## AUDIT REPORT AT A GLANCE

<table>
<thead>
<tr>
<th>Objectives were to determine if the:</th>
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<tbody>
<tr>
<td>Banner Student Module security/access was appropriate and compliant with state requirements</td>
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<tr>
<td>Business processes for these programs include adequate controls, especially for billing third parties; and if these controls are effective and efficient</td>
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<table>
<thead>
<tr>
<th>Scope included</th>
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<tr>
<td>Texas Workforce Commission Skills Development Fund Grant</td>
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<td>Educational Service Agreements with Rackspace</td>
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<td>Activities for these programs in fiscal year 2012, and 2011 when appropriate</td>
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<table>
<thead>
<tr>
<th>Key Recommendations</th>
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<tr>
<td>Improve the District's information resources security program for the Banner Student Module to comply with Texas Administrative Code Chapter 202 Subchapter C for Institutions of Higher Education (TAC 202 Sub C)</td>
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<tr>
<td>Improve continuing education workforce/corporate program processes and controls</td>
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<td>Improve revenue contracting processes and controls</td>
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**Potential risks for Alamo Colleges if these are not addressed**

- Partial non-compliance with various TAC 202 Sub C requirements
- Hinders the District's strategies for performance excellence
- Under-utilization of the Banner System resulting in diminished staff productivity
- Incorrect Coordinating Board reporting that could impact state funding
- Delayed, misreported, or lost revenue for the District
- Loss of future training opportunities with Rackspace
- Non-compliance with Board policies for contracts (C.2.11) and records retention procedures
- Unforeseen liability or indemnification issues related to contracts
- For degree related training, student records and control of finances accreditation compliance

### Management's Responses Overview

As the first in-depth audit of workforce training programs, contract processes, and controls, there are some challenges to address that will require prioritization and allocation of resources.

The Vice Chancellor for Economic & Workforce Development (F. Zaragoza) will implement reconciliations and other grant management process controls to strengthen Banner student data accuracy and completeness. He will strengthen the processes for continuing education state reporting; and enforce compliance with contract or amendment review and approval prior to performing services.

The Vice Chancellor for Finance & Administration (D. Snyder) will form a task force with representation from finance, workforce, and information technology to redesign processes surrounding workforce/corporate training. This will include streamlining enrollment, billing, and grant expenditure processing activities.

The Vice Chancellors' for Finance & Administration (D. Snyder) and for Student Success (L. Silva) will collaborate on establishing a role-based Banner Student Module access security structure that addresses segregation of duties concerns. Overall, the various compliance issues and control exceptions identified a need for improved communication and training of District/College personnel on policies and procedures.

Of the 9 recommendations made, Management declined one for which we indicated the alternative controls currently in place. Leadership plans to complete the other 8 with procedure updates by August 31, 2013 and implementation in fiscal year 2014 or earlier.
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BACKGROUND
In 2008, a locally based information technology company (Rackspace) collaborated with Alamo Colleges to provide specialized training to its employees. These workers needed high-level technology skills, including some requiring certifications. The partnership anticipated benefitting from Texas Workforce Commission grant opportunities and state funding through the Texas Higher Education Coordinating Board (THECB).

The Texas Workforce Commission (TWC) awarded Alamo Colleges two Skills Development Fund Grants totaling $4.8 million for a four-year period to support this initiative. Alamo Colleges and Rackspace also signed an agreement in November 2008 to fulfill the objectives of the TWC Grant. This agreement specified that the District would pay the company using TWC funds for proprietary training provided internally for its employees. The TWC Grant ended in March 2012.

Alamo Colleges and Rackspace entered into Educational Service Agreements (ESAs) between 2010 and 2012 to provide training not covered by the TWC Grant. Northeast Lakeview College (NLC) negotiated fourteen ESAs involving curriculum development, continuing education (CE) training, and minimum enrollment guarantees. This included training in two other states and one foreign country. San Antonio College (SAC) negotiated an ESA for company employees earning an Associate Degree in Computer Information Sciences. This contract paid for courses not funded by the TWC Grant and guaranteed minimum enrollment for some classes.

Learning Resources Network (LERN) Study August 2011
In August 2011, Alamo Colleges engaged the Learning Resources Network (LERN) to complete a Continuing Education Programs Organizational Effectiveness & Management Structure Assessment. This was part of the Board approved, Fiscal Year 2011 Cost Savings Budget Initiatives. LERN's objectives were to identify: (1) an optimal management structure for the District; and (2) high impact best practices to improve the efficiency, effectiveness, productivity, and profitability of the Alamo Colleges Continuing Education Programs.

LERN defined 20 critical actions to improve continuing education. Management identified the following six as imperative:
1. Become financially self-sufficient; establish a budget and evaluate performance
2. Use the right software for more productivity and accessibility to data for decisions
3. Implement the right organizational structure with appropriate staff skills
4. Develop planning - a one-year business plan and a two to five-year strategic plan
5. Promote leadership - more respect and support for continuing education
6. Data-driven decisions - collect and analyze data for decisions

CUSTOMER, FINANCIAL, AND WORKFORCE IMPACTS
Training programs for Rackspace employees generated almost $4.8 million from the TWC Grant between fall 2008 and spring 2012, and served over 3,800 students. In addition, the company requested about $600,000 in other services from 2010 through fall 2012. The number of employees trained during these services was not readily available.

Also, a majority of the classes offered as part of the TWC Grant or the Educational Service Agreements with NLC and SAC qualified for state funding from THECB; however, the amount could not be readily determined. Courses that did not qualify included those held in another state or country, proprietary training provided at Rackspace, and CE courses with less than 7 contact hours.
CUSTOMER, FINANCIAL, AND WORKFORCE IMPACTS CONTINUED

Offering these workforce training courses required Northeast Lakeview College to employ at least five uniquely skilled and highly compensated instructors. In addition, some of the classes taught required some domestic or foreign travel by the instructors.

AUDIT RESULTS SUMMARY

In response to the 2011 LERN Report, Management developed a series of strategic activities, and adopted a five-year timeline to complete them. Two high priorities in the LERN recommendations for the District to achieve more successful continuing education programs were using “the right software for more productivity”, and implementing “the right organizational structure with appropriate staff skills”. As of fall 2012, Alamo Colleges still has challenges to integrate District and College CE business processes with the Banner Student Module capabilities to address these imperatives.

Workforce/corporate training business processes and controls could be more effective. Alamo Colleges should optimize Banner Student and Finance Module functionality by integrating continuing education operating activities with the System. Security for the Student Module only partially complies with Texas regulatory standards for higher education information resources. These Banner processing and security issues occurred because the Student Module project implementation methods used were incomplete.

During the conversion to Banner Student in 2010, the business process analyses completed for continuing education, workforce/corporate training, and module security were limited. Also, they were not supported by adequate procedures. Training provided to staff focused on how to enter data into Banner instead of the processes and controls. Some District and NLC personnel working with these training programs needed additional Banner knowledge/skills and system access to perform their jobs. These employees created manual practices outside the system to manage the workforce/corporate programs. These practices delayed charging students for tuition/fees, and the subsequent transfer of these charges to the TWC Grant or their employer’s account for invoicing.

Alamo Colleges had 15 service contracts with Rackspace between 2010 and 2012; twelve were signed after the effective dates. Legal Services did not have all of these documents. The proprietary training contract did not include business terms as required by procedure C.2.11.1. District standard contract agreements with some changes were used so Legal Services reviewed the documents after the company signed. Business terms/conditions were usually not standard and attached as exhibits. There was no practice for the Finance and Fiscal Services Department to review the business terms/conditions of these contracts prior to fall 2012.

As of October 31, 2012 the company appeared to owe the District $407,385. The Banner accounts receivable balance was $15,160 greater due to various invoice and accounting classification errors. Most invoices were sent to Rackspace more than 30 days after the services occurred due to the manual processes. The NLC Dean of Workforce and Community Education prepared several invoices for non-instructional services and received payments directly from the company. For appropriate segregate of duties control, the Finance and Fiscal Services Department should always perform these activities.

As of October, District staff had not investigated the unrecorded or unpaid amounts since spring 2012. NLC CE personnel did not have Banner inquiry access to know which invoices were past due. In addition, the Banner Account Review Form aging information was inaccurate.
RECOMMENDATION

1. Improve the security program (processes and controls) for the Student Module to comply with Texas Administrative Code (TAC) Title 1 Administration Part 10 Dept. of Information Resources Chapter 202 Information Security Standards Subchapter C Security Standards for Institutions of Higher Education, especially:

§202.70 Security Standards Policy
§202.71 Management & Staff Responsibilities
§202.72 Managing Security Risks
§202.75 Information Resources Security Standards

1. MANAGEMENT’S RESPONSE:

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<thead>
<tr>
<th>Senior Leaders:</th>
<th>Managers:</th>
<th>Target Completion:</th>
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<tbody>
<tr>
<td>Vice Chancellor for Finance &amp; Administration (Snyder)</td>
<td>Assoc. Vice Chancellor for Finance &amp; Fiscal Services (Ansboury); Director CSI (Garza)</td>
<td>Review August 2013 Implement January 2014</td>
</tr>
</tbody>
</table>

Action Plan:
As stated in the audit report, we acknowledge that the Banner Student Module role-based security requires review and may require additional controls. Finance and Fiscal Services will assist the Center for Student Information on establishing a new role-based access that addresses segregation of duties. Once roles/security classes are established, employees will be placed/assigned to appropriate roles based on their job duties.

Conclusions – From the Recent State Reporting Review

In spring 2012, the State (THECB) Reporting Processes Review Audit reported that Banner Student/TCC Module security processes and controls should be more effective. Some responsibilities assigned to the information security officer, the data custodian, and the data owners by TAC were not evident in the District’s practices. Module security classes comingled data, forms, processes, and reports without differentiating risks. Too many data owners authorized user access. None of them had the proper tools or training to perform data owner responsibilities. The March 2012 security reports produced by the District Information Security Office demonstrated that the:

- Security classes were not consistently structured based on employee job duties
- Classes were not distinguished based on risks associated with the data included in them
- User access was inconsistent for 5 State Reporting Officials and several other users
- Access for some users seemed unrelated to the job titles shown on the report

While the fall security report reflected several improvements from the spring version, it still did not have critical elements needed by the data owners to perform a reasonable review of over 900 users.

Conclusions – From the Workforce Training Programs Review

In summer 2012, several District and NLC staff involved with these workforce/corporate training programs expressed concerns about having sufficient Banner access to do their jobs. Based on the new September security report, employees involved with this training did not have consistent and/or appropriate Banner Student Module access. They do not know the appropriate access needed to better utilize the Student Module.
Banner Student Module Security Processes and Controls Continued

Conditions – From the Workforce Training Programs Review

The Student Module had 16 data owners including the Associate Vice Chancellor for Student and Program Development, 15 College Vice Presidents, or the Deans of Continuing Education.

The September security report listed 942 users with active or locked access. It also showed their assigned security classes, job titles, and organization descriptions. The report did not include the screens or access type (inquiry or update) associated with each security role/class. The District IT Security Office referred data owners to a Banner ePrint Report “Objects in User Class” for this information. This ePrint Report is not very user friendly due to the format and the substantial number of pages.

The September report listed 40 security classes. Two descriptions looked like job titles while the others appeared to be processes. This report included four security classes not shown on the Access Request Form. Six security classes in the report had over 125 users assigned to each. The Advising/Counseling/Transfer Class had 313 users with access. Over 160 users had the Administration security class assignment created primarily for Vice Presidents, Department Chairs, and Deans. One user had 16 security class assignments whereas many users had access to more than five classes. The Banner Student User Access Role Definitions Matrix had not been updated to include all 40 classes.

The September security report included several improvements, such as a risk identifier for each user. Subsequent reports added the last log-on date for each user. Of the 942 user accounts in this report, 885 were labeled as medium risk. The 36 flagged as high risk included 16 terminated employees. The new version did not show a risk rating for each security class.

The CE General, CE Admissions, CE Schedule, CE Registration, and Administration (VP, Chair, Dean, etc.) security class assignees were reviewed. An overall comparison of users with the same job title noted inconsistent access for several. A limited evaluation of the continuing education and workforce development related job descriptions showed many access inconsistencies for all locations.

Employees involved with these workforce/corporate training programs also had access exceptions. Only one of the NLC staff handling this training had access to the security classes established for continuing education. The NLC Dean of Workforce and Community Education had no access even though her position is designated as an alternate data owner. The District Economic and Workforce Development (DEWD) Grant Manager had no access to the Banner Student Module. The DEWD Grant Project Manager’s access included the Faculty security class, but none for continuing education. District Center for Student Information – Continuing Education employees had access to the Scheduler class for academics, but none of those related to CE.
Continuing Education Program Processes and the Banner System

RECOMMENDATIONS

2. Improve continuing education workforce/corporate contract processes and controls by:
   - Developing beginning-to-end business process analyses
   - Integrating College and District activities
   - Optimizing Banner System Student and Finance Modules functions
   - Documenting procedures
   - Providing additional training on these processes and the Banner System capabilities
   - Ensuring that the Finance & Fiscal Services Department sends invoices and receives payments
   - Complying with Texas regulations and District Policy/procedure for records retention

3. Resolve the identified accounts receivable and revenue classification errors

2. MANAGEMENT’S RESPONSE: Accept

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<tr>
<th>Senior Leader:</th>
<th>Manager:</th>
<th>Target Completion:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vice Chancellor for Finance &amp; Administration (Snyder)</td>
<td>Associate Vice Chancellor for Finance &amp; Fiscal Services (Ansboury)</td>
<td>BPA completion Implement Fiscal Year 2014</td>
</tr>
</tbody>
</table>

Target Completion: August 2013

Action Plan:
A thorough review will be conducted of contract management process controls and controls will continue to be strengthened. Procedures will be documented and training will be provided as appropriate. A taskforce will be established with representation from VCFA, VCEWD, VCPPIS, and NLC, and other areas as appropriate to perform business process analyses and develop process enhancements for implementation.

3. MANAGEMENT’S RESPONSE: Accept

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<tr>
<th>Senior Leader:</th>
<th>Manager:</th>
<th>Target Completion:</th>
</tr>
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<tbody>
<tr>
<td>Vice Chancellor for Finance &amp; Administration (Snyder)</td>
<td>Associate Vice Chancellor for Finance &amp; Fiscal Services (Ansboury)</td>
<td>June 2013</td>
</tr>
</tbody>
</table>

Target Completion: June 2013

Action Plan:
Finance and Fiscal Services will re-classify $39,555 of payments incorrectly posted to revenue, and will issue a statement of unpaid or past-due amounts to the company for reconciliation and collection.

Conclusions

Since 2010, Alamo Colleges had an opportunity to streamline its continuing education processes and to optimize using the new Banner System Module. The current District and Northeast Lakeview College (NLC) practices used for these workforce/corporate training programs involve many tasks that were manual, and that occurred outside of Banner. The supporting documentation for the corporate training was not centrally located. There did not appear to be a defined retention plan for records related to the Grant or ESA contracts. Alamo Colleges expended substantial resources performing these activities with results that may not be timely or consistently reliable. These findings further confirmed the 2011 LERN Study results.

Contracts developed for the Texas Workforce Commission (TWC) Grant and Rackspace training programs did not consider how Banner would capture and process the training data. To be more effective, the negotiated contract terms should be aligned with the Modules’ automated processes. Appropriate front-end planning was essential to set up the rules in Banner for the terms/conditions of each contract. Once accomplished, courses linked to these contracts could have electronically calculated and posted student charges/payments. The corresponding transfers to the TWC or Rackspace accounts would also have occurred automatically.
Continuing Education Program Processes and the Banner System Continued

Continuing education staff at NLC and the District, who worked with these workforce/corporate training programs, seemed uncomfortable using the Banner System. Most of them need additional skills and knowledge of the Student and Finance Modules’ capabilities. These issues illustrated that the Banner Student Module implementation was not comprehensive in the areas of employee training, business process analyses, and procedures for corporate training.

The Banner Flexible Registration (Flex-Reg) implementation may solve some of the registration issues experienced with the existing CE student profile methodology. Flex-Reg may not resolve the current problems with workforce/corporate training contract processes.

As of October 31, 2012, the Banner account receivable for the company totaled $422,544; however, the amount due appeared to be $15,160 less. The company owed Alamo Colleges $298,684 for tuition/fees invoices sent but not paid as of that date; and a September invoice needed to be increased $53,677 due to a clerical error. Rackspace had not been issued invoices for $30,631 in student charges during the spring, summer, and fall 2012 CE terms; for $22,792 in spring 2012 curriculum development costs, and for $1,600 for SAC fall 2011 academic minimum seat fees.

Rackspace had previously paid $39,555 that was posted to a revenue account rather than their account receivable. This occurred because the NLC Dean prepared bills, collected payments from the company, and selected the revenue account to credit, which is a segregation of duties weakness.

Conditions – CE Student Admission Processes and Controls

District Departments (Finance and Economic/Workforce) and NLC College personnel created numerous spreadsheets and other external documentation. These contained employee training data for keying into Banner forms, and some had revenue calculations. It was difficult to obtain some of this documentation. There did not appear to be a centralized retention location for records related to the Grant and ESA contract services.

The four business process analyses (BPAs) completed by the Banner implementation team did not address closed enrollment training. One BPA described using paper applications to admit CE students just as Alamo Colleges was transitioning to an integrated administrative system, the Student Module.

The Director for the District Center for Student Information - CE worked with a Banner Consultant to establish the web based application/admit procedure. By activating base-line Student Module functions, CE students could complete their “quick admit” via a self-service routine. This method, called “student profile”, seemed like four simple steps. However, it required new students to navigate through various screens with multiple questions. This Banner routine appeared to be an abbreviated version of the Apply Texas Application for academic students. Applicants commented to the NLC CE staff that the “student profile” was cumbersome and not user friendly.

Campus and District employees expressed their concerns before the Banner Student Module “go-live” about the student profile established for new CE student master records. Their apprehension escalated when the Project Team indicated that legacy master records for currently enrolled CE students would be imported into Banner but not activated. Returning students had to reapply for admission using the student profile, which would then activate the prior record.
Continuing Education Program Processes and the Banner System Continued
This presented an immediate challenge for District and NLC since the TWC Grant for Rackspace programs had several thousand students already admitted with almost eighteen months of training to complete. The CE Department at NLC developed paper forms for hundreds of Rackspace employees to complete as an alternate method because of prior complaints about using the student profile. Some company trainees commented to NLC CE personnel concerns about providing their personal information such as social security numbers, date of birth, and legal name.

Banner Flexible Registration Application will replace this “student profile” in March 2013. This will allow new students to apply, and existing students to search for courses, register, and pay for classes using Banner System. This new application may avoid the current manual effort at the front-end to enroll continuing education students. However, it does not appear that it will affect the workforce/corporate training contract processing practices.

District and NLC CE staff involved with TWC Grant and Rackspace training programs indicated that their knowledge of the Banner System is limited. These employees received presentations and material emphasizing data entry, but not about streamlining processes. They were not aware of the Banner User Guides available through the Alamo Colleges Educational Services (ACES) Portal. Since implementation, these individuals have received no further Student Module training.

Conditions – Revenue and Accounts Receivable Processes and Controls
The Northeast Lakeview College (NLC) Workforce and Community Education Department relies on spreadsheets to calculate course revenue. College personnel could not access Banner to see the transactions recorded or the balance owed by the company. There were no District procedures to follow-up on the status of invoices sent and paid.

Alamo Colleges has minimally used the Banner Modules for these workforce/corporate training programs and contracts. NLC and District Bursar Office staff enter course revenue codes and post student tuition/fee payments to Banner using the campus spreadsheets. The combined manual activities delayed the Banner transaction postings. One consequence was that receivable transaction aging analyses on the Banner Account Review Form TFAACCT was not reliable. Banner data to cross-reference TWC/Rackspace contracts with courses and students was incomplete.

Based on the current practices, it was difficult to determine if the District billed the company for all of the services provided. A summary reconciliation for October 31, 2012 showed:

- Services provided by NLC and SAC totaled over $601,000
- Rackspace paid the District $194,532
- Invoice S0014626A issued for $23,480 should have been $77,157; a $53,677 difference
- Invoice S06089784 in February 2012 for $1,881 was sent but not paid; potentially lost
- No invoice sent for $1,600 in minimum student seat charges for SAC from fall 2011
- No invoice sent for curriculum development costs of $22,792 during May/June 2012
- Most 2011 and 2012 invoices were not sent within 30 days of completing the services
- Payments of $39,555 posted to a revenue account instead of the receivable

Other issues noted specific to tuition/fee revenue coding included:
- NLC received most of the revenue; limited allocation to the District for its overhead costs
- Some special fees included charges for books and instructional material; no sales tax added
- Students usually charged for tuition/fees after classes started
Several Education Service Agreements were negotiated with Rackspace detailing the courses to be taught, and the curriculum to be developed. A separate agreement stated that each course must have a minimum enrollment of ten students. The company was to pay for the vacant seats when the minimum enrollment was not met.

The NLC Dean of Workforce and Community Education prepared the invoices for curriculum development and the vacant seats. These invoices were sent directly to Rackspace’s University Department. The District Bursar’s Office was not copied on these invoices for non-instructional services or fees. Rackspace mailed its payment checks to the Dean who then delivered them to the NLC Bursar’s Office with a revenue account to post the transactions.

The District Bursar’s Office did send invoices for courses taught Rackspace staff; and they later received the payments directly from the company. These were properly classified in the general ledger.
TWC Grant Processes and Controls – Performance

RECOMMENDATION

4. Improve grant management process controls by:
   - Reconciling grant student, course, and contact hour data to Banner records
   - Adding grant detail worksheet course cross-references to Banner course/section records
   - Ensuring that Banner student master data is accurate and complete

4. MANAGEMENT’S RESPONSE:

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<tr>
<th>Senior Leader:</th>
<th>Manager:</th>
<th>Accept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vice Chancellor for Economic &amp; Workforce Development (Zaragoza)</td>
<td>Director of Workforce Administration &amp; Special Projects (Tucker)</td>
<td>Target Completion: Review: August 2013 Implement: May 2014</td>
</tr>
</tbody>
</table>

Action Plan:
A thorough review will be conducted of grant management process controls and controls will continue to be strengthened. Procedures will be documented and training will be provided as appropriate.

Conclusions

Alamo Colleges reported to the Texas Workforce Commission (TWC) summary and detailed information about Grant highlights and statistics showing that target outcomes were achieved. The summary and detailed totals submitted were essentially comparable. This information could not be verified using Banner Student records because it could not be readily extracted. Using sample reviews, some discrepancies were noted between billing memos and the detail support for this Grant. This suggested that more errors might have occurred.

Control totals for student counts, contact hours, and course records in the Trainee Information Form (TIF) Excel Worksheet were not reconciled to the Banner System. District personnel could not access Banner to perform such reconciliations. The absence of key process controls, such as these reconciliations, can affect Grant revenue, and may influence performance outcomes.

It appeared that during Phase II about 475 class sections taught by Alamo Colleges were included in the TIF Excel Worksheet. The District Economic and Workforce Development (DEWD) Grant Manager had to manually match the Banner class section names from the billing memos to the TIF participant course name. This practice was time consuming and not reliable.

Company employee/trainees should provide basic Banner Student master data so that Alamo Colleges can accurately report details to the Grantor and the Coordinating Board. The District should alleviate students’ fears associated with supplying this critical information through more communication.

Conditions – Performance Metrics

The TWC Skills Development Grant required Alamo Colleges to provide 163,844 contact hours to 4,000 trainees. Alamo Colleges successfully trained 3,882 students, which was slightly less than the goal. The contact training hours totaled 254,776, which substantially exceeded the target expected. The training hours reported included over 93,000 taught by Rackspace on proprietary topics.

Conditions – Grant Billing Memo and TIF Worksheet Exceptions

The NLC Workforce and Community Education (WCE) Department prepared memos to bill the TWC Grant for technical training. Their practices involved preparing one billing memo per course, then attaching the class roster and daily sign-in sheets. They submitted this information electronically to the DEWD Grant Project Manager.
TWC Grant Processes and Controls – Performance Continued

After reviewing the documentation for completeness/accuracy, she notified the District Bursar’s Office to mark the students as paid and to charge the TWC Grant receivable account. She also forwarded the data to the DEWD Grant Manager to manually transfer information from the class rosters into the TWC TIF Worksheet. Some of this data was copied as text instead of numeric values, which prevented accurately calculating various control totals. The TIF Worksheet used participant course names different from the Banner class titles; and it did not include the section data for cross-referencing. The DEWD Grant Manager uploaded the TIF Worksheet to TWC’s database on a monthly basis, and she would correct any errors detected by the Grantor.

The DEWD Grant Project Manager prepared monthly summaries for TWC with training accomplishments and statistics, and an “End of Project Narrative” in May 2012. The Grant performance measures reported compared favorably with the detail totals except for small variances noted, as shown below.

<table>
<thead>
<tr>
<th>Performance Measures</th>
<th>Narrative 5/16/2012</th>
<th>TIF File 6/21/2012</th>
<th>Summary vs. Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unduplicated</td>
<td>3,882</td>
<td>3,777</td>
<td>105</td>
</tr>
<tr>
<td>Contact Hours</td>
<td>254,776</td>
<td>254,752</td>
<td>24</td>
</tr>
</tbody>
</table>

There were numerous billing memos for Phase II; six were chosen to verify their accuracy. While two matched the TIF Worksheet, four memos had exceptions, as summarized below. The Grant paid $1,280 for three students who did not complete the courses as required. The TIF file did not include a student whose tuition/fee was paid by the Grant.

<table>
<thead>
<tr>
<th>Summary of Phase II Billing Memo Exceptions</th>
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<tbody>
<tr>
<td>Course / Student Code</td>
</tr>
<tr>
<td>-----------------------</td>
</tr>
<tr>
<td>1 CRN 10975 Red Hat Certified System Administration Exam Prep</td>
</tr>
<tr>
<td>2 CRN 30376 Server*</td>
</tr>
<tr>
<td>3 CRN 30377 Special Topics in Advanced Technology III</td>
</tr>
<tr>
<td>4 CRN 30441 HTTP/HTTPS</td>
</tr>
</tbody>
</table>

Notes: * – Per sign-in sheet
Exception Explanations: A – TIF worksheet is not accurate; bill is correct
B – TWC Grant billed for student who did not complete course in error

The TWC Grant required trainee name, social security number, date of birth, and other personal information. Company employees/trainees completing the student profiles did not always provide this data. NLC CE personnel understood from the Banner implementation, and from contact with the Coordinating Board staff that social security numbers may not be mandatory.

The TIF Worksheet was matched to the Banner System General Person Identification SPAIDEN student records to determine if critical master data was populated. Various Banner exceptions were seen such as:

- No social security number for two students; no date of birth for one of them
- Two Banner IDs for one student; no social security number for one of them
- Different last names versus the TIF for several students due to marriage or divorce

Another TIF Worksheet issue noted: The Identifying the Problem (CRN 40907) course in term 820114 was included twice in the TIF Worksheet for the seven participating students.
**RECOMMENDATION**

5. Improve grant expenditure processes and controls by:
   - Ensuring that charges can be readily verified with contract amounts and quantities
   - Establishing “maximum not-to-exceed” amounts for contract expenditures
   - Using purchase orders to track liabilities and commitments for contracts of $25,000 or more
   - Confirming that payment request documentation is complete
   - Providing NLC and District staff training on expenditure accounting classifications
   - Using Banner functions to match purchase orders, receiving forms, and vendor invoices

**5. MANAGEMENT’S RESPONSE:**

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<th>Senior Leader:</th>
<th>Manager:</th>
<th>Target Completion:</th>
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<td>Vice Chancellor for Finance &amp; Administration (Snyder)</td>
<td>Associate Vice Chancellor for Finance &amp; Fiscal Services (Ansboury)</td>
<td>August 2013</td>
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**Conclusions - Payments for Proprietary Training Services**

The expenditure controls used for training funded by the Texas Workforce Commission (TWC) demonstrated several weaknesses in 2011 and 2012. The Skills Development Fund Program Budget did not have line item detail for the proprietary Rackspace services; they were included with the “ACCD” training list. District Finance and Fiscal Services Department staff could not fully verify three direct payment requests totaling $552,440 for services paid to this vendor. While the number of trainees and total amounts paid were not validated for the three requests, they did appear reasonable. Several District Departments did not detect a $200 overpayment to Rackspace for the March 2012 invoice.

For two payment requests, the cost per trainee agreed with the Grant agreement Attachment B-1 Budget Detail Form submitted. The third payment request retroactively applied to 21 months a cost per trainee for the proprietary Rookie Orientation course that was amended in June 2010. The course was amended from 8 training hours at $80 per trainee to 32 hours at $320. Alamo Colleges changed the student records in the TWC Trainee Information Form (TIF) Worksheet from 8 to 32 training hours for the classes held prior to June 2010. The TIF File does not include the cost per trainee for each class. The Grant amendment did not state that this change could be retroactive. The District Economic and Workforce Development (DEWD) Grant Project Manager understood that TWC concurred by accepting the TIF Worksheet changes after the amendment. TWC’s review of this Grant in 2011 did not comment on expenditure issues related to the Rackspace invoices paid.

Using the direct payment request for the Rackspace proprietary training services made it difficult to track the cumulative expenditures for this contract. Banner Finance Module three-way match functions could add value to expenditure controls. With properly input purchase order quantities and unit costs, the DEWD Grant Budget Manager could use the Banner Finance Module Forms to enter services received, and automatic matching with the purchase order terms would occur.

**Conclusions – Expenditures for Curriculum Development**

There was no practice to reconcile faculty time used for curriculum development with the TWC Grant allowance. The memos for transferring development charges did not include cumulative amounts for comparison with the Grant contract.
TWC Grant Processes and Controls – Expenditures Continued

The District Bursar’s Office prepared journal entries to transfer $72,000 for curriculum development costs from Northeast Lakeview College (NLC) to the TWC Grant.

Timesheets could support the faculty hours; however, the rates used per hour were not verified. Banner general ledger accounts charged for NLC curriculum development costs were inconsistent or not correct during Phase II of the Grant.

Conditions – Contract Background

The TWC Grant Amendment 5 Revised Attachment B-1 Budget Detail Form in April 2012 for both phases listed program service costs of $311,086 for curriculum development. It also included tuition/fees of $315,000 for training “which exceeds ACCD’s current institutional capacity”, and of $2,569,337 for “ACCD” training based on a schedule of courses with the cost per trainee. The “ACCD” line item included the proprietary Rackspace courses. The 2010SDF001 Grant Attachment B Section 1.3 expenditure limitations allowed payroll benefits and standard overhead costs.

Conditions – Payments for Proprietary Training Services

TWC agreed to fund for qualified employees proprietary training courses that Rackspace would conduct. The schedule of courses included Rackspace taught classes, such as Rookie Boot Camp, Rookie Orientation, and Support Fundamentals. When the Grant began, the schedule showed Rookie Boot Camp as a 400-hour class at a cost of $6,400 per trainee, and Rookie Orientation as an 8-hour course with a cost per trainee of $80. Support Fundamentals was listed as a 32-hour class at a cost of $1,200 per student.

The DEWD Department executed an agreement with Rackspace in fall 2008 for these proprietary training services. The contract started August 31, 2008 and ended in May 2012. It did not list the specific classes with hours, the cost per trainee for each, or a maximum amount payable. The agreement did state that company would submit monthly invoices, and that the District would issue payments within forty-five days of billing. The DEWD Grant Project Manager indicated that both parties verbally agreed to wait until the end of each year for the vendor to invoice the District. Rackspace’s compensation was contingent on remaining tuition/fee funds. There was no contract amendment for these verbal changes.

Alamo Colleges paid Rackspace $552,440 for Rookie Orientation and Support Fundamentals using Grant funds. The payments posted to Banner general ledger expense account Grant Student Tuition and Fees 71456. The Grant Budget Manager used the direct pay method for these invoices after consulting with Purchasing Management. Rackspace billed the District three times during the Grant. The March 2012 payment was $200 greater than the vendor’s invoice. DEWD Management and Finance and Fiscal Services Department staff had not corrected this data entry mistake and overpayment.

The Accounts Payable file for Rackspace had invoice copies showing total trainees and charges. Attachments for two requests included correspondence, and a few pages from the TWC Grant and Rackspace agreements. No lists of training dates with participating employees were included for the three requests. The DEWD Grant Project Manager stated that the practice was to send Accounts Payable the invoice and an electronic file with the course, trainees, and class dates.
TWC Grant Processes and Controls – Expenditures Continued

These direct pay requests were sent to Accounts Payable. The Finance and Fiscal Services Grants and Contracts Office did not review them before payment. The Grants and Contracts Office indicated that they did not have a copy of this Rackspace agreement.

The DEWD Grant Project Manager subsequently provided a list of training dates and participating employees for the $82,240 March 2012 invoice. This list was compared with the TWC TIF File student names and instruction dates for Rookie Orientation. The TIF had 16 more students for this class than the invoice because the Grant tuition/fees paid had reached the budget limit.

The Support Fundamentals invoice for $150,000 paid in August 2010 included correspondence, a copy of the Grant agreement, and the Rackspace contract. There was no list with dates and student names. The number of trainees billed appeared reasonable; they were less than those reported on the TIF. The cost per trainee agreed with the Grant Attachment B-1 Budget Detail Form.

A Rookie Orientation invoice for $320,000 paid in November 2010 had a reissued check in early 2011. The original check was misplaced by the company; it was located after a replacement was issued. In spring 2012, the Accounts Payable file for this vendor included the reissued payment documents. Several months later, the original direct payment records were provided. This material did not include a file with the class dates and students.

The invoice showed 1,000 trainees from the beginning of the Grant in 2008 through October 2010. The $320 cost per trainee billed agreed with the TWC Grant Amendment Attachment B-1 effective June 4, 2010. The Attachment B-1 Budget Detail Form prior to this date listed Rookie Orientation as an 8-hour class with a tuition/fee of $80 per trainee. The TWC TIF Worksheet reported almost 1,100 trainees in these classes through May 2010, which was prior to the fee increase.

The DEWD Grant Project Manager stated that although the Amendment was effective in early June 2010, TWC allowed the trainee cost increase to be retroactive to the start date. There was no evidence that Finance and Fiscal Services Department personnel requested written confirmation of TWC’s approval to retroactively bill the greater hours and higher cost per trainee. TWC reviewed Phase I and issued its Monitoring Report in June 2011 with no expenditure exceptions. Student Module records do not include proprietary classes so reconciling the invoices and TIF activity for these courses with Banner was not possible.

A May 2011 invoice (with many pages attached) for a different TWC Grant was found in the District’s Rackspace file in June 2012. Finance and Fiscal Services personnel had not detected this misfiled documentation.

Conditions – Expenditures for Curriculum Development

The TWC Grant budget for curriculum development totaled $311,000 by the final amendment in spring 2012. NLC’s Workforce Development and Community Education Dean issued two billing memos in summer 2011 to the DEWD Grant Project Manager. These were to charge the TWC Grant $72,000 for curriculum developed by CE instructors. The memos included timesheets to document the instructors’ hours.
TWC Grant Processes and Controls – Expenditures Continued

The hourly rates were greater than the Banner pay rates due to benefits and overhead added. The pay rate additions were different for each instructor ranging from 10 to 20 percent. A timesheet from March 2011 included twelve hours omitted from the billing memo with a value of about $720. This mistake was not detected/corrected by NLC or the District Departments.

The District Bursar’s Office recorded these expenditures for curriculum development using three journal vouchers. These entries reflected the following issues or additional exceptions:

- Instructors’ salaries and overhead recorded as Adjunct Faculty Salaries 3rd Party 61009 with a credit to NLC Operating Fund CE Special Fee Revenue 52044
- Charge later reclassified to Cell Phone Expense 71052
- Reclassified again to Contracted Services - Independent 71152
- No revenue allocation for this transaction to the District for its overhead recovery
Coordinating Board Management (CBM) CE Reports

RECOMMENDATIONS

6. Improve processes for continuing education (CE) state reporting by:
   - Developing beginning-to-end business process analyses for programs
   - Documenting a regulatory reporting procedure manual
   - Providing on-going Banner System training for CE staff
   - Designating responsibility for submitting CE courses for Coordinating Board funding approval
   - Ensuring that District has reliable Banner System change management protocols
   - Submitting an Ellucian/TCC Texas enhancement request to correct the “Affected by Funding” flag response rather than default it to “No”

7. Propose to THECB and Texas Legislature that the undergraduate affected by funding special exemption for pre-fall 1999 students be eliminated

6. MANAGEMENT’S RESPONSE: Accept

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<td>(Zaragoza)</td>
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Action Plan:
Realignment of continuing education (CE) resources is underway to establish a CE CSI that will centralize back-office operations for registration and student data. A thorough review will be conducted of the process for continuing education state reporting. Procedures will be documented and training will be provided as appropriate.

7. MANAGEMENT’S RESPONSE: Accept

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<td>Finance &amp; Administration (Snyder)</td>
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Action Plan:
In conjunction with the Alamo Colleges’ Governmental Relations team, this has been forwarded for consideration to the upcoming 84th Legislature. As an alternative, we are pursuing incentives for pre-fall 1999 students to complete their degree.

Conclusions
Several errors identified through a limited review of the Northeast Lakeview College’s (NLC) 2012 CBM Reports provide additional evidence of the issues documented in the State (THECB) Reporting Processes Review Audit. Some of these appear systemic in nature, which means that other Colleges’ reports may be affected. These emphasize that improvements in the state reporting processes, procedures, training, and greater knowledge of the Banner System are necessary.

NLC may have reported to the Coordinating Board for funding 21 training courses when the contracts (with Rackspace) paying the tuition/fees had not been signed by the census dates. These classes included 205 students and about 5,800 contact hours valued at approximately $15,000. It is time consuming for NLC’s State Reporting Official or the CE Dean to manually check numerous courses or students reported to verify contract signatures. State reporting activities should be integrated by using Banner capabilities to prevent or detect such state reporting errors.

Approval for funding can be requested from the Coordinating Board for CE courses not in its workforce inventory. The 2012 NLC CBM00C reports listed only workforce inventory class codes. This indicated that potentially eligible courses might not be submitted by the College for funding consideration. Also, two eight-hour courses (taught by Rackspace instructors) were not listed in the Coordinating Board’s inventory. This involved 19 other CE students and about 152 contact hours.
Coordinating Board Management (CBM) CE Reports Continued

Unfunded contact hours in the 2012 NLC CBM00C reports resulted from not coding special topic classes as “three peat exempt.” This included six Rackspace students with 136 contact hours not funded. Less use of the special topics course number would reduce the potential for this mistake.

Sixteen Rackspace student CBM001 Report records erroneously showed semester credit hours as not affected by the undergraduate limit for spring 2012. This occurred because the ITS Department’s change management procedures did not work effectively. The ITS staff did not add a District custom program change to the TCC Modifications Module during a March Banner upgrade. The Banner Team Student Analyst and NLC State Reporting staff detected this code error, which continued in subsequent 2012 CBM reports. This problem affected all the Colleges.

Tracking students with academic histories prior to fall 1999 requires substantial work for the District to categorize credit hours reported to the Coordinating Board. Alamo Colleges is not using this information to charge non-exempt students (since fall 1999) higher tuition rates when their cumulative academic hours exceed the regulatory limits. This exemption may not be relevant given the current emphasis on completing degrees/certifications more timely.

Conditions - NLC CBM00C CE Class Reports General Observations

Fiscal year 2012 certified CBM00C Class Reports:
- Only Workforce Education Course Manual CE courses were listed
- No codes were shown for approved Alamo Colleges’ courses
- 3,608 contact hours were not funded for 70 courses, which involved 128 students
- Approximate revenue impact could be $9,800 for these unfunded hours

Conditions - NLC CBM00C CE Class Reports – Workforce Training Sample

Texas Administrative Code (TAC) Rule §21.4 requires that contracts be signed to consider the tuition/fees as collected. THECB reporting manual did not address excluding courses and students from the CBM reports based on contract signatures.

Faculty Schedule Query SIAASGQ data was extracted from the Banner System to review the teaching schedules for five Rackspace training instructors. Thirty courses from these schedules were traced to the 2012 CBM00C CE Class Reports. They were also compared to Rackspace invoices for tuition/fees and the related contracts. All parties signed the contracts before the census dates for nine classes. However, twenty-one courses had contract signature exceptions. NLC’s Workforce Development and Community Education Dean stated that some courses had not been reported to THECB because the contracts were signed after the census dates. NLC’s State Reporting Official was not aware of when training contracts were signed and which courses were involved.

Texas Administrative Code (TAC) Rule §9.115 states courses with less than 7 contact hours are not eligible for state funding unless required by any of several agencies. The 2012 CBM00C CE Class Reports excluded records for several courses. Most were for less than 7 contact hours. Two basic computer skills classes not reported had 8 contact hours each and appeared to be eligible for state funding. Rackspace employees did not attend these classes. They were found by comparing Rackspace instructor schedules with the CBM00C Reports.
Coordinating Board Management (CBM) CE Reports Continued

Conditions - NLC CBM00A CE Student Reports – Workforce Training Sample

TAC §13.105 disallows funding for courses taken by a student more than two times. TAC §13.106 allows some exceptions to this limit, such as special topic classes with advanced content. A review occurred of one course judgmentally selected from the third and fourth quarters of 2012. Student Module records for 27 individuals in these courses were compared with the CBM00A data. Six students had 136 contact hours categorized as not state funded. Their Banner registration histories showed these as repeated courses. The NLC CE Scheduler did not set-up these special topic courses as “three-peat exempt” in Banner. Accordingly, they were reported as not eligible for state funding.

The ITS Department, the District Center for Student Information CE, and the College State Reporting Officials knew about this problem with special topics in spring 2012.

The NLC CE Rackspace course scheduler used the special topics course number routinely. In these cases, the accuracy of the “three-peat exempt” code was important for contact hour funding. Some of these classes could have been assigned a unique course number from the catalog, which may have avoided some “three-peat exempt” code problems.

Conditions - SAC CBM001 Student Academic Reports – Workforce Training Sample

Texas Education Code Rule §54.014 limits the hours an undergraduate student may attempt when paying in-state tuition. The limit is 30 to 45 hours in excess of those required to complete a degree. Institutions can charge students exceeding these limits higher tuition rates if their academic history started after 1999. Schools must categorize student semester credit hours as either affected or not affected by this limit on the CBM001 Reports.

The TCC Modifications Module defaults this “Affected by Funding” (ABF) flag to “No” for all students. This reports to the THECB that all students are exempt from the undergraduate hours funding limit. The District’s ITS Department overrode this programming to have the ABF flag default to “Yes” for all students. They then used scripts to identify students who were exempt and changed their ABF flag to “No” when appropriate. The Ellucian/TCC program exception created more work for the Colleges; and the District’s customizations increased the potential for errors.

A limited review of the San Antonio College fall 2011 and spring 2012 CBM001 Student Reports occurred. Of 51 Rackspace students evaluated, 16 students had semester credit hours in spring 2012 categorized as not affected by the undergraduate limit. This was not consistent with how these students’ hours were reported in fall 2011.

This occurred because the District ITS Department’s change management procedures did not work. When a Banner upgrade occurred in March, the District ITS staff did not imbed their custom logic after the TCC Modifications Module update. Consequently, the Banner Module defaulted all students reported in CBM001s after March as exempt from this rule. The Banner Team Student Analyst and NLC State Reporting staff detected an improper flag for some students, which continued in subsequent 2012 CBM reports. No action occurred to revise the report data as of fall 2012. This systemic problem affected all Colleges CBM Reports.
Contract Management Processes and Controls

RECOMMENDATION
8. Improve revenue contract management processes and controls by:
   • Complying with Board Policy C.2.11 Legal Services and related procedures
   • Documenting the business processes, developing related procedures, and training staff
   • Having Finance and Fiscal Services Department evaluate the business terms
   • Obtaining signatures from all parties before services occur
   • Preparing written amendments for term or condition changes
   • Centrally locating all contracts and related documents

8. MANAGEMENT’S RESPONSE: Accept

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<th>Senior Leaders:</th>
<th>Manager:</th>
<th>Target Completion:</th>
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<td>Vice Chancellor for Economic &amp; Workforce Development (Zaragoza); and NLC President (Reno)</td>
<td>Vice Chancellor for Economic &amp; Workforce Development (Zaragoza)</td>
<td>December 2013</td>
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Action Plan:
VCEWD will enforce compliance with policies and procedures requiring in advance: a) legal review, which includes routing for Finance review; and b) signed approval of contract and/or amendments before services occur. Procedures will be documented and training will be provided as appropriate.

Conclusions
There did not appear to be a business process analyses or documented procedure for District and College staff to use for these corporate training contracts. The practices used did not engage the Finance and Fiscal Services Department in evaluating the business terms.

A pattern existed of signing contracts after the effective dates, which could have affected the customer’s willingness to pay for the services. Two contracts verbally renegotiated with Rackspace were not formally amended. Accounting and reporting risks for both parties occurred since the District could not invoice the company until the contracts were signed.

Legal Services did not have all of the contracts as required by District procedure C.2.11.1 Review and Approval of Certain Agreements. It took considerable effort to obtain document copies from the several District Departments and two Colleges.

The District Legal Services Office reviewed the contracts after Rackspace had signed them. Since the standard contract form was used with modest modifications, this seemed appropriate to District Workforce and Northeast Lakeview College (NLC) CE staff. In several cases, the terms and conditions included nuances that appeared to need wording clarifications or changes. For example, foreign travel by employees has inherent risks. Rackspace’s handling of travel arrangements for NLC employees may increase these risks so additional Management review seemed appropriate.

Conditions – Texas Workforce Commission (TWC) Grant
A non-financial Agreement established the performance and deliverables for the two Skills Development Fund Grants awarded by TWC. Agreements for Phase I and Phase II specified the funding for each period. The parties agreed to various amendments during the term. Key technical exceptions on these documents included:
   • TWC signed eight agreements after the effective dates
   • The District signed nine after the effective dates; and one was not dated
   • No evidence of Legal Services Office review
Contract Management Processes and Controls Continued

Conditions – TWC Grant / Rackspace Proprietary Training Agreement
Alamo Colleges and Rackspace signed an agreement in November 2008 to fulfill the objectives of the TWC Grant. Rackspace was to provide specific course training considered proprietary or confidential. Alamo Colleges was to be billed monthly by the vendor. Payments were to be made from TWC Grant funds within forty-five days. Principal exceptions noted for this agreement were:

- Rackspace signed about a month after the effective date
- The Vice Chancellor of Economic & Workforce Development signed a week later
- No evidence of Legal Services Office review
- No amount or quantities were specified as required by District procedure C.2.11.1 Review and Approval of Certain Agreements; commitment did not seem limited

The District Economic and Workforce Development (DEWD) Grant Project Manager indicated that both parties verbally agreed to wait until the end of each year for the vendor to invoice the District. Rackspace would be paid based on remaining funds. There was no contract amendment for these verbal changes.

Conditions – NLC Educational Service Agreements = 14
NLC negotiated several Educational Service Agreements with Rackspace. These agreements involved curriculum development, continuing education training, and minimum enrollment guarantees. Neither the District Economic and Workforce Development, or the NLC Workforce and Community Education Departments had formal procedures for the contracting process. Exceptions noted:

- Rackspace signed eleven agreements after the work start dates
- Legal Services Office did not review two documents
- Legal Services Office reviewed nine after Rackspace signed
- NLC approval occurred after the start dates for eleven agreements
- NLC signed without dating one document

Two agreements involved training in the United Kingdom, and the tuition/fees included the NLC instructor’s pay and per diem costs. However, Rackspace agreed to arrange and pay for his travel and lodging.

Conditions – SAC Academic Courses Educational Service Agreement = 1
SAC negotiated an Educational Service Agreement with Rackspace for the period 01/01/2011 to 08/15/2012. A second contract began January 2012 to continue for 12 months. Alamo Colleges was to provide required courses for an Associate’s Degree Plan in Computer Information Sciences. Exhibit I Revised Degree Worksheet of the agreement listed the twenty required courses. This agreement specified a minimum enrollment of seventeen students for each class. Rackspace would pay $200 for seats not filled by census date. Key exceptions noted were:

- Rackspace signed five months after the effective date
- The Vice Chancellor of Economic & Workforce Development signed without dating it
- No review by the Legal Services Office
- The agreement starting January 2012 was not signed
- It is unclear whether agreements were for both the training component and vacant seats
Instructor Compensation

RECOMMENDATION

9. Obtain Board approval for a Revised Continuing Education Compensation Schedule which includes pay categories for high-level information technology skills

9. MANAGEMENT’S RESPONSE: Decline

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<td>Assoc. Vice Chancellor for Human Resources &amp; Organizational Development (Boyer-Owens)</td>
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Action Plan:
The current Board policy and procedure for exceptional compensation rates provides superior control over application of the rates. Exceptionally high pay rates must be requested in writing through the chain-of-command and verified in the market by HR Compensation experts. If justified, the recommendation is submitted to the Chancellor for approval. Establishing extraordinarily high rates on a pre-approved basis available for every CE department to apply is not best HR Compensation practice and eliminates the control HR needs to ensure fair and equitable pay that is appropriate when unusual skills are required and or out of the ordinary work is to be performed.

Conclusions

For several years, the continuing education (CE) faculty compensation schedule included five levels with hourly rates ranging from $18.36 to $27.54. None of the qualification descriptions included the unique skills required by the TWC/Rackspace training instructors. As a result, requests for compensation exceptions occurred for the staff working with the Rackspace programs. These pay exceptions were approved as required by Board Policy and District procedure.

Conditions

The Human Resources and Organizational Development Department published a salary schedule for continuing education; staff indicated that Trustees approved these rates several years ago. The maximum pay rate shown was $27.54 an hour. The Classification and Compensation Administration Regulations state that salaries above the approved schedule must be justified and supported by qualifications. The Department Head, College President, Vice Chancellor, Human Resources Director, and Chancellor must approve such requests.

Pay rates for six TWC/Rackspace training program instructors ranged from $50 to $112 per hour between 2010 and 2012. These rates significantly exceeded Alamo Colleges’ published CE faculty compensation. The Human Resources and Organizational Development Department had documentation to support its review procedures for these exceptions, including the pay rate increases between 2010 and 2012. The Chancellor approved these compensation exceptions as recommended by the NLC President, and required by Board Policy and District procedure.

These pay exceptions tied these highly skilled instructors to teaching courses under the NLC CE TWC/Rackspace training. It was noted from judgmental reviews of the CBM Reports that one Rackspace CE instructor taught basic computer courses, such as Microsoft Excel, Outlook, and SharePoint. These classes were taught as part of other training programs, including the Air Force and another private company. The instructor’s hourly pay rates appeared to be the same for non-Rackspace courses.
Instructor Compensation Continued

Two of the Rackspace training instructors taught courses in the United Kingdom in June and July 2011. Rackspace paid for the travel and lodging, while Alamo Colleges paid for per diem. Accounts payable documents to pay the instructors per diem for these trips could not be located. The NLC Dean of Workforce and Community Education indicated that the per diem was included as part of the instructors' compensation. Timesheets were not reviewed to determine adjustments to hours recorded for per diem or travel time.

All of the instructors had continuing education faculty job titles. The Banner employee class designations for two individuals were “Adjunct without benefits”; the others showed “Continuing Education faculty” as the class. Two instructors worked over 1,000 hours; and two exceeded 1,800 each in 2011. Three instructors received pay for over 1,000 hours each in 2012.
AUDIT OBJECTIVES – To determine if the:

Banner Student Module security/access was appropriate and compliant with state requirements

Business processes for these programs include adequate controls, especially for billing third parties; and if these controls are effective and efficient

SCOPE AND METHODOLOGY

The primary scope for this audit was fiscal year 2012 activity. Other fiscal years affected by the Texas Workforce Commission Grant or the Rackspace Training Contracts were reviewed as appropriate. Interviewed District and Northeast Lakeview College personnel involved with these programs. Reviewed and evaluated Banner System data and program related documents such as invoices, reports, and contracts.

CRITERIA

Texas Administrative Code

Title 1 Part 10 Chapter 202 Information Security Standards Subchapter C Security Standards for Higher Education Rule


§202.71 Management and Staff Responsibilities §202.75 Information Resources Security Standards

Title 13 Part 1 Chapter 6 Subchapter A Rule §6.10 Texas State Records Retention Schedule

Title 19 Part 1 Chapter 9 Subchapter F Rule §9.115 Funding

Title 19 Part 1 Chapter 13 Subchapter F Rule

§13.105 Limitation on Formula Funding for Repeated Hours for Attempted Courses

§13.106 Exemptions for Repeated Hours for Attempted Courses

Title 19 Part 1 Chapter 21 Subchapter A Rule §21.4 Collection of Tuition

Texas Education Code

Title 3 Subtitle A Chapter 54 Subchapter A Rule §54.014 Tuition for Repeated or Excessive Undergraduate Hours

Texas Higher Education Coordinating Board


Guidelines for Instructional Programs in Workforce Education (GIPWE), 2010

State Funding and Tuition Policies for Distance Education and Off-Campus Courses

Workforce Education Course Manual (WECM)

Workforce Education Course Manual (Technical) Course Inventory

Alamo Colleges Policies, and District Procedures and Related Guidelines

C.2.4 Records Management Policy and related procedure

C.2.11 Legal Services Policy and related procedures

F.6.1 Student Success Policy and related procedures

Classification and Compensation Administration Regulations

Texas Workforce Commission Skills Development Fund Grants and related documents

Educational Service Agreements between Alamo Colleges and Rackspace

Banner/TCC Student Data Map Texas Community, Technical & State Colleges, February 2010
AUDITING STANDARDS
We conducted this performance audit in accordance with generally accepted governmental auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives.

This audit was also conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

ACKNOWLEDGEMENTS
The District Economic and Workforce Development, and the NLC Workforce Development and Community Education Departments provided exceptional cooperation for this project. The Finance and Fiscal Services Department Grants Management and Bursar Offices (District and NLC) also provided critical support during this audit. Others assisting included the Banner Student Process Functional Manager, the District’s Continuing Education Center for Student Information Department, and the NLC State Reporting Official.

AUDIT REPORT DISTRIBUTION
Board of Trustees (9)                Chancellor
Vice Chancellors (5)                 Presidents (5)
Associate Vice Chancellor for Finance Associate Vice Chancellor for Human
& Fiscal Services                    Resources & Organizational Development
District Economic & Workforce Development Northeast Lakeview College
Division Director, Workforce Administration Dean of Community Education &
& Special Projects                   Workforce Development
Director, CE Center for Student Information Vice Presidents
District Director of Information Technology Services District Business Office, Chief Bursar
General Counsel                      District Grants Management Office
Ethics & Compliance Officer          District Information Security Office