

**Texas Higher Education Coordinating Board
Austin, Texas**

Del Mar College

**Independent Accountant's Report
On Applying Agreed-Upon Procedures
May 26, 2011**

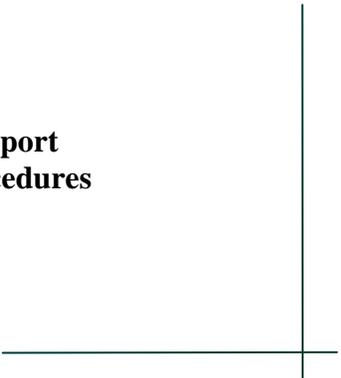


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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

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 Del Mar 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 Del Mar 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
May 26, 2011

Schedule A: Schedule of Agreed-Upon Procedures and Results

Procedure Step 1:

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:

Del Mar College used the total grant funds to pay for additional part-time adjunct and full-time temporary faculty to provide instruction for the increased student enrollment experienced by the college. Its grant agreement with THECB states the grant award is worth \$305,909. The college used the total grant award to employ full-time faculty staff (15 FTE) and part-time adjunct faculty (13 FTE). These faculty positions are temporary and will not become permanent. The College is required under the grant contract to provide the payroll journal each month showing the rate of pay and hours worked for the wages expensed. Full time employment is considered 40 hours or more per week.

Procedure Step 2:

List any sub-awards the grantee has made using THECB ARRA grant funds.

Results of Step 2:

Del Mar College did not make any sub-awards. We were therefore unable to perform the procedures included in 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. Del Mar College does not have written policies and procedures that address the requirements of the CMIA.
- b. We verified that Del Mar College's financial recordkeeping system provides for the segregation of THECB ARRA grant funds from other sources of funding. Del Mar 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 grant award.
- c. THECB has provided guidance to Del Mar College regarding the reimbursement of THECB ARRA grant funds. This guidance can be found on its website at: www.thecb.state.tx.us/ARRA. Del Mar College did have written accounting policies and procedures that apply to the reimbursement of THECB ARRA grant funds, but the accounting policies and procedures did not specifically refer to or incorporate THECB's guidance.
- d. Del Mar College does not have policies and procedures that address the period of availability requirements.
- e. Reconciliations
 - i. Del Mar College does have specific written procedures to ensure that reconciliations of financial status reports to supporting documentation should take place.
 - ii. We obtained the two most recent monthly reconciliation reports for the months of March and April 2010.
 - iii. The account reconciliation was performed on a timely manner, but there was no evidence of review or approval.
 - iv. We noted that there was one reconciling item, which was identified, investigated and resolved in a timely manner for the March 2010 reconciliation.
 - v. We verified that general ledger and other reports such as paycheck history reports existed to support the reconciliation report.
 - vi. We verified that documentation to support the financial status reports was available and did reconcile to supporting documentation including the monthly reimbursement vouchers, general ledger, and invoices.
- f. Del Mar College does have written procedures to ensure that reconciliations of financial status reports to supporting documentation take place when grant funds are expended. Del Mar College uses reports from its general ledger to compare budget vs. actual expenditures.

The monthly reconciliation report reviewed indicated it was completed timely; however, evidence supporting review of the reconciliation was not available. Additionally, Del Mar College prepared monthly financial reimbursement requests for THECB. These requests included the grant budget, amounts spent in prior requests, amount requested for the current report and amount of the grant remaining. The monthly financial reimbursement requests were approved by the Interim Vice-President of Administration and Finance.

- g. We obtained a copy of the entity's most recent single audit reporting form.
 - i. There was one significant deficiency identified for FY 2010, which had also been reported for the previous fiscal year. Del Mar College did not comply with requirements regarding the Davis-Bacon Act that are applicable to its Title V Higher Education Institutional Aid grant. Compliance with these requirements is necessary for Del Mar College to comply with the requirements applicable to that program.
 - ii. Del Mar College indicated in their response to the prior year audit that they agreed with the auditor's finding and reported the finding to the Department of Education. Per Del Mar College, any grant with "Construction Activity" noted, will be flagged by the Vice President of Administration and Finance office so that proper procedures for construction contracts will be in place to comply with the Davis Bacon Act. In the 2010 audit, Del Mar College indicated that the corrective action described in the College's prior audit response had been implemented. The Department of Education concurred and no further action was deemed necessary.

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:

We were unable to perform the procedures described in Step 4 because Del Mar 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:

Del Mar College used all the ARRA funds to pay salaries and did not purchase any goods or services. Therefore, we were unable to perform Procedure Step 5.

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:

Of the 28 temporary personnel whose salaries were funded by the THECB ARRA grant funds, we selected 10 employees for payroll testing during all pay periods from March 2010 to April 2010. We found that the amounts paid to all 10 employees with ARRA grant funds agreed to the amounts reported to the THECB. These salaries were paid to temporary full-time faculty and part-time adjunct faculty members who taught classes during the Spring 2010 semester. Faculty members were paid monthly during the months of March 2010 through April 2010.

We verified that all personnel worked sufficient hours to earn the salaries paid for with THECB ARRA grant funds by matching the number of lecture hours for which the faculty were responsible to the Spring 2010 course listings provided. We then verified that the classes were indeed taught by the faculty members by matching the grade reports for the section the employee was hired to teach.

These faculty members were paid on a salary basis. We obtained personnel contracts and other supporting documents to verify their employment and salary basis.

Procedure Step 7: Verify monthly performance reports

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:

- a. The two most recent monthly performance reports provided by Del Mar College to THECB to support their ARRA grant were selected for testing, which included the reports for March 2010 and April 2010.
- b. We determined the hours reported to THECB were calculated incorrectly and underreported the total hours by 228 hours. This incorrect calculation was due to human error. Del Mar College intends to contact THECB to determine if any further corrective reporting needs to be made.

Procedure Step 8: Verify financial reports:

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:

- a. The two most recent financial monthly reports submitted to THECB with activity were March 2010 and April 2010. The amount claimed in March was \$87,884 and the amount claimed in April was \$60,321.
- b. We verified that sufficient documentation exists to support the financial results reported for these two months. No discrepancies were noted.