

Date: October 15, 2024

To: Abe Johnson, Ed.D.
Senior Vice President Campus Operations

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



Subject: Updated Continuing Education - External Vendor Courses

Initial Concern

On January 30, 2024, the Director of Internal Audit requested approval from the District President to examine the possibility that a Continuing Education (CE) instructor was accepting payment for a CE course at the Courtyard Center using the instructor's business website. The Finance and Audit Committee's approval was subsequently requested on February 20, 2024. As a result of this examination, procedures were expanded to include a review of zero billed CE courses within the student system since the Fall 2021 semester.

Summary

1. An external vendor was onboarded by an unauthorized individual.
2. A Districtwide analysis of zero billed CE courses identified opportunities for enhanced internal controls.

Results

1. An external vendor was onboarded by an unauthorized individual.
 - o A CE staff member, not authorized to sign contracts for the District, approved an agreement to onboard an external vendor to provide instructional services. The billing rate for the course was set to zero by a CE staff member within Banner so that the District did not generate a bill for the registered students. The external vendor accepted payment for a Collin College CE course from the instructor's business website. In total, \$2,392 in course fees for eight students was collected through the vendor's own business website. An invoice from the vendor to the District was issued on February 9, 2024 in line with the Statement of Work

that directed 65% of the tuition revenue to the instructor and 35% of tuition revenue to the District.

Recommendation	Management Response	Person Responsible for Implementation
<ul style="list-style-type: none"> Ensure that individuals without signature authority do not have the opportunity to execute agreements on behalf of the District. 	<p>Management feels that the situation referred to in the recommendation was an isolated incident. The issue was resolved immediately. The identified employee has received disciplinary coaching and has been instructed that this is not to happen again. Strict adherence to the MOUs/Agreements procedure of the District will be followed.</p>	<p>Dr. Abe Johnson, Senior Vice President Campus Operations</p>
<ul style="list-style-type: none"> Explicitly prohibit the acceptance of course revenue outside the approved system(s) through District policy. 	<p>Vendors that can accept course revenue will be limited to nationally-recognized training providers that are onboarded through an internal approval process. TexRamp-approved vendors will be preferred. Final approval of the vendor will be provided by the designated individual with signature authority. The District may enter into agreement with other vendors provided that the payment acceptance is routed through the college and not by the vendor.</p>	<p>Dr. Abe Johnson, Senior Vice President Campus Operations</p>

2. A Districtwide analysis of zero billed CE courses identified opportunities for enhanced internal controls.

- Since the Fall 2021 semester, approximately 1,600 CE courses were identified, with billing rates set at zero dollars in Banner. Courses with billing rates of zero with enrolled students may be indicative of classes where either:
 - The tuition for the course was waived.
 - The tuition for the course was paid by an external organization on behalf of the student.
 or

- The course was offered through an online course provider (example Ed2Go/Cengage), which impacts the way tuition revenue is recorded in the District's official accounting system.
- Less than 18,000 students registered for such courses in total.

Opportunities for Enhanced Internal Controls

- RULE 9.116 Waiver of Tuition and Fees within the Texas Education Code outlines the conditions under which a public junior college may waive tuition or fees for workforce continuing education courses. RULE 9.116 states that a public junior college may only waive tuition for a Workforce Continuing Education Course if it "determines all or a significant portion of the college's costs for facilities, instructor salaries, equipment, and other expenses for the course are covered by business, industry, or other local public or private entities."
- In an effort to remain competitive with other training providers, certain CE areas such as Fire and Law Enforcement initiated a practice of waiving tuition for some courses as the sponsoring agencies can train personnel within these domains for minimal cost from other training providers.
- Additionally, the costs for facilities and equipment for such classes were not covered consistently by a business, industry, or other local public or private entities as mandated by RULE 9.116 of the Texas Education Code. Some of the sponsoring agencies offered Collin College personnel-free tuition instead of paying facility rental fees. However, approval of the waiver of fees for renting the District's facilities by the designated personnel with the authority to waive rental fees did not occur.
- Overall, tuition revenue for approximately 127 courses with a total of 1,862 enrolled students was not recorded due to the waiver of the tuition fees within the student system. The District received approximately \$204,384 in formula funding for these courses.

Recommendation	Management Response	Person Responsible for Implementation
<ul style="list-style-type: none"> When a decision to waive fees for a course is made, the District should ensure compliance with RULE 9.116 of the Texas Education Code and applicable District requirements. Ensure waiver of rental fees is approved by the designated individual with authority to waive facility rental fees. 	<ul style="list-style-type: none"> Management is committed to enforcing the board policy FD (LOCAL) and achieving compliance with Rule 9.116 of the Texas Education Code. Management agrees with this recommendation and departments will be reminded of the procedure for facility rental waiver. 	<p>Dr. Abe Johnson, Senior Vice President Campus Operations</p>

- Collecting course revenue outside the District's official student and accounting systems without a formalized revenue reconciliation process increases the risk of theft and the potential for understating the course revenue for financial reporting.

Recommendation	Management Response	Person Responsible for Implementation
<ul style="list-style-type: none"> Formalize the revenue reconciliation process. 	<p>Management intends to add the function of revenue reconciliation to the responsibilities to be done by the Business and Administrative Services Department.</p>	<p>Melissa Irby, Chief Financial Officer</p>

- Personnel outside the Office of Business Administrative Services maintain the capability to update the billing rate for courses within Banner. Additionally, when course billing rates are updated outside the Board-approved range within the student system, there is no documented approval from an Executive Leadership Team (ELT) member.

Recommendation	Management Response	Person Responsible for Implementation
<ul style="list-style-type: none"> • Establish periodic monitoring to identify courses with billing rates outside the Board-approved range and ensure that tuition rate updates within the student system are only updated after approval from an Executive Leadership Team member. 	<ul style="list-style-type: none"> • CE course and program offerings need to be extremely agile, and the tuition rates are to be market driven with a clear advantage for Collin College to offer courses at a very affordable but competitive rate. Adding multiple layers of approvals will slow down the process. However, management agrees with the recommendation to implement a simple approval system by the Leadership Team member before fee upgrades are implemented. • At appropriate intervals, the Cabinet-level administrator will bring course fee range upgrades to the Board for consideration. • Management agrees with this recommendation and has tasked the Districtwide Scheduling Department to monitor course build accuracy. 	<p>Dr. Abe Johnson, Senior Vice President Campus Operations</p>

- Personnel do not monitor CE course offerings and schedules to ensure course builders maintain compliance with applicable state and institutional requirements.

Recommendation	Management Response	Person Responsible for Implementation
<ul style="list-style-type: none"> • Implement compliance monitoring of CE courses. 	<p>Management agrees with this recommendation and has tasked the Districtwide Scheduling Department to ensure the following:</p> <ul style="list-style-type: none"> • Correctly build courses that possess no curricular, compliance, or 	<p>Dr. Abe Johnson, Senior Vice President Campus Operations</p>

Recommendation	Management Response	Person Responsible for Implementation
<ul style="list-style-type: none"> Implement compliance monitoring of CE courses. 	<p>WECM-alignment issues</p> <ul style="list-style-type: none"> Crosscheck course fees and apply the correct fees to the appropriate courses Apply Ad Astra analytics to support CE in structuring schedules of courses related to fundable awards in a manner that facilitates student completion 	<p>Dr. Abe Johnson, Senior Vice President Campus Operations</p>

- Multiple instances were noted where the individual teaching the course was not correctly noted as an instructor within the student system. Instead, another individual that did not teach the course was listed as the course instructor in Banner. This practice degrades the capability to determine if the individual teaching the course fulfilled applicable minimum requirements to serve as an instructor.

Recommendation	Management Response	Person Responsible for Implementation
<ul style="list-style-type: none"> Ensure that the individual teaching the course is accurately reflected in the student system. 	<ul style="list-style-type: none"> The current challenge is due to a limitation within the BANNER system. Sometimes hiring and onboarding instructors happens after the course is built. Management is open to exploring whether Workday Student and Lifelong Learning ERP systems can allow adding a note regarding the instructor and update it once the instructor is hired and onboarded. Management agrees with this recommendation and has tasked the Districtwide Scheduling Department to monitor course build accuracy to include verification of assigned instructors. 	<p>Dr. Abe Johnson, Senior Vice President Campus Operations</p>

- An individual at the Courtyard Center without signature authority executed an agreement with an external vendor to provide instructional services. The vendor's classification as a contractor is not in line with Internal Revenue Services (IRS) regulations, and the District may be liable for the vendor's employment taxes under IRS regulations in the future.

Recommendation	Management Response	Person Responsible for Implementation
<ul style="list-style-type: none"> • Verify that District faculty are not incorrectly classified as vendors. 	<p>Management agrees to classify faculty as vendors provided the classification is verified by the Office of Business Administrative Services. Enhanced documentation to support classification as an external vendor under IRS regulations will be maintained.</p>	<p>Dr. Abe Johnson, Senior Vice President Campus Operations</p>

Background

Specific to the one course taught at the Courtyard Center:

- The instructor initially submitted a job application for a CE instructor for a Workforce position on October 31, 2023. However, the hiring manager within CE did not process the job application past the reference check stage in the job application process.
- The hiring manager subsequently initiated the process of entering into a vendor contract with the instructor. The hiring manager signed the agreement on January 22, 2024. The hiring manager did not have signature authority to enter into agreements on behalf of the District.
- In addition, the hiring manager formulated a Statement of Work (SOW) outlining the payment terms. The instructor had not signed the SOW documenting agreement with the payment terms as of January 30, 2024.

Report Distribution:

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