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December 17, 2010

Kilgore College
1100 Broadway
Kilgore TX 75662-3204

ATTN: Mr. Duane McNaney, V.P. of Administrative 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. 3612
(b) USDE Prime Award No. S397A090044

Dear Mr. McNaney,

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 Kilgore College's management response:

Step 3.a: Financial and grant management processes do not directly address the requirements of the federal Cash Management Improvement Act (CMIA).

Step 3.d: Kilgore College did not have written procedures designed to ensure compliance with the period of availability of federal funds requirements.

Step 3.e: Kilgore College did not have procedures in place for periodic reconciliations.

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@thecb.state.tx.us

ATTCH

KILGORE COLLEGE

EMPHASIS EXCELLENCE ★ 1935

January 5, 2011

Texas Higher Education Coordinating Board
P.O. Box 12788
Austin, TX 78711
Attn: Mr. Dan Griffiths
Director, ARRA Grants Program

RE: Response to letter of December 17, 2010 concerning:
(a) THECB ARRA Notice of Grant Award No. 3612
(b) USDE Prime Award No S397/A090044

Dear Mr. Griffiths,

We are in receipt of your letter dated December 17, 2010, which also included the THECB's monitoring report. In your letter you asked for management's response to three items. Below is our response to those items as you requested:

Step 2.a: Financial and Grant management processes do not directly address the requirements of the federal Cash Management Improvement Act (CMIA).

- We do not believe we are subject to the provisions of this act, as the regulation pertains to funds transfers between the states and the U.S. Treasury. However; while we do not believe we are required to have these specific issues addressed in our policies and procedures, we will consider the provisions of the act and incorporate the relevant portions into the college's policies and procedures as they are updated and improved.

Step 3.d: Kilgore College did not have written procedures designed to ensure compliance with the period of availability of federal funds requirements.

- Again, we do not believe we are subject to these requirements. However; the college generally draws federal funds for financial aid after the disbursements have been made to the students or recipients, so at no time does the college hold federal funds excessively. Regarding ARRA funding, the funds were reimbursed to Kilgore College in a single disbursement, following the completion of expenditures as defined by the grant. Again, no federal funds were held outside of the compliance period of availability of federal funds.

Step 3.e: Kilgore College did not have procedures in place for periodic reconciliations:

- Because Kilgore College only had one disbursement for the above ARRA grant, there was no need for interim reconciliations. However; the college understands the necessity of periodic reconciliations for all accounts, whether federal or otherwise. As our written policies and procedures for federal grant/funding management are updated, we will update the provisions for periodic reconciliations to also comply with the provisions of CMIA.

We understand the need for continuing improvement in all of our financial activities, and welcome input that helps us anticipate possible future requirements brought on by an increased emphasis on transparency. We will certainly take all recommendations provided to us by your office into account make future updates to our policies and procedures.

We hope this response is sufficient in explaining our position on the test results listed in your letter. If you have further questions or concerns, please feel free to contact me at the numbers listed below.

Sincerely,

Duane J. McNaney
Vice President of Administrative Services
1100 Broadway
Kilgore, TX 75662
(v) 903 983-8107
Email: dmcnaney@kilgore.edu