
From: Villarreal, Art
Sent: Thursday, July 21, 2011 2:19 PM
To: Duvall, Helen
Cc: Johnson, Johnnie; ARRAoffice; Justus, Jennifer
Subject: RE: THECB ARRA Grants Program :: On-site monitoring report College of the Mainland
Attachments: Response Packet - Revised Observations 07.21.2011.pdf

Ms. Duvall,

We have reviewed the response to our on-site monitoring report, found your response(s) to be acceptable and complete. The THECB ARRA Grants Program appreciates the efforts of your staff to work with the monitoring team in accomplishing this important task.

Thank you.

Art

Arturo Villarreal, Jr.
Manager, ARRA Grants Program
Texas Higher Education Coordinating Board
1200 E. Anderson Lane, Austin, TX 78752
TEL: 512.427.6144
FAX: 512.427.6127
EML: art.villarreal@thecb.state.tx.us
URL: <http://www.thecb.state.tx.us/ARRA>





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July 21, 2011

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College of the Mainland
1200 Amburn Road
Texas City, TX 77591

ATTN: Helen R. Duvall, Interim Controller

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. 3605
(b) USDE Prime Award No. S397A090044

Dear Ms. Duvall,

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 a management response:

- Step 3.a: College of the Mainland did not have written procedures in its financial and grant management processes to ensure compliance with the requirements of the federal Cash Management Improvement Act (CMIA).
- Step 3.c: College of the Mainland did not refer to or incorporate the THECB's ARRA grant guidance regarding reimbursement of ARRA grant funds in its written policies and procedures.
- Step 3.d: College of the Mainland did not have policies and procedures that addressed the period of availability of federal funds requirements.

- Step 3.e.i: College of the Mainland did not have specific written procedures to ensure that reconciliations of financial status reports to supporting documentation take place.
- Step 5.a.ii: College of the Mainland did not have written procedures to sure that activities were allowable per the requirements of OMB Circular A-21.
- Step 5.a.iii: College of the Mainland did not have written procedures to sure that costs were allowable per the requirements of OMB Circular A-21.
- Step 5.a.iv: College of the Mainland did not have written procedures to ensure that purchases comply with procurement standards for suspension and debarment per THECB ARRA contract requirements.

Your written response is requested within ten (10) 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,

Art Villarreal
Manager, ARRA Grants Program
(TEL) 512.427.6144
(EML) art.villarreal@thecb.state.tx.us

ATTCH



July 21, 2011

Texas Higher Education Coordinating Board
Austin, TX

ATTN: Mr. Art Villarreal
Manager, ARRA Grants Program

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. 3605
(b) USDE Prime Award No. S397A090044

Dear Mr. Villarreal:

Attached please find College of the Mainland's (COM) response to your letter dated July 21, 2011, a copy of which is also attached.

Thank you for your comments. Please do not hesitate to contact me if you have questions.

Yours truly,

Interim Controller
College of the Mainland

Step 3.a: College of the Mainland did not have written procedures in its financial and grant management processes to ensure compliance with the requirements of the federal Cash Management Improvement Act (CMIA).

Response: *As a matter of practice, College of the Mainland ("COM") does not request or receive federal funds in advance of expenditure. However, in an effort to comply with requirements related to the receipt of federal funding, COM has developed written procedures (copy attached) that incorporate the requirements of CMIA (although inapplicable due to the method of funding). Furthermore, COM is in the process of developing a formal Grants and Contracts Accounting Manual that will address policies and procedures for this and other compliance requirements.*

Step 3.c: College of the Mainland did not refer to or incorporate the THECB's ARRA grant guidance regarding reimbursement of ARRA grant funds in its written policies and procedures.

Response: *COM has developed written procedures (copy attached) that incorporate the THECB's ARRA grant guidance regarding reimbursement of ARRA grant funds. Furthermore, COM is in the process of developing a formal Grants and Contracts Accounting Manual that will address policies and procedures for this and other compliance requirements.*

Step 3.d: College of the Mainland did not have policies and procedures that addressed the period of availability of federal funds requirements.

Response: *As discussed in Step 3.a, College of the Mainland ("COM") does not request or receive federal funds in advance of expenditure. However, in an effort to comply with requirements related to the receipt of federal funding, COM has developed written procedures (copy attached) that incorporate the requirements of the period of availability of federal funds (although inapplicable due to the method of funding). Furthermore, COM is in the process of developing a formal Grants and Contracts Accounting Manual that will address policies and procedures for this and other compliance requirements.*

Step 3.e.i: College of the Mainland did not have specific written procedures to ensure that reconciliations of financial status reports to supporting documentation take place.

Response: *As a matter of practice, COM reconciles all financial status reports to amounts recorded in the general ledger. In order to facilitate a better understanding of proper procedures, COM has developed written procedures (copy attached) that address . Furthermore, COM is in the process of developing a formal Grants and Contracts Accounting Manual that will address policies and procedures for this and other compliance requirements.*

Step 5.a.ii: College of the Mainland did not have written procedures to ensure that activities were allowable per the requirements of OMB Circular A-21.

Response: *COM has developed written procedures (copy attached) that incorporate the requirements of OMB Circular A-21. Furthermore, COM is in the process of developing a formal Grants and Contracts Accounting Manual that will address policies and procedures for this and other compliance requirements.*

Step 5.a.iii: College of the Mainland did not have written procedures to ensure that costs were allowable per the requirements of OMB Circular A-21.

Response: *COM has developed written procedures (copy attached) that incorporate the requirements of OMB Circular A-21. Furthermore, COM is in the process of developing a formal Grants and Contracts Accounting Manual that will address policies and procedures for this and other compliance requirements.*

Step 5.a.iv: College of the Mainland did not have written procedures to ensure that purchases comply with procurement standards for suspension and debarment per THECB ARRA contract requirements.

Response: *We disagree with this observation because, through discussion with our external auditors during the 2010 audit, we discovered that although the required verbiage for suspension and debarment was present on all requests for proposals, it was not so indicated on purchase orders. We immediately revised our purchase orders to include the appropriate statements regarding suspension and debarment.*

PROCEDURES

The following procedures apply to all external funding requests for College of the Mainland:

Definitions

- A. Grants – A grant is a monetary funding that is:
 - 1. Restricted or conditional;
 - 2. Requires the submission of reports; and/or
 - 3. Requires a written contract or verbal agreement to be authorized by the College.
- B. Gift – A gift is monetary funding that entails no written reports or signed contract/agreement.

Private Solicitation Guidelines

- A. Eligibility
 - 1. Full-time faculty and staff of College of the Mainland are eligible to develop grant funded research and project proposals for submission to the appropriate grantor with the approval of the College President. Adjunct faculty and part-time staff may participate in the development or proposals and may be included as proposed project staff, with department and division approval.
 - 2. Funding proposals will be consistent with the mission and strategic plan of College of the Mainland or approved by the applicant's supervising dean.
- B. Authority for Grants
 - 1. The President of College of the Mainland is the sole authority for approving the submission of all grant proposals. The President or designee is authorized to execute necessary documents for grant proposals that have been approved.
 - 2. No proposal for external funding bearing the name of the College may be submitted without the involvement of appropriate Financial Services staff and approval by the President.
- C. Grant Awards
 - 1. Grants are awarded exclusively to College of the Mainland or the COM Foundation, operating as the College's fiscal agent. They are not awarded to an individual who may be the initiator of the grant. The President accepts the programmatic and fiduciary responsibility for all grants awarded. As such, the College bears ultimate responsibility for fulfilling the objectives of the project and for complying with all fiscal, legal, and contractual requirements.
 - 2. The President or authorized designee will sign the grant contracts and awards. All grant award letters and/or contracts mailed to the Project Manager directly must be submitted to the President for signature. The Project Manager should assure that the proper process is followed and that the Grant Accountant receives copies of all necessary documents. The Office of the President will not sign any such letters and/or contracts without consultation with appropriate Financial Services staff.
 - 3. All monies awarded in response to authorized institutional applications will be administered by the College's Financial Services office in conjunction with the Grant Accountant as deemed appropriate.
- D. Conflict of Time
 - 1. When serving as Project Manager, total time commitment to such projects should be reasonably managed and congruent with the individual's professional College responsibilities. The amount of time spent on grants must always be decided in consultation with the individual's supervisor.

College of the Mainland Grant Procedures

E. Conflict of Interest

1. Project Managers must take reasonable steps to ensure that applying for a given grant will not constitute an impropriety or conflict of interest for them or for the College. Such situations include, but are not limited to: areas of personal financial gain for the applicant; and circumstances that might appear to compromise the College's reputation or give the College an unfair advantage.
2. Project Managers must take prudent steps to minimize even the slightest appearance of unethical behavior regarding all requests for personal reimbursements (for purchase or travel).

F. Regulations and Requirements

1. Proposals must be consistent with the mission and goals of College of the Mainland, policies established by the Board of Trustees, laws of the State of Texas, and applicable federal laws and regulations.

G. Coordination of Grant Activities with COM Foundation

1. If a solicitation to a corporate or business entity by the COM Foundation results in the receipt of a grant contract/agreement, the Foundation Director will provide all pertinent and necessary information to the Grant Accountant.

Fiscal Policies

- A. Indirect-cost Policy – The indirect-cost rate will be that as set forth by the Department of Health and Human Services, unless otherwise stated in the grant award letter.
- B. Financial Administration Policy – Expenditures of a sponsored project must be aligned with the approved budget appearing in the proposal or letter of award. No changes may be made without the approval of the Grant Accountant and/or the granting agency, when required. This includes transfers across line items. Project Managers must seek input from the Grant Accountant regarding budget modifications and how to spend or manage any funds carried over from one funded year to another. Funds that are not expended at the end of a grant period are not automatically carried over to the next year. Permission to do so must be granted by the funding entity and the Financial Services Office as appropriate. In all cases, project grant guidelines will be followed. Request for a no-cost extension may not be made by the project staff without consultation of the Controller and/or the Grant Accountant. Such requests will be routed for the approval and sign-off by the supervising dean, the Vice President of Financial Services and the College President.
- C. Federal and State Funding - Management of a federally funded grant will comply with the requirements of:
 1. Cash Management Improvement Act (CMIA) and Period of Availability of Funds– COM does not request or receive federal funding in advance of expenditure therefore the requirements of CMIA and Period of Availability of Funds have no impact on the normal grant management procedures.
 2. THECB's ARRA grant guidance – for grants funded through THECB ARRA funds, the guidance regarding reimbursement of ARRA grant funds issued by THECB will be utilized.
 3. All federally funded grants will be managed in accordance with OMB Circular A-21.

POST-GRANT ACTIVITIES

Acceptance of Award

- A. Project Start-Up – Before a college employee can begin any project activities, the Project Manager must assure that the Grant Accountant has received the written approval of the College President. In addition, the Project Manager must meet with the Grant Accountant to discuss the financial requirements of the grant. The Grant Accountant will assign an activity code specifically created for the grant being processed. The activity code will allow for segregation of the grant funding from all other grant funding received by the College.
- B. Receipt of Award Letters & Checks – Upon receipt, all award letters must be sent immediately to the Grant Accountant for file. Upon receipt, all checks must be sent immediately to the Cashier for deposit. Following the deposit of the check, the Cashier will forward all necessary copies to the Grant Accountant.

Roles and Responsibilities

- A. College Administration – A grant or contract will be executed between the funding agency and College of the Mainland or the COM Foundation (on behalf of the College.)
- B. Project/Grant Manager – The Project/Grant Manager or COM Foundation staff will notify all appropriate College personnel upon receipt of an award letter, contract, and/or check. Appropriate personnel will include, but is not limited to, College President and his office, VP of Financial Services, Controller, Grant Accountant, and project implementation staff. The Manager is fully responsible for carrying out all the goals and objectives that are specified in the proposal which, when funded, becomes a legally binding contract. These tasks typically include:
 1. Grant Management
 - Compliance with applicable federal, state, and/or local regulations, completion of all required reports, and submission of all in-house documentation.
 - Implementation of project activities and ensuring that the project is conducted as described in the proposal and that the project goals are being met.
 - Supervising staff and subcontractors, as appropriate.
 2. Records Maintenance
 - Maintain all required records and documentation regarding grant execution and achievement. It is generally recommended that all such records be maintained for a period of at least five years, unless the funding agency specifies an alternative length of time. Records should be organized in such a way that they can be easily reviewed by an individual unfamiliar with the project.
 - Preparing and submitting performance reports as required and by the designated deadlines. Maintain these reports as required by appropriate records retention policies.
 3. Marketing
 - When necessary, the Manager will notify the Marketing Department regarding the award and its implementation plan. The Marketing Department will be responsible for the creation and submission of any media releases to be distributed by College of the Mainland.
 4. Fiduciary Responsibilities
 - Overseeing all spending and responsibility for any deficits associated with the activity code for the grant. Expenditures must be limited to the budget (by line item) agreed upon by the funding entity.
 5. Project Evaluation and Quality Control
 - Submitting all interim and final performance and technical reports to the funding entity, paying particular attention to deadlines.

College of the Mainland Grant Procedures

6. Final Grant Report
 - Most funding agencies require a final, comprehensive project report. This report is the responsibility of the Manager. Most awards require a specific close-out process. This process is the responsibility of the Manager. Fiscal close-out is the responsibility of the Grant Accountant.
7. General
 - All College safety regulations and policies regarding such matters as recruiting, employment, purchasing, and environmental regulations, among others, must be followed.
 - Should a Manager anticipate terminating employment with or employment transfer within College of the Mainland, the Grant Accountant must be contacted immediately.
- C. Grant Accountant – The Grant Accountant will be responsible for maintaining segregation of award funds and timely and accurate financial reporting in accordance with federal, state, and/or local regulations. Job duties typically include:
 1. Assignment of an activity code in the general ledger chart of accounts specific to the award. The specified activity code will assure segregation of grant funding from all other grants funding received by the College.
 2. Establish and maintain a physical financial file. The file will contain copies of the following, as needed:
 - Notification of Grant Award or Award Letter, whichever is applicable
 - Approved and awarded budget
 - Miscellaneous official correspondence (including email messages)
 - Monthly, quarterly, or annual financial reports, as required, along with all necessary supporting documentation.
 - Contact information
 - Any additional information deemed necessary and important.
 3. Meet with Project Manager as needed to discuss the budget periodically.
 4. Review and “authorize” expenses requested through the Datatel purchase requisition system. Review and initial all Direct Pay Forms with grant-related expenses prior to payment in accordance to federal, state, and/or local regulations, as well as, College policies and procedures governing purchasing.
 5. Prepare and submit all required financial reports in a timely manner. (Note: It is the College’s general practice to financially operate grants on a reimbursement basis only. Reimbursement reports are based on expenditure activity posted to the College’s general ledger as an “actual” expense. These general practices are intended to prevent the College from non-compliance with cash management requirements.) The amounts presented on the financial reports will be reconciled to expenditures per general ledger.
 6. Record accounts receivable for all grant funds requested.
 7. Upon receipt of payments, reconcile amount received to the invoice or drawdown amount. Resolve any discrepancies in a timely manner.
 8. Coordinate with COM Foundation on funding received by the Foundation for College project use.
 9. Reconcile actual amounts per the general ledger to expected amounts based on reported expenditures and reimbursements received.
 10. Maintain all required records and documentation. It is generally recommended that all such records be maintained for a period of at least five years, unless the funding agency specifies an alternative length of time. Records should be organized in such a way that they can be easily reviewed by an individual unfamiliar with the project.