An Audit of Educational Loan Repayment Programs at the Higher Education Coordinating Board

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The Texas Higher Education Coordinating Board (Board) increased its awards for the Physician Education and Mental Health Professionals Loan Repayment programs in fiscal years 2024 and 2025. However, it did not fully comply with outreach requirements and should expand its efforts to increase awareness of the programs and reach more healthcare professionals who may be eligible to participate.

The Board had adequate processes to determine the eligibility and accuracy of award amounts for full-time healthcare professionals, but it denied some potentially eligible applicants and miscalculated prorated loan repayment awards.

- *Background* | p. 3
- *Audit Objective* | p. 14

This audit was conducted in accordance with Texas Government Code, Sections 321.013 and 321.0132.

MEDIUM

FUND ALLOCATION AND OUTREACH

The Board increased awards for both programs, but it should improve outreach and broaden its efforts to promote the programs.

Chapter 1 | p. 4

LOW

FULL-TIME AWARDS

The Board accurately determined eligibility, calculated award amounts, and issued payments for all full-time recipients tested.

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MEDIUM

PRORATED AWARDS

The Board accurately determined the eligibility for all approved applicants who worked between 20 and 31 hours per week; however, it inappropriately denied some applicants and miscalculated prorated awards.

Chapter 3 | p. 9

For more information about this audit, contact Audit Manager Valerie Bogan or State Auditor Lisa Collier at 512-936-9500.

July 2026 | Report No. **26-032**

Summary of Management's Response

Auditors made recommendations to address the issues identified during this audit, provided at the end of Chapters 1 and 3 in this report. The Board agreed with the recommendations.

Ratings Definitions

Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

PRIORITY: Issues identified present risks or effects that if not addressed could ***critically affect*** the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

HIGH: Issues identified present risks or effects that if not addressed could ***substantially affect*** the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

MEDIUM: Issues identified present risks or effects that if not addressed could ***moderately affect*** the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

LOW: The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks ***or*** effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

For more on the methodology for issue ratings, see Report Ratings in Appendix 1.

Background Information

Higher Education Coordinating Board

The Higher Education Coordinating Board (Board) is responsible for administering loan repayment programs to help support professionals in certain specialized fields with funding to repay their educational loan debt. The Physician Education and Mental Health Professionals Loan Repayment programs are intended to address critical workforce shortages by incentivizing healthcare professionals to work in Health Professional Shortage Areas, thereby improving access to essential services for Texans.

Legislative appropriations for the two programs increased significantly from the 2022-2023 biennium to the 2024-2025 biennium as follows:

- PELRP increased from $29.5 million to $35.5 million.
- MHPLRP increased from $2.1 million to $28 million.

The Board is required to attempt to allocate all funds appropriated for the loan repayment programs, perform outreach to promote the programs, determine the eligibility of applicants, and issue loan repayment awards to eligible physicians and mental health professionals.

MEDIUM

Chapter 1

Fund Allocation and Outreach

The Higher Education Coordinating Board (Board) increased its awards to healthcare professionals for the Physician Education Loan Repayment Program (PELRP) and the Mental Health Professional Loan Repayment Program (MHPLRP) in fiscal years 2024 and 2025. However, it did not comply with outreach requirements, which may have prevented the Board from awarding more of the appropriated funds.

The Board increased the awards for both programs in fiscal years 2024 and 2025.

Texas Education Code, Chapter 61, requires the Board to attempt to allocate all funds appropriated to it for the purpose of providing educational loan repayment assistance. The Board increased awards between fiscal years 2022-2023 and fiscal years 2024-2025 as follows:

- Awards for the PELRP increased from $16 million to $22.1 million.
- Awards for the MHPLRP increased from $1.3 million to $15.2 million.

The Board should improve its outreach efforts to promote the PELRP and MHPLRP.

The Board's primary outreach efforts were conducted through bulk emails to previous applicants and other entities to notify them of program requirements and other pertinent information for the new award year. The Board performed no outreach activities to promote the PELRP during fiscal years 2024 or 2025, and it sent out bulk emails for the MHPLRP to some of the professional associations that it is required to contact. However, the Board did not send the required information to all medical units, private and public higher education institutions, and appropriate state agencies required by the Texas Education Code, Chapter 61.

The Board asserted that it performs additional outreach, such as offering webinars and speaking at conferences, to advertise the loan repayment programs and provides information to potentially eligible applicants. However, the Board could not provide evidence of any additional outreach during fiscal years 2024 or 2025.

Performing sufficient outreach is critical because, in addition to increasing funding for both programs in fiscal years 2024 and 2025, the Legislature expanded eligibility for the MHPLRP starting in fiscal year 2026 to include additional roles such as licensed master social workers, licensed professional counselor associates, and school counselors with master's degrees. The Legislature also earmarked $1 million of the funds appropriated for the 2026-2027 biennium for marketing the MHPLRP. Improved outreach efforts could increase the number of eligible applicants and allow the Board to allocate more of its appropriated funds to address critical workforce shortages in underserved areas.

The Board improperly canceled applications for the Physician Education Loan Repayment Program.

The Board canceled 5 (36 percent) of 14 PELRP applications tested prior to the 90 days provided by Board policy for corrections. The Board did not give those applicants the full 90 days to submit missing or corrected information prior to canceling the applications. Of those 5, the Board did not have a documented reason for canceling 4 of the applications, which were canceled between 10 and 74 days after the applicants were notified of the missing information. The remaining application was canceled due to a system error the Board identified in its Grant Aid Processing Platform (GAPP) that produced an automated cancellation based on an incorrect date field.

Prematurely canceling applications prevented potentially eligible applicants from receiving loan repayment funds.

Recommendations

The Board should:

- Perform outreach as required by the Texas Education Code to promote the programs and increase its efforts to reach more physicians and mental health professionals eligible for loan repayment assistance.
- Provide PELRP applicants with the allotted time frame to complete their applications.

Management's Response

Recommendation 1

The Coordinating Board should perform outreach as required by the Texas Education Code to promote the programs and increase its efforts to reach more physicians and mental health professionals eligible for loan repayment assistance.

Management agrees with the recommendation. The Coordinating Board has established a documented outreach and statutory-distribution framework for the Physician Education Loan Repayment Program and the Mental Health Professional Loan Repayment Program. For each program, the Coordinating Board will maintain validated statutory audience lists, distribute adopted rules and pertinent program information to all required entities, reconcile each distribution to the approved recipient list, and retain evidence of delivery. Communications will recur upon rule adoption or amendment and at the opening of each award cycle.

The Coordinating Board has also implemented proactive outreach plans for both programs through activities such as conferences, webinars, training, and stakeholder coordination. Mental Health Professional Loan Repayment Program outreach includes professions added to program eligibility beginning in fiscal year 2026.

Responsible party: Director III, Loan Repayment Programs

Implementation timeline: November 30, 2026, with recurring outreach, statutory distribution, and fund-utilization monitoring thereafter.

Recommendation 2

The Coordinating Board should provide PELRP applicants with the allotted time frame to complete their applications.

Management agrees with the recommendation. The Coordinating Board discontinued cancellation of applications based solely on age or applicant nonresponse. The automated cancellation process in the Grant Aid Processing Platform (GAPP) identified in the audit was disabled in June 2026, and the Coordinating Board issued application-closure standards prohibiting staff from continuing the same practice manually.

The standards require applicants to be allowed the full period provided by the applicable program deadline to complete required application items. Nonresponse alone is not an authorized basis for cancelling, closing, or denying an application. Any closure or ineligibility determination must identify the specific program requirement or other authorized basis supporting the action and must be documented in the application record. Program materials and applicant communications are also being updated to remove inactivity-based cancellation language.

Each of the five applicants identified in the audit subsequently submitted a new PELRP application that resulted in a disbursed award; those outcomes are documented in the case records. The Coordinating Board also screened the broader PELRP cancellation population and identified 72 application records that had been cancelled before the prior 90-day operational period elapsed. Of those, 42 had a later application that reached funds-disbursed status. The remaining 30 records are undergoing case-specific review. Other loan repayment program populations that may have been affected by the discontinued processes are also being reviewed.

Responsible party: Director III, Loan Repayment Programs

Implementation timeline: The automated process has been disabled, and the application-closure standards are in effect. Corrective actions arising from the 30 case-specific PELRP reviews will be completed by September 30, 2026. Retrospective reviews of other affected program populations will be completed by December 31, 2026.

LOW

Chapter 2
Full-time Awards

The Board accurately determined eligibility, calculated award amounts, and issued payments for all full-time recipients tested.

Physicians and mental health professionals must provide at least 32 hours of direct patient care or mental health services per week during the service period (see text box) to be eligible to receive a full-time loan repayment award.

Most of the applications for both programs were from full-time applicants. During fiscal years 2024 and 2025, the Board accurately determined the eligibility for all 46 approved full-time PELRP and MHPLRP applications tested.

The Board also accurately calculated and issued loan repayment awards for all 46 full-time PELRP and MHPLRP payments tested. For the PELRP, the Board appropriately configured an automated calculation in its system to determine the award amount based on the recipients' service period and verified educational loan balance. Board personnel manually calculated the MHPLRP awards based on the information verified at the time the application was reviewed for eligibility.

Service Period

A PELRP service period is working a period of 12 consecutive months.

A MHPLRP service period is working a period of 12 consecutive months, or for a mental health professional employed by a public school, at least 9 months of a 12-month academic year.

Source: Texas Administrative Code, Title 19, Chapter 23.

MEDIUM

Chapter 3
Prorated Awards

The Board established rules to allow applicants who worked less than full time to receive prorated loan repayment awards (see text box).

Applicants for prorated awards made up a small portion of the applications the Board received. Of the 25 approved PELRP and 25 MHPLRP approved applications tested, 1 PELRP and 3 MHPLRP applicants worked between 20 and 31 hours per week. The Board's reviews accurately determined the eligibility of all of those applications.

Prorated Awards

An eligible provider may receive prorated loan repayment assistance based on the percentage of full-time service provided for each service period, for a minimum of 20 hours per week.

Sources: Texas Administrative Code, Title 19, Sections 23.70(c) and 23.100(b).

The Board inappropriately denied applicants who may have been eligible for prorated awards.

Of the population of denied applications for applicants who worked between 20 and 31 hours, the Board incorrectly denied:

- 6 (55 percent) of the 11 PELRP applications.
- 19 (58 percent) of the 33 MHPLRP applications.

The Board improperly determined that those applicants were ineligible because they did not work full time.

The Board miscalculated some prorated loan repayment awards for PELRP and MHPLRP recepients.

PELRP Prorated Awards. The Board issued inaccurate payments for 16 (50 percent) of 32 prorated PELRP awards during fiscal years 2024 and 2025. Of the 16 awards, the Board:

- Applied the incorrect service year percentage to the loan balances of 3 awards, resulting in underpayments of $18,405.

- Calculated 3 awards using the full-time formula, resulting in overpayments of $6,777.
- Used incorrect loan balances to calculate 4 awards, resulting in underpayments of $2,427.
- Rounded incorrectly for 6 awards, resulting in underpayments of $1,073.

MHPLRP Prorated Awards. Of the 25 MHPLRP awards tested, 3 awards were to applicants that indicated working between 20 and 31 hours per week. The Board issued incorrect payments for all 3 prorated MHPLRP loan repayment awards tested.

Specifically, the Board:

- Awarded full-time loan repayment awards to 2 recipients, resulting in an overpayment of $3,787.
- Applied its proration formula inaccurately for 1 award, resulting in an underpayment of $1,666.

Recommendations

The Board should:

- Follow its process to accurately identify applicants who are eligible for prorated awards for both programs.
- Strengthen its payment review process to verify that prorated loan repayment award amounts are accurately calculated prior to issuing the award.
- Make corrections as needed to prorated loan repayment awards.

Management's Response

> **Recommendation 1**
>
> *Follow the Coordinating Board's process to accurately identify applicants who are eligible for prorated awards for both programs.*

Management agrees with the recommendation. The Coordinating Board issued eligibility standards confirming that Physician Education Loan Repayment Program and Mental Health Professional Loan Repayment Program applicants working 20 to 31 hours per week may qualify for prorated awards when all other applicable program requirements are met. Applicants may not be denied solely because they do not work full time, and any ineligibility determination must identify and document the specific program requirement that was not satisfied.

Every prorated eligibility determination now requires documented management approval before it is finalized. The Coordinating Board will also issue program-specific eligibility guidance, train application-review staff, and incorporate the guidance into the review materials used for the next application cycle.

The Coordinating Board is reviewing all 25 applications identified in the audit as having been denied based on part-time service, including 6 Physician Education Loan Repayment Program applications and 19 Mental Health Professional Loan Repayment Program applications, to determine and complete any warranted corrective action.

Responsible party: Director III, Loan Repayment Programs

Implementation timeline: The eligibility standards and management-approval requirements are in effect. Staff guidance, training, and workflow documentation will be completed by August 31, 2026. Exception monitoring will be operational by November 30, 2026, and case-specific corrective actions will be completed by December 31, 2026.

Recommendation 2

The Coordinating Board should strengthen the payment review process to verify that prorated loan repayment award amounts are accurately calculated prior to issuing the award.

Management agrees with the recommendation. The Coordinating Board now requires documented management approval of every prorated award calculation before payment is issued. Approval documentation must be retained in the application record or another approved system of record.

The Coordinating Board is also enhancing the calculation tools and review process used for PELRP and MHPLRP awards. The tools will retain the calculation inputs and results and document management approval. The formulas will be reviewed against the applicable program rules, effective dates, award years, and approved award limits and will undergo a cross-functional control review.

The Coordinating Board is recalculating each prorated award identified in the audit and verifying each result to determine whether a correction is required.

Responsible party: Director III, Loan Repayment Programs

Implementation timeline: The management-approval requirement is in effect. Formula validation and recalculations will be completed by August 31, 2026. The enhanced calculation tools and exception monitoring will be operational by November 30, 2026. Corrective payments and documented case determinations will be completed by December 31, 2026.

Recommendation 3

The Coordinating Board should make corrections as needed to prorated loan repayment awards.

Management agrees with the recommendation. The Coordinating Board is reviewing each prorated award identified in the audit and verifying each recalculation to determine whether a correction is required.

For any verified underpayment or overpayment, the Coordinating Board will determine the appropriate corrective action consistent with applicable program rules and agency policy. Each determination and resulting action will be documented and retained.

The Coordinating Board will also screen the full fiscal years 2024 and 2025 Mental Health Professional Loan Repayment Program population of part-time awards to identify additional calculation exceptions. Flagged records will receive case-specific review, and any required corrections will be completed through the same remediation process. The Coordinating Board will also identify other loan repayment programs that permit part-time service or prorated awards and determine whether additional retrospective screening is warranted.

Responsible party: Director III, Loan Repayment Programs

Implementation timeline: Recalculations will be completed by August 31, 2026. Population screening, review of flagged records, and determinations regarding other applicable programs will be completed by November 30, 2026. Any required case-specific corrections and final documentation will be completed by December 31, 2026.

Appendix 1

The following members of the State Auditor's staff performed the audit:

- Jennifer Grant, CFE (Project Manager)
- Brady Bennett, MBA, CFE, CGAP (Assistant Project Manager)
- Karmalita Fults
- Michael Capps, MAcc
- Adah Barenburg, MPAff
- Dana Musgrave, MBA, CFE (Quality Control Reviewer)
- Valerie Bogan, CIA, CFE (Audit Manager)

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the Higher Education Coordinating Board (Board) administered selected educational loan repayment programs in accordance with applicable requirements.

Scope

The scope of this audit included the Board's administration of the Physician Education (PELRP) and Mental Health Professionals (MHPLRP) Loan Repayment programs for the 2024 and 2025 award years (September 1, 2023, through August 31, 2025).

The scope also included a review of significant internal controls related to the Board's eligibility reviews and payments for the PELRP and MHPLRP.

Methodology

We conducted this performance audit from November 2025 through June 2026 in accordance with generally accepted government 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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to Board management for consideration.

Addressing the Audit Objectives

During the audit, we performed the following:

- Interviewed Board staff to gain an understanding of processes and controls related to the Board's administration of the PELRP and MHPLRP.
- Identified the relevant criteria:
    - The Board's policies and procedures.
    - Texas Education Code, Chapter 61.
    - Texas Administration Code, Title 19, Chapter 23.
    - Texas Administrative Code, Title 1, Chapter 202.
- Determined whether the Board administered the PELRP and MHPLRP in accordance with applicable requirements by:
    - Evaluating the Board's outreach efforts related to the PELRP and MHPLRP for fiscal years 2024 and 2025.
    - Reviewing all denied PELRP and MHPLRP applications for applicants who worked between 20 and 31 hours per week to verify whether the applicants were ineligible.
    - Verifying that the PELRP automated payment calculation formula for full-time recipients was configured appropriately.

- Recalculating award amounts for all PELRP recipients who worked between 20 and 31 hours per week to determine whether awards were accurately prorated.
- Performing data analysis on Uniform Statewide Accounting System (USAS) and Centralized Accounting and Payroll/Personnel System (CAPPS) expenditure data and comparing to appropriations for PELRP and MHPLRP.

- Tested the following samples:
  - From the population of 500 approved PELRP applications, auditors tested a random sample of 25 applications to determine whether the Board performed eligibility reviews in accordance with applicable requirements and correctly calculated and issued loan repayment awards. Auditors also tested all 32 applications for applicants who worked between 20 and 31 hours per week to determine whether the Board correctly calculated and issued prorated loan repayment awards.
  - From the population of 1,261 approved MHPLRP applications, auditors tested a random sample of 25 applications to determine whether the Board performed eligibility reviews in accordance with applicable requirements and correctly calculated and issued loan repayment awards.
  - From the population of 615 denied PELRP applications, auditors tested a random sample of 25 applications, which included 14 canceled and 11 ineligible, to determine whether the Board performed eligibility reviews in accordance with applicable requirements and to verify that the applicants were ineligible or that the application was appropriately canceled. Auditors also tested all 11 denied applications for applicants who worked between 20 and 31 hours per week to determine whether the Board appropriately denied the applications.
  - From the population of 1,376 denied MHPLRP applications, auditors tested a random sample of 25 applications to determine whether the Board performed eligibility reviews in accordance with applicable requirements and to verify that the applicants were ineligible or that the application was appropriately canceled. Auditors also tested a target sample of 33 denied applications for applicants who worked between 20 and 31 hours per week to

determine whether the Board appropriately denied the applications.

This sampling design was chosen to ensure that the sample would include a cross section of approved, denied, and canceled applications as well as specific risk factors identified in the population. The test results as reported are not representative of the population; therefore, it would not be appropriate to project the test results to the population.

Data Reliability and Completeness

To determine data reliability and completeness, auditors:

(1) Interviewed Board personnel knowledgeable about the data;

(2) Observed Board personnel extract data from its systems and reviewed data queries and report parameters;

(3) Analyzed data for reasonableness and completeness; and

(4) Reviewed user access for key systems.

Based on that work, auditors determined that the following data sets were sufficiently reliable for purposes of the audit:

- Application and applicant data from the Board's Grant and Aid Processing Platform (GAPP) and Smartsheet application processing systems.
- Payment data from the Board's GAPP and legacy payment systems.
- Expenditure data from USAS and CAPPS for the PELRP and MHPLRP.

Report Ratings

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dustin Burrows, Speaker of the House, Joint Chair

The Honorable Joan Huffman, 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

Higher Education Coordinating Board

Members of the Higher Education Coordinating Board

Dr. Wynn Rosser, Commissioner