

## AGENDA ITEM SUMMARY

### AGENDA ITEM

Audit Committee Report  
Coordinating Board for Higher Education  
February 2, 2017

### DESCRIPTION

Since the Board's last meeting, two audit reports relating to department functions were released. These audits are briefly described below.

#### **Independent Audit of Student Loan Program Financial Statements – Rubin Brown LLP**

As required by 34 CFR § 682.410(b)(1), Missouri Department of Higher Education arranged for an independent financial and compliance audit of its Federal Family Education Loan Program. Rubin Brown LLP conducted this annual financial statement audit. Ted Williamson from Rubin Brown LLP described the audit report, which featured (1) no significant deficiency or material weakness in internal controls over financial reporting; (2) no instances of noncompliance with laws, regulations, contracts, or grant agreements; and (3) the firm's official opinion that MDHE's Student Loan Program financial statements present fairly, in all material respects, the financial position of the government activities, the major fund, and the aggregate remaining fund information for the year ending June 30, 2016.

#### **Performance Funding Audit – Missouri State Auditor's Office**

On January 5, 2017, the State Auditor's Office (SAO) released its [audit of Missouri's higher education performance funding model](#). The SAO recommended that the department establish comprehensive minimum standards and guidelines for institutions related to (1) data gathering, reporting, and retention; (2) peer group selections; (3) establishing benchmarks; and (4) selecting and changing performance measures. The SAO also recommends that the department apply greater scrutiny to verify institutional compliance with such guidelines. Finally, the SAO recommends the immediate development of criteria and methodology to evaluate the effectiveness of the model and consider changes needed to improve the model.

Toward our corrective action plan, the department has made substantial progress toward an improved technical manual, which would provide more detailed and uniform standards bearing on the items listed in the audit report. The department agrees, for example, that greater data verification is necessary and the manual would require certain student-level data to corroborate institutions' summary performance data. We expect the revised technical manual to guide the next reporting year (2018). Moreover, the department plans to convene a performance funding task force later this year to develop further improvements to the process.

The department has taken additional steps to simplify and ensure consistency in its formulas to prevent the occurrence of calculation errors. Finally, state law calls for formal evaluations of performance funding effectiveness beginning in 2019 (Section 173.1006.2, RSMo). The department intends to adhere to the statutory deadline rather than the accelerated evaluation suggested by the SAO, as better data will be available at that time. The report is included herein as an attachment.

Audit Committee Report

February 2, 2017

Page 2

**STATUTORY REFERENCE**

34 CFR § 682.410(b)(1) – Administrative requirements: Independent audits  
Section 173.1006, RSMo – Performance funding

**RECOMMENDED ACTION**

This is an information item only.

**ATTACHMENT(S)**

Department of Higher Education Performance Funding Audit