Texas Higher Education Coordinating Board
Austin, Texas

Trinity Valley Community College

Independent Accountant's Report
On Applying Agreed-Upon Procedures
April 15, 2011

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Clifton Gunderson LLP
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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 Trinity Valley Community 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 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 Trinity Valley Community 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
April 15, 2011

Schedule A: Schedule of Agreed-Upon Procedures and Results

Procedure Step 1: Specific projects or activities:
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: Specific projects or activities:
Trinity Valley Community College used the grant funds to pay for a storage area network array and classroom instructional equipment such as conferencing equipment, projectors, etc. Its grant agreement with THECB states that the grant award is worth $196,445. There were no performance measures (such as hours worked, etc.) associated with this grant.

Procedure Step 2: Sub-awards:
List any sub-awards the grantee has made using THECB ARRA grant funds.

Results of Step 2: Sub-awards:
Trinity Valley Community College did not make any sub-awards. We were, therefore, unable to perform 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. Trinity Valley Community College does not have general written procedures for its financial and grant management processes, so they do not address the requirements of the CMIA.
b. We verified that Trinity Valley Community College's financial recordkeeping system provides for the segregation of THECB ARRA grant funds from other sources of funding. Trinity Valley Community College has a financial system of record that requires 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 Trinity Valley Community College regarding the reimbursement of THECB ARRA grant funds. This guidance can be found on its website at: www.thecb.state.tx.us/ARRA. Trinity Valley Community College policies and procedures did not specifically refer to or incorporate THECB's guidance.
d. Trinity Valley Community College does not have policies and procedures that address the period of availability requirements.
e. Reconciliations
   i. Trinity Valley Community College did not have specific written procedures to ensure that reconciliations of financial status reports to supporting documentation take place. Reconciliations were not completed, and thus, we were not able to perform the procedures set out in steps 3. e.ii. through e.v.
   vi. Despite the fact that no financial status reports are prepared, in the case of this grant, we verified that documentation to support all expenditures was available and did reconcile to the general ledger, monthly reimbursement vouchers, and vendor invoices, as part of our testing in Procedure Step 5.
f. Trinity Valley Community College prepared monthly financial reimbursement requests for THECB. These requests include sufficient information to ensure the funds will be spent in the grant period, including; the grant budget, amounts spent in prior requests, amount requested for the current report, and amount of the grant remaining. The reports were reviewed at the appropriate level of management and on a timely basis.
g. We obtained a copy of the entity's most recent single audit reporting form. Trinity Valley Community College received an unqualified opinion. No material internal control weaknesses, or other findings, were reported.

Procedure Step 4: Sub-awards:

If the organization has provided sub-awards 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 sub-award monitoring has taken place in accordance with those procedures.

Results of Procedure Step 4: Sub-awards:

We were unable to perform the procedures described in Step 4 because Trinity Valley Community College did not make any sub-awards.

Procedure Step 5: Testing of purchases of goods or services:

If the entity has made purchases (of 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: Testing of purchases of goods or services:

a. For Trinity Valley Community College:
   i. We verified Trinity Valley Community College has a written procurement manual and cash control manual that is intended to ensure compliance with federal and state procurement and contracting laws and regulations.
   ii. We determined Trinity Valley Community College does not have written procedures to ensure that activities are allowable as per the requirements of OMB Circular A-21 – Cost Principles for Educational Institutions as referenced in the ARRA contract with the THECB.
   iii. We determined Trinity Valley Community College does not have written procedures to ensure that costs are allowable as per the requirements of OMB Circular A-21 – Cost Principles for Educational Institutions as referenced in the ARRA contract with the THECB.
   iv. We determined Trinity Valley Community College does not have written procedures to ensure that purchases comply with procurement standards for suspension and debarment as per the requirements of the ARRA contract with the THECB.

   Steps v through vii: Requirements for real property acquisition and relocation assistance, Buy American provisions, and the Davis-Bacon Act were not applicable to this grant.

b. Trinity Valley Community College made all purchases in a single budget category, and a storage area network array and classroom instructional equipment such as conferencing equipment, projectors, etc. was purchased. We selected 5 expense line items at random from the detail and obtained supporting documentation for testing.

c. We found that:
   i. The expenditures were allowable under federal guidelines.
   ii. The expenditures were in accordance with grant provisions.
   iii. The expenditures were recorded in the proper accounting period.
   iv. The expenditures were recorded to the correct account and program.
   v. The expenditures were described in sufficient detail to permit proper classification.
   vi. Documentation was 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. The funds were paid out of a single source, and it was adequately identified for the fund application.
   viii. Buy American provisions were not applicable to the expenditures of this grant.
   ix. We did not identify any exceptions in our testing.

d. Trinity Valley Community College did purchase equipment. We found that:

i. Trinity Valley Community College does maintain written procedures for the maintenance of property; safeguarding against loss, theft, or damage; the valuation of property; and procedures to keep items in good working condition through repair and maintenance.

ii. We obtained a detailed listing of classroom instructional equipment purchased with the ARRA grant funds.

iii. We randomly selected 10 items for testing. We toured the Trinity Valley Community College Campus and located the 10 items selected for testing. All assets were visually identified and their asset tags, descriptions and serial numbers were agreed. All items tested were in the correct location as listed in the inventory report.

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: Testing of salaries:

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

Procedure Step 7: 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: Test of monthly performance reports:

Trinity Valley Community College did not report any performance metrics, as there were no performance measures associated with this grant. As a result, we were unable to perform the procedures described in Step 7.

Procedure Step 8: 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: Verify financial reports:

a. The two most recent financial monthly reports submitted to THECB with activity were August and June of 2010. The amount claimed in August was $29,947 while the amount claimed in June was $89,274.
b. We were able to verify that sufficient documentation exists to support the financial results reported for these two months. No discrepancies were identified.