



**Texas Higher Education Coordinating Board
Austin, Texas**

Temple College

**Independent Accountant's Report
On Applying Agreed-Upon Procedures
November 19, 2010**

Table of Contents

INDEPENDENT ACCOUNTANT’S REPORT	1
Schedule A: Schedule of Agreed-Upon Procedures.....	2



**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Texas Higher Education Coordinating Board
Austin, TX

We have performed the procedures in the attached Schedule A, which were agreed-to by the Texas Higher Education Coordinating Board (THECB), solely to assist you in evaluating Temple College's compliance with the American Recovery and Reinvestment Act (ARRA) grant funding policies and procedures. This agreed-upon procedures engagement was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the THECB. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached Schedule A, either for the purpose for which this report has been requested, or for any other purpose.

The agreed-upon procedures and the results are listed in the attached Schedule A.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records of Temple College. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of THECB and is not intended to be, and should not be, used by anyone other than those specified parties.

Clifton Gunderson LLP

Austin, Texas
November 19, 2010

Schedule A: Schedule of Agreed-Upon Procedures and Results

Procedure Step 1:

Describe the specific projects or activities the entity supported with THECB ARRA grant funds. State the amount of funds to be spent by category and any performance measures (such as hours worked, etc.) specified in the grant agreement.

Results of Step 1:

Temple College used the grant funds to implement a new Sustainable Technologies Academy at the East Williamson County Higher Education Center. Its grant agreement with THECB states that the grant award is worth \$ 805,000. The academy will be used to facilitate green job training in the East Williamson County area. The Sustainable Technologies Academy academic core will lead to an Electro-Mechanical Skills Certificate with further opportunities in green manufacturing, green energy, and green construction. ARRA funds will be subcontracted to Texas State Technical College (TSTC) for faculty salaries and benefits, travel and operating costs. Temple College’s grant agreement also states that it is required to report hours worked for the calculation of jobs created and retained for this grant.

Procedure Step 2:

List any subawards the grantee has made using THECB ARRA grant funds.

Results of Step 2:

There were no subawards made with the THECB ARRA grant funds. Although Temple College will subcontract with the TSTC, this does not constitute a subaward because TSTC will act as a vendor providing vocational training services as described in the Memorandum of Agreement between Temple College and TSTC. These are courses that TSTC already provides its students, but will make available to the academy being created. The Office of Management and Budget (OMB), Circular A-133, Section 210 distinguishes between subrecipient and vendor as follows:

Characteristics indicative of a Federal award received by a subrecipient are when the organization:	Characteristics indicative of a payment for goods and services received by a vendor are when the organization:
1. Determines who is eligible to receive what Federal financial assistance;	1. Provides the goods and services within normal business operations;
2. Has its performance measured against whether the objectives of the Federal program are met;	2. Provides similar goods or services to many different purchasers;
3. Has responsibility for programmatic decision making;	3. Operates in a competitive environment;
4. Has responsibility for adherence to applicable Federal program compliance requirements; and	4. Provides goods or services that are ancillary to the operation of the Federal program; and
5. Uses the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.	5. Is not subject to compliance requirements of the Federal program.

In this case, because TSTC is providing similar services (courses in its existing catalogue) to many different purchasers, and because it does not have programmatic decision making authority, it is a vendor.

Procedure Step 3:

Fiscal and Programmatic Oversight:

- a. Verify that the entity has written procedures to ensure that it complies with the requirements of the Cash Management Improvement Act (CMIA).
- b. Verify that the entity's financial recordkeeping system provides for the segregation of THECB ARRA grant funds from other sources of funding.
- c. Has THECB provided guidance to the entity regarding the reimbursement of THECB ARRA grant funds? If so, has the entity incorporated this guidance into its written policies and procedures in some fashion?
- d. Determine if the entity has written procedures to ensure compliance with the period of availability of federal funds requirements.
- e. Reconciliations:
 - i. Does the entity have written procedures to ensure that reconciliations of financial status reports to supporting documentation take place?
 - ii. Select two monthly/quarterly account reconciliations.
 - iii. Verify account reconciliations are performed in a timely manner (one week for monthly and two weeks for quarterly) and reconciliations are reviewed and approved.
 - iv. Verify reconciling items are identified, investigated and resolved in a timely manner (one week for monthly and two weeks for quarterly).
 - v. Verify that reports from the accounting system exist to support each balance for these account reconciliations.
 - vi. Verify that financial status reports are supported by documentation that reconciles to the general ledger and monthly reimbursement vouchers.
- f. Comparison of Data:
 - i. Verify whether the entity produces reports, such as comparison of budget to actual, to ensure that THECB ARRA grant funds will be spent within the grant period in accordance with the approved schedule and budget, and provides them to appropriate management for review on a timely basis.
- g. Obtain a copy of the entity's most recent single audit report and:
 - i. Describe any significant or material internal control weaknesses or other findings.
 - ii. Describe what actions entity management asserts it is taking to address those findings.

Results of Step 3: Fiscal and Programmatic Oversight:

- a. Temple College has general written procedures for its financial and grant management processes, but they do not directly address the requirements of CMIA.
- b. We verified that Temple College's financial recordkeeping system provides for the segregation of THECB ARRA grant funds from other sources of funding. Temple College has a financial system of record that requires separate tracking numbers for grant funds that allows for separate reporting of grant funds to ensure that the funds are expended in accordance with the time period required and in the amount that was budgeted according to the grand award.
- c. THECB has provided guidance to Temple College regarding the reimbursement of THECB ARRA grant funds. This guidance can be found on its website at: www.thecb.state.tx.us/ARRA. Although Temple College already had general guidance in its policies and procedures for tasks to be performed when requesting, budgeting, receiving, and expending federal grant monies, it did not specifically refer to or incorporate THECB's guidance.

- d. Temple College has general written procedures for its financial and grant management processes, but they do not directly address the period of availability requirements, rather they require compliance with all other grant guidelines.
- e. Reconciliations
 - i. Temple College did not have specific written procedures to ensure that reconciliations of financial status reports to supporting documentation take place. As a result, we were not able to perform the procedures set out in Steps 3. e.ii. through e.v.
 - ii. For procedure Step 3.e.vi., we verified that documentation to support all expenditures was available and did reconcile to the general ledger, as part of our testing in Step 5.
- f. Temple College prepares a comparison of budget to actual expenditures on a monthly basis. The reports state the approved budgets, total prior requests to the THECB, current month requests and the remaining balance. There is also a column for outstanding requests (those not posted) in order to generate an accurate balance. These reconciliations are prepared for the Temple College portion of the grant as well as the vendor payments to TSTC.
- g. We obtained a copy of the entity's two most recent single audit financial and compliance reports. Temple College received unqualified opinions on both reports. No significant or material internal control weaknesses or other findings were reported.

Procedure Step 4:

Subawards: If the organization has provided subawards to other entities in support of the THECB ARRA grant award:

- a. Determine whether the entity has written procedures to verify the eligibility of sub-recipients.
- b. Determine whether all applicable federal laws and grant terms were included in the sub-award grant contract.
- c. Determine if the entity established written monitoring procedures to cover this tier of responsibilities and compliance.
- d. Test to determine if subaward monitoring has taken place in accordance with those procedures.

Results of Procedure Step 4:

TC did not make any subawards, and thus we were unable to perform the procedures in Step 4.

Procedure Step 5: Testing of purchases of goods or services:

If the entity has made purchases (or goods or services):

- a. Verify whether the entity has written procedures to:
 - i. Ensure compliance with relevant federal and state procurement and contracting laws and regulations.
 - ii. Ensure that activities are allowable.
 - iii. Ensure that costs are allowable.
 - iv. Ensure that the purchases comply with procurement standards for suspension and debarment.
 - v. (If applicable) Ensure that the purchases comply with real property acquisition and relocation assistance requirements.

- vi. (If applicable) Ensure that the purchases comply with Buy American provisions of the ARRA law.
- vii. (If applicable) Ensure that vendors are compliant with the provisions of the Davis-Bacon Act.
- b. Select a sample of five expenditure transactions for each category of purchases (by budget line item).
- c. For each budget line item sample, test the following:
 - i. Is the expenditure allowable (as an activity and/or cost) under federal guidelines?
 - ii. Is the expenditure in accordance with grant provisions?
 - iii. Is it recorded in the proper accounting period (the period in which the transaction occurred)?
 - iv. Is it recorded to the correct account and program?
 - v. Is the transaction described in sufficient detail to permit the proper classification?
 - vi. Is documentation maintained to permit the tracing of funds to a level of detail that establishes that the funds have been used in compliance with grant requirements?
 - vii. If the expenditure was paid for out of multiple sources of funds, are the sources adequately identified for each fund application?
 - viii. If Buy American provisions apply, was the expenditure made in accordance with these provisions?
 - ix. Note any exceptions identified during testing.
- d. If the entity has purchased inventory or equipment:
 - i. Verify that the entity has written procedures to ensure that it:
 - 1. Maintains adequate property records (description, acquisition information, cost, estimated useful life, depreciation, location, disposition - condition, sale records, etc.),
 - 2. Safeguards against loss, theft, or damage,
 - 3. Values the items properly, and
 - 4. Keeps items in good working condition through repair and maintenance.
 - ii. Obtain an inventory report for all inventory or equipment purchased with THECB ARRA grant funds.
 - iii. Select 10 items (or the population if less than 10) and verify that the items are located where the inventory report indicates.

Results of Procedure Step 5:

- a. Temple College does have written administrative procedures and a policy manual to ensure compliance with federal and state procurement and contracting laws. These procedures do not directly address the allowability of activities and costs, or suspension and debarment. Requirements for real property acquisition and relocation assistance, Buy American provisions, and the Davis-Bacon Act were not applicable to this grant.
- b. Temple College purchased items out of multiple budget line items. We judgmentally selected five expenditures from each budget line item, which included the following categories: supplies and materials, travel, subgrants/subcontracts, construction/lease, and equipment/machinery.
- c. We found that:
 - i. The expenditures were allowable (as an activity and/or cost) under federal guidelines.
 - ii. The expenditures were in accordance with grant provisions.
 - iii. The expenditures were recorded in the proper accounting period (the period in which the transaction occurred).

- iv. The expenditures were recorded to the correct account and program.
 - v. The expenditures were described in sufficient detail to permit the proper classification?
 - vi. Documentation was maintained to permit the tracing of funds to a level of detail that establishes that the funds have been used in compliance with grant requirements.
 - vii. All expenditures were paid for solely with ARRA funding.
 - viii. Buy American provisions did not apply
 - ix. There were three items whose cost was recorded inaccurately:
 - One item was under-recorded by \$10. (Actual amount was \$2,844, Temple College recorded \$2,834).
 - One item was under-recorded by five cents. (Actual amount was \$9,917.25, Temple College recorded \$9,917.20).
 - One item was over-recorded by \$876. Actual amount was \$34,715, Temple College recorded \$33,839).
- d. At the time of testing, Temple College had not purchased any equipment or inventory items with grant funds, therefore we were unable to perform the procedures in Step 5. D.

Procedure Step 6: Testing of salaries

If the entity has used THECB ARRA grant funds to pay salaries, select a sample of 10 personnel (or the population if less than 10) for two pay periods and verify that these personnel worked sufficient hours to earn the salaries paid for with THECB ARRA grant funds.

Results of Procedure Step 6:

We selected all employees (two) whose salaries were funded by the THECB ARRA grant funds, for payroll testing. We found that the amounts paid to the employees paid with ARRA grant funds agreed to the amounts reported to the THECB. These salaries were paid to faculty members who spent all or a portion of their time working on the grant.

We verified that personnel had time cards showing the hours worked were full-time or part-time and corresponded to the salaries/wages paid for with THECB ARRA grant funds and that these time cards matched the payroll reports used to calculate the salaries/wages paid.

Procedure Step 7: Verify monthly performance reports

Test of Monthly Performance Reports:

- a. Select the two most recent monthly performance reports for testing.
- b. Verify that sufficient documentation exists to support the actual hours worked as reported in those performance reports.

Results of Procedure Step 7:

We obtained the two most recent monthly reports submitted to THECB. We verified that there was sufficient documentation to support the actual hours worked that were reported to THECB.

Procedure Step 8: Verify financial reports:

Verify financial reports:

- a. Select the two most recent financial reports to THECB for testing.
- b. Verify that sufficient documentation exists to support the financial results reported and that any discrepancies were identified and corrected appropriately (i.e., verify that the reconciliations described in procedures above occurred as described and were conducted properly).

Results of Procedure Step 8:

We obtained the two most recent monthly reports submitted to THECB. We verified that there was sufficient documentation to support the expenditures for the months selected. There were no discrepancies identified.