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April 5, 2011

El Paso Community College
9050 Viscount Blvd.
El Paso, TX 79925

ATTN: Ms. Josette Shaughnessy, AVP Budget & Financial 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. 3607
(b) USDE Prime Award No. S397A090044

Dear Ms. Shaughnessy,

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 El Paso CC's management response:

Step 3.a: Written procedures for financial and grant management processes were not available, and therefore do not directly address the requirements of the federal Cash Management Improvement Act (CMIA).

Step 3.d: El Paso CC did not have written procedures to ensure compliance with the period of availability of federal funds requirements.

Step 3.e.i: El Paso CC does not have specific written procedures to ensure that reconciliations of financial status reports to supporting documentation take place.

Step 5.a.ii-iii: El Paso CC does not have written procedures to ensure that activities or costs are allowable. (This may be remedied by updating your existing procurement manual.)

Step 5.a.iv: El Paso CC does not have written procedures to ensure that purchases comply with procurement standards for suspension and debarment. (This has been a consistent audit finding for other higher education institutions recently found in the Statewide Single Audit for 2010.)

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

El Paso Community College The Best Place to Start

April 29, 2011

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

Dear Mr. Griffiths:

As requested, below are the responses to your letter regarding the agreed–upon procedures performed by Clifton Gunderson referencing the THECB ARRA Notice of Grant Award No. 3607 administered by El Paso Community College.

We would like to thank you for confirming that the $553,718 of grant funds were used according to the grant agreement and spent within the allowable grant period. We also are grateful for the opportunity to learn from your procedural comments and strengthen our accounting procedures as necessary.

Regarding our responses relevant to the on-site monitoring observations we offer the following:

Step 3.a: Written procedures for financial and grant management processes were not available, and therefore do not directly address the requirements of the federal Cash Management Improvement Act (CMIA).

Response: General Accounting has a draft operating manual which was not shown to the auditor. This may have occurred because of the inclement weather during the scheduled visit shortening the actual time the auditors were in El Paso. However, the operating manual does not address the requirements of the federal Cash Management Improvement Act. Since this was a cost reimbursement contract, there was no cash advance to the College; therefore we believe that this requirement does not apply to the management of this grant.

Step 3.d. **El Paso CC did not have written procedures to ensure compliance with the period of availability of federal funds requirements.**

Response: It is our practice to prepare all our billings for grants and contracts on a timely basis thus assuring that we comply with the availability of federal funds requirements as demonstrated by the billings we sent for this particular grant. General Accounting prepares a schedule on which all grants are tracked for reporting deadlines, thereby assuring that funds are billed while available.

Step 3.e.i: **El Paso CC does not have specific written procedures to ensure that reconciliations of financial status reports to supporting documentation take place.**

Response: Excel worksheets supporting the amounts billed on financial status reports are compared to actual expenditures before being submitted to agencies. The worksheets detail the summarized expenditures billed to agencies on financial status reports.

Step 5.a.ii-iii: **El Paso CC does not have written procedures to ensure that activities or costs are allowable. (This may be remedied by updating your existing procurement manual.)**

Response: According to College procedure 4.04.01.10 Developing and Managing Grants, a Grant Summary and Authorization Form should be completed for each grant the College acquires. This form details the proposed grant budget. If the College secures the grant, a detailed line item budget is developed itemizing the budget line items and a detailed budget is entered into our administrative software system to assist the program manager in staying within allowable costs. Procedure is on the College website.

Step 5.a.iv: **El Paso CC does not have written procedures to ensure that purchases comply with procurement standards for suspension and debarment.**

Response: We will update our purchasing procedures to include language which addresses the suspension and debarment of vendors.

We hope that the responses we have provided have answered all your questions. Should you need clarification on the responses, please do not hesitate to contact me directly at (915) 831-6401.

Sincerely,

Josette Shaughnessy, CPA
Associate Vice President Budget & Financial Services