



John Keel, CPA
State Auditor

A Special Investigations Unit Report Regarding
**Higher Education Coordinating Board
Loan and Grant Applications**

March 23, 2007

Members of the Legislative Audit Committee:

An investigation by the State Auditor's Office's Special Investigations Unit led to criminal charges being filed against a former loan representative of the Higher Education Coordinating Board (Coordinating Board).

On March 19, 2007, the Public Integrity Unit at the Travis County District Attorney's Office obtained an indictment for Allan Dee Paiz for theft by a public servant in the amount of \$100,000 or more but less than \$200,000 and for securing execution of a document by deception in the amount of \$100,000 or more but less than \$200,000. Theft by a public servant is a first degree felony, which includes a public servant enhancement because Mr. Paiz allegedly appropriated the funds during his employment as a loan representative for the Coordinating Board. The offense carries a penalty of imprisonment for 5 to 99 years and a fine not to exceed \$10,000. Securing execution of a document by deception is a second degree felony that carries a penalty of imprisonment for 2 to 20 years and a fine not to exceed \$10,000.

In November 2005, the Coordinating Board contacted the Special Investigations Unit and requested an investigation into these alleged offenses. The investigation revealed that from March 2000 to February 2006, Mr. Paiz, while in his capacity as a Coordinating Board loan representative, allegedly entered 11 fraudulent College Access Loan (CAL) applications and one fraudulent Teach for Texas Alternative Certification Conditional (Teach for Texas) grant application into the Coordinating Board's computerized loan system.

Mr. Paiz's knowledge of the Coordinating Board's processes and procedures resulted in the Coordinating Board disbursing \$109,613.50 to five associates of Mr. Paiz. The individuals on the applications were falsely reported as enrolled at the University of Texas and the Dallas Independent School District. The disbursements were allegedly intercepted by Mr. Paiz before the Coordinating Board released them. Mr. Paiz's associates were not entitled to receive any of these funds. Mr. Paiz was employed by the Coordinating Board from March 1998 to March 2006.

The Special Investigations Unit investigates reports of illegal activity involving state agencies and universities. It refers the results to prosecuting authorities.

Texas Government Code, Section 321.022, requires state agencies and universities to report suspected fraud or unlawful conduct to the State Auditor's Office if there are facts (not merely suspicion) that point to fraud or unlawful conduct.

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SAO Report No. 07-025

The CAL program is funded through the Hinson-Hazlewood college student loan program and is administered by the Coordinating Board. Students apply for this aid through the financial aid office of the higher education institution they plan to attend.

The Teach for Texas grant program was offered to applicants who intended to become certified teachers in public and non-profit schools within a short period of time. Applicants for these loans were placed on a waiting list until funds became available. Although the Coordinating Board still administers these grants, the program was terminated on August 31, 2005.

If you have any questions, please contact Blythe Valenzuela, Senior Investigator, or me at (512) 936-9500.

Sincerely,

John Keel, CPA
State Auditor

cc: The Honorable Rick Perry, Governor
The Honorable Ronnie Earle, Travis County District Attorney
Dr. Raymund A. Paredes, Commissioner, Higher Education Coordinating Board



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