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December 20, 2010

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Grayson County College
6101 Grayson Drive
Denison, TX 75020

ATTN: Mr. Giles Brown, V.P. for Business Services

SUBJ: On-site Monitoring 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. 3609
(b) USDE Prime Award No. S397A090044

Dear Mr. Brown,

The Texas Higher Education Coordinating Board (THECB) has engaged the firm of Clifton Gunderson LLP to conduct on-site monitoring of the above referenced (a) grant subaward. Clifton Gunderson has completed the site visit and reported to the THECB all observations based on an agreed-upon set of procedures, both of which have been incorporated into the monitoring report.

You will find attached for your review the final report of that monitoring effort, with the following test results requiring Grayson County College's management response:

- Step 3.a: Fiscal policies and procedures do not directly address the requirements of the federal Cash Management Improvement Act (CMIA).
- Step 3.b: Grayson College's financial recordkeeping system provides for the segregation of ARRA grant funds, but ARRA funds were recorded as state appropriations and not segregated. Grayson College staff indicated they will make correcting entries to properly account for ARRA funds.
- Step 3.d: Grayson College did not have written procedures to ensure compliance with the period of availability of federal funds requirements.

Step 3.e.i: Grayson College did not did not have specific written procedures to ensure that reconciliations of financial status reports to supporting documentation take place, however, reconciliations are performed. Recommend adding reconciliation process to written procedures.

Step 7: Grayson College over-reported the number of hours worked that were reflected in performance reports to the THECB. Based on the College's methodology and corresponding with THECB guidance for jobs calculations, (a) corrections should be made to past reports with notification to THECB, and (b) adjustments made to the jobs reporting process that will mitigate any errors in the future.

Your written response is requested within fifteen (15) business days of receipt of this letter to (a) confirm receipt of the THECB's monitoring report, and (b) provide management's response relevant to the above on-site monitoring observations.

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 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@theqb.state.tx.us

ATTCH



A New Dimension In Learning

January 7, 2011

Mr. Dan Griffiths
Director, ARRA Grants Program
Texas Higher Education Coordinating Board

Dear Mr. Griffiths,

This letter is to serve as management's response to the on-site monitoring report of Grayson County College's American Recovery and Reinvestment Act program. The report contained five comments, which are shown in bold type, followed by the response of Grayson County College's management.

Comment "Step 3.a" Fiscal policies and procedures do not directly address the requirements of the federal Cash Management Improvement Act (CMIA).

Response: A direct reference to CMIA has been added to the policies and procedures.

Comment "Step 3.b" Grayson College's financial recordkeeping system provides for the segregation of ARRA grant funds, but ARRA funds were recorded as state appropriations and not segregated. Grayson College staff indicated they will make correcting entries to property account for ARRA funds.

Response: In the original communications from the State of Texas, these funds were included in our total state appropriations without any mention that they were ARRA funds and were therefore budgeted and accounted for as state appropriations. As noted in the comment above, the staff made correcting entries to move these funds from state appropriations to the proper restricted fund, and that accounting is reflected in the college's audited financial statements.

Comment "Step 3.d" Grayson College did not have written procedures to ensure compliance with the period of availability of federal funds requirement.

Response: Grayson County College monitored and made sure that it complied with the period of availability of federal funds requirement. However, this was not specifically mentioned in its written procedures. A direct reference to compliance with the period of availability of federal funds requirements has been added to the written procedures.

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Sherman - Denison
6101 Grayson Drive • Denison, Texas 75020-8299
(903) 465-6030 FAX (903) 463-5284*

Comment "Step 3.e.i" Grayson College did not did not (sic) have specific written procedures to ensure that reconciliations of financial status reports to supporting documentation take place, however, reconciliations are performed. Recommend adding reconciliation process to written procedures.

Response: Grayson County College will continue to perform the reconciliations of financial status reports to supporting documentation and will add a reference to that procedure to its written procedures.

Comment "Step 7" Grayson College over-reported the number of hours worked that were reflected in performance reports to the THECB. Based on the College's methodology and corresponding with the THECB guidance for jobs calculations, (a) corrections should be made to past reports with notification to the THECB, and (b) adjustments made to the jobs reporting process that will mitigate any errors in the future.

Response: As shown in the attachment, the college has corrected the reports and communicated that to the THECB. Furthermore, the employee that made the error has been corrected and counseled.

Please let me know if you require additional information in this matter.

Sincerely,



Giles Brown
Vice President for Business Services
Grayson County College

Grayson County College
Correction of Hours on ARRA Reports

NOGA# 3609

	<u>Period Covered</u>	<u>\$</u>	<u>Reported</u> <u>Hours</u>	<u>Corrected</u> <u>Hours</u>
1	10/1/09 - 2/28/10	\$ 50,395	1,638	1,560
2	3/1/10 - 3/31/10	\$ 26,395	2,478	1,104
3	4/1/10 - 4/30/10	\$ 31,395	2,947	1,232
4	5/1/10 - 5/31/10	\$ 14,255	1,338	576
5	6/1/10 - 6/30/10	\$ -	-	-