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December 20, 2010

Vernon College
4400 College Drive, Osborne Admin. Bldg.
Vernon, TX 76384

ATTN: Mr. Garry David, Dean of Administrative Services

SUBJ: Desk Review Report for American Recovery and Reinvestment Act (ARRA), State Fiscal Stabilization (SFSF), Government Services Fund, Subrecipient award

REF: (a) THECB ARRA Notice of Grant Award No. 3630
(b) U.S. Department of Education (USDE) Award No.S397A090044

Dear Mr. David,

The Texas Higher Education Coordinating Board (THECB) has conducted a desk review of the referenced (a) subaward, and you will find attached for your review and comment the final report of that monitoring effort, with one (1) area of testing requiring follow-up from your institution:

- *Item #3, Equipment purchases, Evaluation Page 3: The desk review team has identified the need for subrecipient's further review of state property management requirements; observations and optional solutions have been provided for management's consideration.*

Your response via email is requested within fifteen (15) business days of receipt of this letter to:

(a) confirm receipt of the THECB's desk review monitoring report; and,
(b) provide a follow-up response and any additional comments relevant to the monitoring activities.

In addition, please be advised that in the interest of increased transparency under ARRA, the U.S. Department of Education has requested that the THECB post all monitoring reports and management responses to its ARRA grants program website.

The THECB sincerely appreciates the opportunity to work with your staff in this endeavor and the commitment your institution has made to ensure this ARRA

project has met its requirements of accountability and transparency. If you have any questions or need additional information, please do not hesitate to contact me directly at the numbers listed below

Sincerely,

Dan Griffiths
Director, ARRA Grants Program
(TEL) 512.427.6118
(EML) dan.griffiths@thecb.state.tx.us

ATTCH

Texas Higher Education Coordinating Board
ARRA Grant Program
Desk Review Evaluation

Subrecipient:	Vernon College
NOGA:	3630
Amount of Award:	$90,811
Period of Performance:	10/01/2009 through 08/31/2011
EIN:	17513259337
DUNS:	78546272

Y/N	Desk Review Item
Y	1. **Does the subrecipient have an A-133 Audit on file that is free of any significant deficiencies?** Search the Federal Audit Clearinghouse to determine availability of latest information for community colleges at http://harvester.census.gov/sac/, or the SAO Federal Portion of the Statewide Single Audit Report for universities and state agencies at http://www.sao.state.tx.us/Reports/report.cfm/report/10-339. Review Data Collection Form (OMB No. 0348-0057) Parts II (Financial) and III (Federal Programs) for risk assessment, deficiencies, or material weaknesses.
N/A	2. **If "No" to #1, is there a Management Response and/or a Corrective Action Plan on file?**
N	3. **Are all equipment purchases over $5,000 accounted for on subrecipient's inventory list?** Check that equipment items purchased with ARRA funds are documented on the institution's inventory list and designated as ARRA purchases. Test all equipment items, up to ten items. If more than ten items have been purchased, test the ten most expensive. Test 50% of all subrecipient reports, up to five reports.
N/A	4. **Is the subrecipient's reported jobs data free of errors?** Reconcile jobs data (retained and/or created as required) submitted to date with subrecipient time sheets or effort reports that verify accuracy of "actual hours worked" information. Test 50% of all subrecipient reports, up to five reports.
Y	5. **Is the subrecipient following their approved budget plan?** Compare actual expenditures to the approved budget; determine if 10% of the total project expenditures are over/under budget and if a budget modification is required.
Y	6. **Has the subrecipient been consistent with submitting quality supporting data with their reimbursement requests?** This refers to quality of data, need for repeated requests for clarification, and time needed for subrecipient to respond to requests for additional data.

Texas Higher Education Coordinating Board
ARRA Grants Program
Desk Review Scoring

NOGA# **3630**

Question	Subject	Answer	Weight	Data Input	Risk
1	A-133	Y	0	Y	0
		N	50		
2	CAP	Y	0	N/A	0
		N	50		
3	Equipment	Y	0	N	50
		N	50		
4	Jobs	Y	0	N/A	0
		N	50		
5	Budget	Y	0	N/A	0
		N	50		
6	Source	Y	0	Y	0
		N	50		
				TOTAL	**50**

Higher points = greater risk
Maximum points = 300
Requires further monitoring (high risk @ 60%) = 200-300 range

Texas Higher Education Coordinating Board
ARRA Grant Program
Desk Review Evaluation

Date of	Initial THECB Reviewer
10/27/2010	Johnnie Johnson
Item #	**Comments/Observations**
1	A review of the A-133 filing certification did not indicate any significant deficiencies or weaknesses . A Copy of the Vernon College December 2009 filing certification is on file.
2	No findings were indicated by the reviewing auditor on Part II of the A-133 certified filing form completed by the auditor. A copy of the Vernon College December 2009 filing certification is on file.
3	The subrecipient's entire award amount was budgeted toward equipment. The subrecipient was asked to submit detailed information from the three (3) year-to-date Reimbursement Requests submitted. Information provided verified that items were purchased and paid for; documentation included copies of seven (7) invoices matched the total amounts requested from the THECB. Documentation submitted by subrecipient is on file. An inventory listing of ARRA funded equipment purchases above $5000.00 was requested from the subrecipient to verify that the equipment purchased with ARRA funds was documented on the institution's inventory list as ARRA purchases. No inventory listing was provided by the subrecipient. The ARRA funded equipment purchases reimbursed to the subrecipient's could not be verified on the institution's inventory list. The subrecipient's representative stated that the equipment purchased with ARRA funds was not included in the current inventory because it has not been put into service. The equipment was currently recorded as Construction in Progress (CIP). **OBSERVATION** The Comptroller's office is authorized by Texas Government Code Subchapter L, Section 403.271 through 403.276 to maintain a statewide property accounting system. To facilitate systems for accountability, the State Comptroller has written *THE STATE PROPERTY ACCOUNTING (SPA) SYSTEM POLICY AND PROCEDURES MANUAL AND USER'S MANUAL* to provide instructions for the management of assets held by state entities. The policy as stated in the SPA indicated that each item purchased must be assigned a property number. Although the capital equipment items in question have not been put into service and do not currently require capitalization, this should not prevent the institution from assigning the items a property number. Chapter Four of the SPA explains how to add a new property record which includes how to add an inventory number for property that has not been put into service. Two options are summarized below for recommended implementation by the subrecipient: **Option 1: Adding a Property in Suspense Record** **Option 2: Adding Construction in Progress (CIP) in SPA** Each option above provides a temporary tag number to the CIP property that must be removed and re-tagged when all equipment cost per item has been tabulated and the equipment has been put into service. Refer to the SPA for detailed instructions for any information on adding property when it is eventually put in use.
4	The subrecipient's entire award amount was budgeted toward equipment. There was no request for personnel related expenses.
5	Based on the budget information in the ARRA Financial Tracker, the approved budget plan was followed and the project expenditures were not over or under the 10% requirement. There was no indication of a budget modification required.
6	Conducted a review of three (3) Reimbursement Requests representing 100% of the year-to-date requests submitted and paid. No significant issues were found regarding quality of data and a necessity for additional information.
Date Review Completed	**THECB Reviewer Signature**
11/22/10	Johnnie Johnson
Date Closed	**THECB Approval Signature**
12/20/10	D. Aguirre