



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

Hill College

**Independent Accountant's Report
On Applying Agreed-Upon Procedures
December 15, 2010**

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**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 Hill 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 Hill 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
December 15, 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:

Hill College used the grant funds to pay for classroom instructional equipment. Its grant agreement with THECB states that the grant award is worth \$113,639. The college purchased instructional equipment to establish a National Snap-On Center of Excellence in Automotive Technology. Hill College purchased equipment with these grant funds and was not required by the grant agreement to report any performance measures associated with this grant.

Procedure Step 2:

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

Results of Step 2:

Hill College did not make any subawards. We were therefore unable to perform procedure step 2.

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. Hill College does have general written procedures for its financial and grant management processes, but they do not directly address the requirements of CMIA. They do require that the grant/project manager conduct the business of the grant in accordance with all applicable grant guidelines and requirements.
- b. We verified that Hill College's financial recordkeeping system provides for the segregation of THECB ARRA grant funds from other sources of funding. Hill College has a financial system of record that allows for 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 Hill 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 Hill College already had general guidance 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. Its procedures do require the grant/project manager to ensure the grant is expended in accordance with grant guidelines and requirements.
- d. Hill College has general written procedures for its financial and grant management processes, but they do not directly address the period of availability requirements. However, these procedures do include recommendations to request any equipment purchases at least five months prior to the expiration date of the grant to allow for processing of purchase orders in a timely manner. This would help ensure that period of availability requirements are met for this grant (as it is all equipment).
- e. Reconciliations
 - i. Hill 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.iv.
 - v. Hill College did provide reports from the accounting system to support each balance for the account reconciliations for the items purchased.
 - vi. Hill College did not have financial status reports. However, in the case of this grant, we verified that documentation to support all expenditures was available and did reconcile to the General Ledger and the reimbursement vouchers, as part of our testing in Step 5.

- f. We obtained a copy of the entity's most recent budget to actual comparison. This document showed all the types of funds used to purchase equipment for the Snap-On facility. The budget to actual comparison was provided to Hill College officials for timely review before reporting results to the THECB. It showed purchase order numbers and amounts as well as expenditures to date by type of funds. Hill College also had written procedures for performing this comparison.
- g. We obtained a copy of the entity's most recent single audit reporting form. Hill College received an unqualified opinion. 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:

Hill College did not make any subawards. We were therefore unable to perform procedure Step 2.

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. We found that :
 - i. Although Hill College has some written administrative procedures, we were not provided with procedures that contained sufficient detail to ensure compliance with federal and state procurement and contracting laws and regulations.
 - ii. Hill College does not have procedures that directly address the allowability of activities.
 - iii. Hill College does not have procedures that address the allowability of costs. However, its procedures do assign responsibility for the review of expenditures to the grant manager and the alignment of the grant to the mission to the appropriate Dean and/or Vice President.
 - iv. Hill College does not have written procedures to ensure that purchases comply with procurement standards for suspension and debarment.
 - v. Requirements for real property acquisition and relocation assistance were not applicable to this grant.
 - vi. Requirements for Buy American provisions were not applicable to this grant.
- b. Requirements for Davis-Bacon Act provisions were not applicable to this grant. Hill College made all purchases in a single budget category and only equipment was purchased. Since Hill College was in the early stages of expending the grant funds during our fieldwork, we verified there was supporting documentation for all equipment purchased under this grant to date, as well as equipment purchased that was pending reimbursement from THECB ARRA grant.

- c. We found:
 - i. All tested expenditures were allowable under federal guidelines.
 - ii. All expenditures were in accordance with grant provisions
 - iii. All expenditures were recorded in the proper accounting period.
 - iv. All expenditures were recorded in the correct account and program. The expenditures that were not yet reimbursed were coded to a general project account, and when reimbursement was received, a journal entry was used to recode the expense to the ARRA account.
 - v. All transactions were described in sufficient detail to permit the proper classification of expenditures.
 - vi. Documentation was maintained to permit the tracing of funds to a level of detail that established that the funds have been used in compliance with grant requirements.
 - vii. Although the project was being paid for with multiple funds, no transaction was paid for with multiple funds. Hill College had adequate tracking mechanisms to ensure all parts of the project had clearly identified sources of funds for each expenditure.
 - viii. Buy America provisions were not applicable to the expenditures of this grant.
 - ix. There were no exceptions in our testing.
- d. Hill College purchased equipment and inventory.
 - a. We found that Hill College has written inventory procedures. These procedures address entering new items into the inventory system and placing inventory tags on these purchases, conducting annual inventories and adjusting the records as necessary, as well as disposing of items from inventory. The procedures address maintenance of property records, safeguards against loss and theft (not damage), and proper valuation of property items, but not keeping the items in good working condition through repair and maintenance.
 - b. The two purchases that had been reimbursed with THECB ARRA funds at the time of fieldwork were not inventoriable items as they were attached to an existing building. However, we verified that those items were installed at Hill College. We obtained a detailed listing of equipment purchased that was pending reimbursement with the ARRA grant funds. We selected all equipment on this list for testing as it was less than 10 items. We toured the Hill College Cleburne Campus and located the equipment selected for testing. All assets were located in the listed building and location and asset tags, descriptions and serial numbers were agreed without exception.

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:

Hill College did not expend any grant funds for salaries. Therefore, we were unable to perform the procedures described in Step 6.

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:

Since there were no performance measures to be reported for this grant, we were unable to perform procedure step 7.

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:

The two most recent monthly reports submitted to THECB indicated no activity in July 2010 and the initial reimbursement request in August 2010. We were able to verify that sufficient documentation existed to support the expenditures Hill College reported as part of our testing in procedures step 5 above. There were no discrepancies identified.