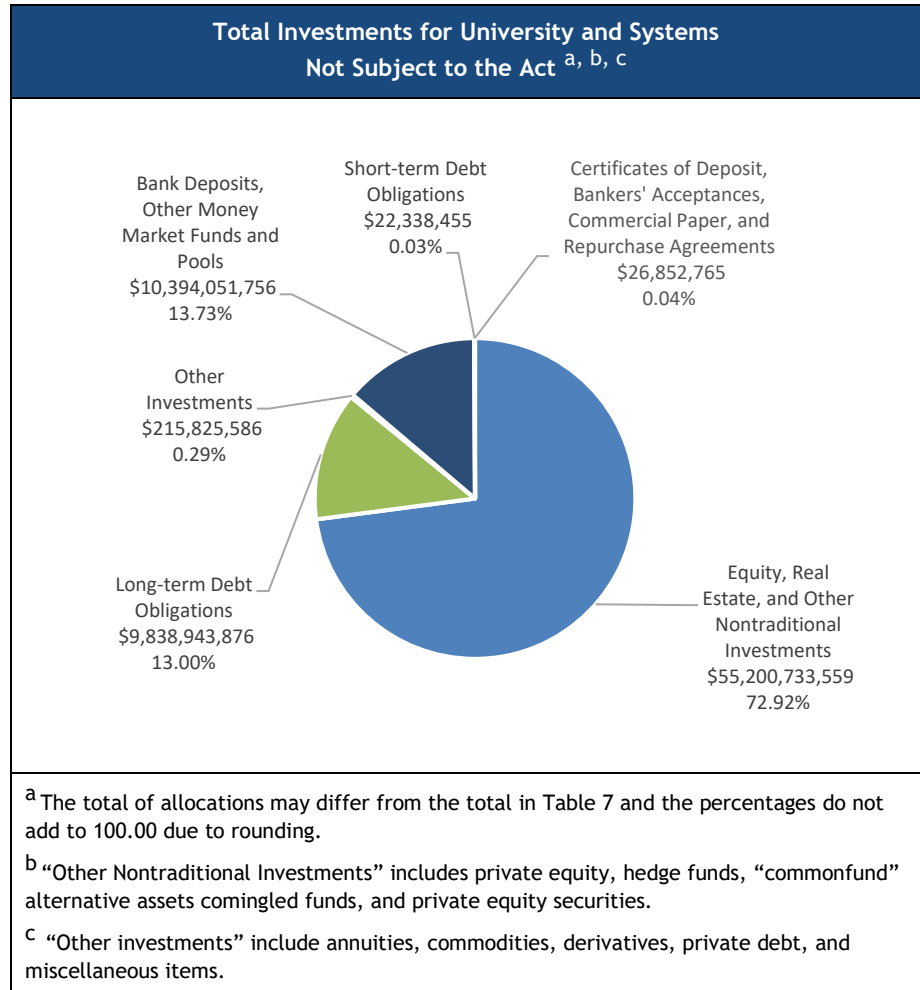
| Total Investments for University and Systems Not Subject to the Act ^a | |
|--|---|
| University or System | Market Value of Investments as of August 31, 2020 |
| Texas A&M University System | \$ 6,613,186,012 |
| Texas State University System | 680,072,978 |
| Texas Tech University System | 2,977,715,832 |
| Texas Woman's University | 273,506,285 |
| The University of Texas System | 62,925,256,526 |
| University of Houston System | 1,596,860,625 |
| University of North Texas System | 632,147,740 |
| Total | \$ 75,698,745,998 |

^a This table includes investment information only for the university and the university systems exempt from the Act in Texas Government Code, Section 2256.004. The amounts do not include cash or TexPool and TexPool Prime. Investments in the Texas Treasury Safekeeping Trust Company (TexPool and TexPool Prime) are not included to prevent counting those holdings twice. The amounts in this table are based on self-reported information, and auditors did not perform tests or other procedures to verify the accuracy of the reported amounts.

Sources: Annual investment reports as of August 31, 2020, provided by the university and university systems.

Figure 4 on the next page shows the investment allocations as of August 31, 2020, for higher education institutions that are not subject to the Act but are subject to the investment reporting requirements of Rider 5.

Figure 4



Sources: Annual investment reports as of August 31, 2020, provided by the university and university systems.

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this project were to:

- Determine whether state agencies and higher education institutions complied with the Public Funds Investment Act (Act) requirement to submit a compliance report to the State Auditor’s Office by January 1, 2020.
- Determine whether higher education institutions complied with Special Provisions Relating Only to State Agencies of Higher Education, page III-261, the General Appropriations Act (86th Legislature), and reporting requirements as prescribed by the State Auditor’s Office on its website.

Scope

The scope of this project covered compliance audit reports with due dates of January 1, 2020, and Rider 5 investment disclosures with due dates of December 31, 2019, and December 31, 2020. State auditors performed reviews of the reports from February 2021 through April 2021.

Auditors considered information provided through March 19, 2021, for agencies, higher education institutions, and community colleges when determining their level of compliance with the Act and higher education investment requirements.

Methodology

The project methodology included (1) collecting and evaluating evidence regarding compliance with the Act included in entities' most recent compliance audit reports, (2) reviewing higher education institutions' and community colleges' websites and the documents that they submitted to the State Auditor's Office for the required investment disclosures, and (3) compiling entities' investment balances individually and by type of entity. In addition, auditors communicated with agencies, higher education institutions, and community colleges in an effort to clarify the relevant requirements. Auditors did not perform any information technology work. It is important to note that the entities provided the information in this report and that the State Auditor's Office did not independently verify that information.

Information collected and reviewed included the following:

- Compliance audit reports issued by entities' internal or external auditors.
- Annual investment reports of higher education entities and community colleges.
- Investment policies of higher education institutions and community colleges.
- Investment disclosures on higher education institutions' and community colleges' websites.
- Audited and unaudited annual financial reports.

Procedures and tests conducted included the following:

- Reviewing compliance audit reports and summarizing any findings reported.
- Determining whether each higher education institution and community college submitted an annual investment report to the State Auditor's Office and posted the following on its website:
 - ♦ Investment policy reviewed and approved by its board within the previous two years.
 - ♦ Quarterly and annual investment reports for the previous two years.
 - ♦ Answers to the State Auditor's Office questions regarding outside investment managers, soft-dollar arrangements, and foundations.

- Determining whether the annual investment report for each higher education institution and community college used the format prescribed by the State Auditor’s Office.
- Compiling investment balances for each entity individually and by type of entity.

Criteria used included the following:

- The Public Funds Investment Act (Texas Government Code, Chapter 2256).
- Higher education investment reporting requirements mandated by Rider 5, page III-261, General Appropriations Act (86th Legislature), and prescribed by the State Auditor’s Office on its website at <http://www.sao.texas.gov/InternalAudit/PublicFunds/>.

Project Information

Project fieldwork was conducted from February 2021 through April 2021. This project was not an audit, and the information in this report was not subjected to all the tests and confirmations that would be performed in an audit. However, the information in this report was subjected to certain quality control procedures to ensure accuracy.

The following members of the State Auditor’s staff performed the project:

- Jules V. Hunter, CPA, CIA (Project Manager)
- Kristin Auriel René Pope, MSA
- Michelle Ann Duncan Feller, CPA, CIA (Quality Control Reviewer)
- James Timberlake, CIA, CFE (Audit Manager)

Table 9

| Higher Education Institutions That Were Not Fully Compliant with the Act (From Compliance Audit Reports for the Reporting Period Ending August 31, 2019) | | |
|---|-----------------------|---|
| Higher Education Institution | Area of Noncompliance | Internal or External Auditor Compliance Audit Findings ^a |
| Higher Education Institutions That Were Substantially Compliant with the Act | | |
| Stephen F. Austin State University (University) | Reporting | <i>The University has historically included interest-bearing bank deposits on the annual investment report; however, the accounts have not been included in the quarterly investment reports. With the 2017 change to the Act, the accounts should be reflected on the quarterly investment reports.</i> |
| Texas State Technical College System (System) | Policies | <i>Employees who work with System investments are required to submit an Employee Independence - Deposits and Investment form by October 1 of each year. While all employees either submitted forms by the due date or within 30 days of it, 6 of 12 the forms were dated after October 1. There were no conflicts reported on any form.</i> <i>Regents are required to submit a Board Member Independence - Deposits and Investment form by November 1 of each year. Of the 20 forms [Internal Audit] tested, 3 were submitted after the due date and 4 of the forms were not dated. There were no conflicts reported on any form.</i> |
| | Reporting | <i>A report on investment officer training was not presented to the Board of Regents in November 2017. Nevertheless, all training was completed.</i> <i>[Internal Audit] identified a Quarterly Investment report presented to the Board of Regents that was signed by only 1 of the investment officers. The report was accurate, nevertheless.</i> |

**Higher Education Institutions That Were Not Fully Compliant with the Act
(From Compliance Audit Reports for the Reporting Period Ending August 31, 2019)**

| Higher Education Institution | Area of Noncompliance | Internal or External Auditor Compliance Audit Findings ^a |
|--|-----------------------|--|
| Texas Southern University (University) | Policies | <i>Management did not submit its Investment policies (both the Endowment and Non-Endowment Funds policies) to the Texas Southern University Governing Board during Fiscal Year 2019 to receive adoption by rule, order, ordinance, or resolution as written investment policies controlling the investment of funds under University's control as required by the Public Funds Investment Act (Texas Government Code Section 2256.005).</i> |
| | Reporting | <p><i>[Internal Audit] reviewed the University's website on November 22, 2019 to determine whether the University is complying with the investment reporting requirements for institutions of higher education specified in the Texas State Auditor's. [Internal Audit] observed that the University has posted some of the required information on the University's website:</i></p> <p><i>Management has posted current investment policies:</i> <i>(Endowment Policy - February 2010)</i> <i>(Non-Endowment Policy - February 2010)</i></p> <p><i>Management has not posted the following information for 2019:</i></p> <p><i>Quarterly Investment Reports as prescribed by Rider 5; Management has not posted the 4th Quarter Report for 2019 on University's Website. Quarterly Investment Reports for the first three quarters were posted on the University's website.</i></p> <p><i>Management has not posted 2019 Disclosure concerning:</i></p> <p><i>(a) Employment of investment advisor/manager (name and address);</i> <i>(b) Use of soft dollar arrangements (brokerage commission or direct pmt.);</i> <i>(c) Existence of associated endowments and foundations (e.g., component units)</i></p> <p><i>One of the University's investment advisors/managers, Consequent Capital, has not completed and submitted the Annual Disclosure Statement for FY2019.</i></p> |
| | Contracting | <i>The Consequent Capital contract should not exceed two years.</i> |

^a The findings presented are direct excerpts from the universities' audit reports.

Source: State Auditor's Office review of the compliance audit reports issued by the universities' auditors.

Table 10

| Community Colleges That Were Not Fully Compliant with the Act (From Compliance Audit Reports for the Reporting Period Ending August 31, 2019) | | |
|--|-----------------------|--|
| Community College | Area of Noncompliance | Internal or External Auditor Compliance Audit Findings ^a |
| Community Colleges That Were Substantially Compliant with the Act | | |
| Amarillo College (College) | Policies | <i>The College did not obtain proper approval prior to the purchase of securities or reinvestment of funds for one investment. This was an isolated instance.</i> |
| Clarendon College (College) | Reporting | <i>The College did not post their February 2019 Investment report to the College's website during fiscal year 2018-2019. This has now been corrected by the College.</i> |
| San Jacinto College (College) | Training | <i>Texas Government Code Section 2256.007 requires that an investment officer attend at least one training session related to the person's responsibilities within six months after assuming duties. As a result of testing procedures performed, [auditors] noted that the College's investment officer assumed duties during the year ended August 31, 2018 and that a training session was not taken by the investment officer within six months after assuming duties.</i> |
| | Reporting | <i>Texas Government Code Section 2256.023 requires that not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by the PFIA for the preceding reporting period. As a result of testing procedures performed, [auditors] noted that the written investment report for the quarter ended May 31, 2019 was not presented to the governing board.</i> |
| ^a The findings presented are direct excerpts from the colleges' audit reports. | | |

Sources: State Auditor's Office review of the compliance audit reports issued by the colleges' auditors.

Definitions of Asset Classes

Table 11 provides the definitions of investment and deposit types used in reports by higher education institutions to the State Auditor's Office.

Table 11

| Definitions of Investment and Deposit Types | |
|--|---|
| Investment/Deposit Type | Definition |
| Annuity | A type of contract sold by insurance companies guaranteeing fixed or variable future payments. |
| Asset Backed Securities (ABS) | Securities backed by pools of assets such as credit card receivables, home equity loans, and auto loans, but typically excluding mortgages. |
| Balanced Mutual Funds | Mutual funds that expect to invest in a mix of equity and debt investments. (Categorize in the "Publicly Traded Equity and Similar" category if the fund's target allocation is expected to exceed 50 percent equities. Otherwise, categorize in the "Publicly Traded Debt and Similar" category.) (See also Mutual Funds.) |
| Bank Deposits | Amounts reported in this category should include balances held in a financial institution such as a bank, savings bank, or credit union as "demand deposits" (which the customer can withdraw at any time without penalty) or "time deposits" (which might be subject to restrictions on immediate withdrawal). However, bank deposits do not include certificates of deposit. Although non-negotiable certificates of deposit are generally considered time deposits, these balances should be separately disclosed on the annual investment report. (See also Certificates of Deposit.) |
| Bankers' Acceptance | A time draft drawn on a bank by a bank's customer, ordering the bank to pay an amount at a future date, generally within a short time period. When accepted by the bank, it can be traded in secondary markets, usually as a money market instrument. |
| Cash Held at State Treasury | All deposit balances held by the Comptroller of Public Accounts in the State Treasury. Institutions should not include funds invested in TexPool or TexPool Prime. Amounts managed by the Texas State Treasury Safekeeping Trust Company should be reported in the appropriate investment categories, and any uninvested cash held by the Trust Company should be reported as bank deposits. |
| Certificates of Deposit (CD) | Time deposits with a financial institution that may not be withdrawn prior to maturity without a penalty. "Negotiable CDs" are issued in large dollar amounts and are traded in secondary markets. Although some entities might report nonnegotiable CDs in their financial statements under the "Investments" category, they are considered deposits, whereas negotiable CDs represent investment securities. CDs are insured by the Federal Deposit Insurance Corporation. (Categorize nonnegotiable CDs separately from negotiable CDs on the annual investment report.) |
| Collateralized Mortgage Obligations (CMOs) - Agency or Private Label | CMOs consist of pools of mortgage pass-through securities or mortgage loans for which the cash flows of principal and interest payments are directed in a prescribed manner to different underlying classes of the CMOs. The different classes are referred to as "tranches," with each tranche structured to have different expected risk, return, and maturity characteristics. "Agency" CMOs are guaranteed, or issued and guaranteed, by U.S. government agencies. "Private Label" CMOs are issued by, and are the sole obligation of, the private issuers, which might be financial institutions, subsidiaries of investment banks, or home builders. Certain tranches are generally prohibited by the Public Funds Investment Act (PFIA), including "Interest Only Strips (IOs)," "Principal Only Strips (POs)," and "Inverse Floaters." The PFIA also does not authorize most investing entities to acquire CMOs that have a final stated maturity exceeding 10 years. |
| Collectibles | Rare items collected by investors, such as art, stamps, coins, antiques, and memorabilia. |
| Commercial Paper - A1/P1 (or equivalent) | Commercial paper is a type of short-term, unsecured obligation issued by banks, corporations, or other borrowers, usually issued at a discount and with maturities of 270 days or fewer. A1 and P1 denote the highest short-term rating categories used by Standard and Poor's and Moody's, respectively. (Lower rated commercial paper should be listed under "Other Commercial Paper - Lower Rated.") |

Definitions of Investment and Deposit Types

| Investment/Deposit Type | Definition |
|--|---|
| Commingled Fund | An external manager pools and invests the funds of several institutional investors. Securities are owned by the overall fund, and each investor owns a pro rata share of the fund. The U.S. Securities and Exchange Commission (SEC) does not oversee commingled funds. (Classification on the annual investment report should be based on the underlying assets in which the fund primarily invests, for example, publicly traded equities, publicly traded debt, or “other” investments.) |
| Commodities | Includes investments in bulk goods such as grains, metals, and foods, and energy products such as crude oil, heating oil, gasoline, and natural gas. Commodities are often traded using futures contracts; however, investing can also involve spot market trades or taking physical possession of the commodities. |
| Commonfund | Also known as “The Common Fund for Nonprofit Organizations,” this is a private, nonprofit organization that is exempt from taxation under Section 501(f), U.S. Internal Revenue Code of 1986 (Title 26, United States Code, Section 501(f)). Commonfund offers participating clients the ability to invest in a wide range of commingled investment funds, including fixed income, equity, and alternative assets. |
| Common Stock (publicly traded) | Also referred to as equities, or equity securities, common stock represents units of ownership in a publicly held corporation. Shareholders typically have rights to vote and to receive dividends. Claims of common stock holders are subordinate to claims of creditors, bond holders, and preferred stock holders. |
| Corporate Obligations (U.S. or foreign corporations) | Debt securities issued by U.S. or foreign corporations. Excludes debt issued by governmental entities (see Sovereign Debt). (Group by credit rating category, or, if applicable, as “not rated.”) |
| Equity/Stock Mutual Funds | Mutual funds that invest primarily in stocks, although at times they might hold some fixed-income and money market securities. (See also Balanced Mutual Funds description.) |
| Equity Securities | Stock (as opposed to bonds). The term is often used to refer to “common stock” (see Common Stock definition); however “preferred stock” is also considered an equity security (see Preferred Stock definition). |
| Fixed Income/Bond Mutual Funds | Mutual funds that, by policy, invest in the fixed-income sector. (See also Mutual Funds.) |
| Guaranteed Investment Contracts (GICs) | GICs represent contracts issued by insurance companies that promise to pay a specified rate of interest on the invested capital over the life of the contract. GICs are sometimes referred to as “guaranteed insurance contracts.” |
| Hedge Funds | Hedge funds may be broadly defined as pooled funds that are not registered with the SEC; are typically available only to institutional investors or individuals with a high net worth; and use advanced trading strategies such as leverage, derivatives, short selling, and arbitrage. |
| Highly Rated Corporate Obligations | Based on the description in the PFA for “Authorized Investments: Institutions of Higher Education,” this category is limited to corporate debt obligations rated by a nationally recognized investment rating agency in one of its two highest long-term rating categories, without regard to gradations (e.g. + or -) within those categories. The two highest rating categories for Standard and Poor’s and Fitch Ratings are AAA and AA, while the two highest categories for Moody’s are Aaa and Aa. |
| High Yield Bonds | Corporate obligations that are considered below “investment grade” and are also referred to as “junk bonds” or “speculative grade.” Such corporate securities are rated BB or lower by Standard and Poor’s or Fitch Ratings and Ba or lower by Moody’s. |
| Market Value | In general, this equates to the “fair value” of an investment, as defined in Governmental Accounting Standards Board Statement No. 31 (GASB 31). A reporting entity that reports certain short-term, highly liquid debt instruments—such as commercial paper, bankers’ acceptances, and U.S. Treasury and agency obligations (“money market investments”)—on its balance sheet at “amortized cost” may report the same value on the annual investment report in the “Market Value” column for consistency. |
| Money Market Mutual Fund (or Money Market Fund) | An open-end mutual fund (registered with the SEC) that must comply with the SEC’s “Rule 2a-7,” which imposes certain restrictions, such as a requirement that the fund’s board must attempt to maintain a stable net asset value (NAV) per share or stable price per share, limits on the maximum maturity of any individual security in the fund’s portfolio, and limits on the maximum weighted average portfolio maturity and weighted average portfolio life. Money market funds typically attempt to maintain an NAV or a price of \$1.00 per share. (Institutions should report the “market value” of their money market fund investments based on the fund’s share price.) |
| Mortgage Pass-throughs - Agency | Mortgage pass-throughs are securities created by pooling mortgages, for which investors receive a pro-rata share of payments of principal and interest on the pool of mortgages. Agency mortgage pass-throughs are guaranteed by a U.S. government agency or government sponsored enterprise. |

Definitions of Investment and Deposit Types

| Investment/Deposit Type | Definition |
|---|---|
| Mortgage Pass-throughs - Private Label | Private label mortgage pass-throughs are issued by institutions such as subsidiaries of investment banks, financial institutions, and home builders. They are the obligation of the issuers and are not guaranteed by the U.S. government or any government sponsored enterprise. |
| Municipal Obligations | Debt (typically bonds) issued by states, cities, counties, or other government entities. Income on some municipal bonds is exempt from both federal and state income taxes, while, for other municipal bonds, the income is not exempt from federal taxation. |
| Mutual Funds | Similar to commingled funds, the funds of multiple investors are pooled by the external manager. The investors own shares of the fund but do not own the individual securities. The public, as well as institutional investors, can invest in mutual funds. In contrast to commingled funds, mutual funds are regulated by the SEC. (See also Money Market Funds, a subset of mutual funds that should be categorized separately.) |
| Not Rated (NR) Corporate Obligations | Issues that have not been rated by a major rating agency. Standard and Poor's uses NR to designate issues for which no rating was requested; there was insufficient information on which to assign a rating; or, by policy, it does not rate that particular obligation. |
| Other Commercial Paper - lower rated | Commercial paper rated below the highest short-term rating categories used by major rating agencies (that is, below A-1, P-1, or equivalent ratings). |
| Other Investment Grade Corporate Obligations | Corporate debt obligations that are not categorized as "Highly Rated Corporate Obligations" but, nevertheless, receive an "investment grade" rating from a nationally recognized investment rating agency. Ratings of A or BBB by Standard and Poor's or Fitch Ratings and A or Baa by Moody's are considered "investment grade." |
| Other Real Asset Investments | Real assets typically exist in physical form and are generally considered to include "hard assets" that are used to produce goods or services, in contrast to "financial assets," such as stocks and bonds, which represent a claim on the income provided by real assets. Examples of real assets include real estate, timber, commodities like oil and gas, and infrastructure. (Institutions should categorize investments in real estate separately from their investments in "other real assets" if managed as distinct portfolios. See also Real Estate.) |
| Preferred Stock | A class of capital stock in a corporation distinct from common stock. Preferred stock generally carries no voting rights, pays a specified dividend, and has preference over common stock in the payment of dividends or in the event that corporate assets are liquidated. Although preferred stock has some features similar to bonds, it is classified as an "equity" investment. |
| Private Equity | Private equity funds are privately managed investment pools, typically organized as limited partnerships. They are managed by the fund's general partners who typically make long-term investments in private companies and who may take a controlling interest with the aim of increasing the value of those companies, often by helping to manage the companies. Private equity fund strategies include venture capital investments and leveraged buyouts, among others. (Institutions that make direct investments in private companies, often as "co-investments" alongside a private equity fund in which they invest, also should categorize such investments as "Private Equity.") |
| Public Funds Investment Pool Created to Function as a Money Market Mutual Fund and Other Investment Pools | The PFIA describes the criteria for allowable investments in "investment pools," including those it describes as a "public funds investment pool created to function as a money market mutual fund." Those types of pools are typically also referred to as "local government investment pools" or "LGIPs." They often function like money market mutual funds (see discussions at "TexPool" and "Money Market Funds") and might be referred to as "2a7-like" pools, but they are not required to register with the SEC. Other investment pools might choose not to function like money market funds, and therefore might permit a floating NAV, longer overall or individual investment maturity, and higher potential investment risk and return. (Institutions should separately categorize investments in (1) TexPool, (2) Other Public Funds Investment Pools Functioning as Money Market Mutual Funds, and (3) Other Investment Pools that do not operate as money market funds.) |
| Real Estate | Includes real estate held for investment directly or through investment vehicles such as private investment funds, which are limited partnerships that invest in real estate. Such investments are designed to produce high current income and/or capital gains through appreciation in the underlying real estate. (Does not include real estate not held for investment, such as campus buildings.) |

Definitions of Investment and Deposit Types

| Investment/Deposit Type | Definition |
|---|---|
| Real Estate Investment Trusts (REITs) | REITs are companies that invest in real estate by investing directly in portfolios of various types of real estate properties and/or by making loans to building developers. Although generally they are publicly traded on major exchanges and available to all investors, some REITs are established as private investments, which can reduce the liquidity of such investments. (Private REITs should be categorized on the annual investment report as Real Estate in "Other Investments.") |
| Repurchase Agreements (Repos) | Short-term investment agreements in which an investor buys securities, usually U.S. government securities, from a seller and the seller agrees to repurchase them at a later date for a slightly higher price that is negotiated between the parties. Such arrangements function as money market investments with either a fixed maturity date, often overnight, or an open term, in which they are callable at any time. |
| Securities Lending Collateral Reinvestments | Institutions that participate in securities lending programs often receive cash as collateral for their loaned investments. The cash is normally reinvested, typically by the entity's lending agent, in a separate account for the lender or as part of a collateral investment pool that commingles the cash collateral received by multiple lenders. The cash collateral is typically invested in investments having relatively low credit risk, and interest rate risk is reduced by maintaining a relatively short average portfolio maturity. (An institution involved with securities lending should report the value for its share of any reinvested cash collateral in the same amount on its annual investment report and on its financial statements.) |
| Separately Managed Account | Securities in the external manager's portfolio are owned directly by the investing entity and are held by each investing entity's custodian bank. The investing entity can require the external manager to adhere to specific investment guidelines. |
| Short-term Investments | Includes all debt investments maturing within one year of the purchase date. |
| Short-term Mutual Funds (other than Money Market funds) | Mutual funds that specialize in short-term debt instruments, but that do not meet the strict criteria required to be called "money market" mutual funds. (If not reported as fixed income mutual funds in the section for Debt and Similar Investments > 1 Year Maturity, institutions should report non-money market, short-term fixed income mutual funds in the section for Short-Term Investments and Deposits.) |
| Sovereign Debt (non-U.S.) | Debt securities issued or guaranteed by foreign governments. |
| TexPool (and TexPool Prime) | TexPool and TexPool Prime are local government investment pools administered by the Texas Treasury Safekeeping Trust Company at the Office of the Comptroller of Public Accounts. Both funds are operated according to the rules governing money market mutual funds (the SEC's "Rule 2a-7"), which require a policy to maintain a stable net asset value per share (both funds seek to maintain a \$1.00 NAV per share) and impose limitations on maximum maturities of the overall portfolio and any individual security. Unlike true mutual funds, local government investment pools (whether or not organized to operate as money market mutual funds) are not required to register with the SEC. |
| U.S. Government Agency Securities | Also called "Agency Securities" or "Agencies," they represent debt securities (1) issued or guaranteed by U.S. federal government agencies or (2) issued by government sponsored enterprises (GSEs). Debt securities issued or guaranteed by U.S. federal government agencies, like U.S. Treasury Securities, are backed by the full faith and credit of the U.S. government. However, debt securities issued by GSEs are not backed by similar U.S. government guarantees; therefore, they are considered to carry more credit risk than securities issued or guaranteed by federal government agencies. |
| U.S. Government Securities | Also called "U.S. Treasury Securities" or "Treasuries," U.S. government securities are negotiable debt obligations, such as treasury bills, treasury notes, and treasury bonds that are backed by the full faith and credit of the U.S. government. |

Source: The explanation of terms used in the annual investment report (including deposits) by higher education institutions is available on the State Auditor's Office's website at <http://www.sao.texas.gov/Resources/HigherEducationInvestmentReporting/>.

Related State Auditor's Office Reports

Table 12

| Related State Auditor's Office Reports | | |
|--|--|--------------|
| Number | Report Name | Release Date |
| 18-029 | <i>A Report on Agencies', Higher Education Institutions', and Community Colleges' Compliance with Public Investment Reporting Requirements</i> | May 2018 |
| 16-027 | <i>A Report on Agencies', Higher Education Institutions', and Community Colleges' Compliance with Public Investment Reporting Requirements</i> | May 2016 |

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dade Phelan, Speaker of the House, Joint Chair

The Honorable Jane Nelson, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Entities Listed in Report

This report was distributed to the boards, chancellors, presidents, and executive directors of the agencies, higher education institutions, and community colleges listed in this report.



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Collin County Community College District Board of Trustees

6. Finance and Audit Committee

June 15, 2021

Resource: Ali Subhani
Director of Internal Audit

DISCUSSION ITEM: Consideration of Approval of Revisions to the Audit Plan for FY 2021

DISCUSSION: The Director of Internal Audit respectfully requests revisions to the approved audit plan for fiscal year 2021. The audit plan outlines the projects for the current fiscal year.



OFFICE OF

Internal Audit

Date: June 15, 2021

To: Members of the Finance and Audit Committee
Dr. Neil Matkin, District President

From: Ali Subhani, CIA, CISA, GSNA
Director, Office of Internal Audit

Subject: 2021 Audit Plan Revision Approval *Ali Subhani*

The Internal Audit Charter requires that the Board of Trustees approve the annual audit plan.

The following projects are recommended for approval:

Audits

- Return to Title IV
- Purchasing
- Payroll - Limited Scope Consulting

Investigations

- Academic Integrity
- SAO Hotline

Administrative

- Audit Management System Implementation

The plan was based on the utilization of one full-time auditor.

Collin County Community College District Board of Trustees

2021-06-X

June 22, 2021

Resource: Ali Subhani
Director of Internal Audit

AGENDA ITEM: Report Out of the Finance and Audit Committee and Discussion of the Audit Plan for the Office of Internal Audit

DISCUSSION: The Director of Internal Audit will discuss revisions to the approved audit plan for fiscal year 2021. The audit plan outlines the projects for the fiscal year.

DISTRICT PRESIDENT'S RECOMMENDATION: The District President recommends approval of the Audit Plan.

SUGGESTED MOTION: "Mr. Chairman, I make a motion that the Board of Trustees of Collin County Community College District approves the Audit Plan for fiscal year 2021."

DRAFT