

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

North Central Texas College

**Independent Accountant's Report
On Applying Agreed-Upon Procedures
May 20, 2011**

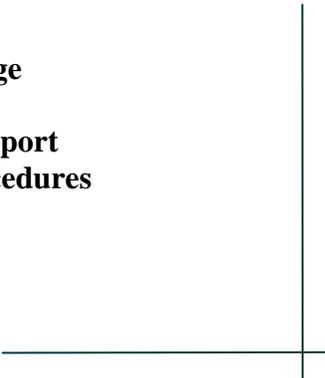


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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

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 North Central Texas 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 North Central Texas 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 20, 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:

North Central Texas College used the grant funds to pay for adjunct teaching faculty, ID-Debit card printing machines and consumable supplies for the machines. Its grant agreement with THECB states that the grant award is worth \$172,947. Of this \$133,200 is allocated for adjunct faculty wages and \$39,700 to the ID-Debit card system and related supplies. 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 wage expenses.

Procedure Step 2:

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

Results of Step 2:

North Central Texas 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:

- a. During the grant period, North Central Texas College did not have written policies and procedures that address the requirements of the CMIA.
- b. We verified that North Central Texas Community College's financial recordkeeping system provides for the segregation of THECB ARRA grant funds from other sources of funding. North Central Texas College has a financial system of record that requires a separate department code for each grant fund 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 North Central Texas College regarding the reimbursement of THECB ARRA grant funds. This guidance can be found on its website at: www.thecb.state.tx.us/ARRA. During the grant period, North Central Texas College did not have written policies and procedures regarding the reimbursement of THECB ARRA grant funds. North Central Texas College incorporated the guidance into their cash management policy after the grant period.
- d. North Central Texas College does not have complete policies and procedures that address the period of availability requirements. The current policy addresses not using funds after the termination date of the grant; however, no written policy is in place to ensure that funds are not expended before the start of the grant.
- e. Reconciliations
 - i. North Central Texas College did not have specific written procedures indicating that reconciliations of financial status reports to supporting documentation should take place until after the grant period. The policy could be improved by specifying the frequency of the reconciliations.
 - ii. Reconciliations were performed monthly during the grant period. We obtained the reconciliations for February and March 2010.
 - iii. Reconciliations were performed monthly during the grant period. However, evidence of review of the reconciliations was not maintained by the College; therefore, we were unable to perform this part of the procedure for Step 3eiii.
 - iv. No reconciling items were noted.
 - v. We verified that general ledger reports from the accounting system exist supporting the reconciliation reports.
 - vi. We verified that documentation to support all expenditures was available and did reconcile to the wage reports, payroll detail and general ledger payroll accounts.

- f. North Central Texas College did not have specific written procedures to ensure that reconciliations of financial status reports to supporting documentation take place when grant funds were expended. However, North Central Texas College prepared reconciliations that included budget information reflecting the available balances and actual expenditures. Per the college, these reconciliations are reviewed by the Vice-President of Finance on a monthly basis; however, evidence supporting the review was not available.

In addition North Central Texas College prepared monthly financial reimbursement requests for THECB. These requests include the grant budget, amounts spent in prior requests, amount requested for the current report, and amount of the grant remaining.

- g.
 - i. We obtained a copy of the College's most recent single audit report. North Central Texas College received an unqualified opinion. No material internal control weaknesses, significant deficiencies in controls, 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:

We were unable to perform the procedures described in Step 4 because North Central Texas College did not make 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:

- a. For North Central Texas College:
 - i. We verified North Central Texas College has a written procurement manual to ensure compliance with federal and state procurement and contracting laws and regulations.
 - ii. We determined North Central Texas College has a grant monitoring policy that acknowledges allowability as a component of compliance for state and federal grants as per the requirements of OMB Circular A-21 – Cost Principles for Educational Institutions as referenced in the ARRA contract with the THECB, but does not specify a mechanism by which it is achieved.
 - iii. We determined North Central Texas College has a grant monitoring policy that acknowledges allowability as a component of compliance for state and federal grants as per the requirements of OMB Circular A-21 – Cost Principles for Educational Institutions as referenced in the ARRA contract with the THECB, but does not specify a mechanism by which it is achieved.
 - iv. We determined North Central Texas College does not have a policy for verifying any vendors’ status for suspension and disbarment as per the requirements of the ARRA contract with the THECB.
 - v. 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. North Central Texas College made purchases in the equipment and supplies budget categories, and only computer equipment and related supplies were purchased. We verified there was supporting documentation for one purchase from the equipment category (there was only one purchase in this category) and five from the supplies category (six total) under this grant.
- c. For each expenditure item that we selected for testing, 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. We determined that 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 sources of funds were adequately identified for each 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. North Central Texas College used the grant funds to purchase ID-debit card printing machines and related supplies.
 - i. North Central Texas 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 created an inventory listing of ID-Debit card machines purchased with the ARRA grant funds based on the single invoice for equipment, and noted four machines were purchased in total. We ascertained the location of each machine based on discussions with management.
 - iii. We selected all four items for testing. We toured the North Central Texas College Campuses, and noted all four items selected for testing were contained in the locations as described by management. All assets were visually identified and their descriptions agreed to the invoice and as described in the grant agreement. However, the individual value of the machines is below the College's capitalization policy, and therefore they are not recorded as fixed assets.

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:

We obtained a detail of salaries paid using THECB ARRA grant funds for two pay periods, and selected 10 individuals from across the two periods for payroll testing. We found that the amounts paid to all 10 employees paid with ARRA grant funds agreed to the amounts reported to the THECB. We verified that the individuals selected worked sufficient hours to earn the salaries paid for with THECB ARRA grant funds by inspecting payroll journals, faculty contracts, grade reports, and class schedules.

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. We obtained two monthly performance reports for testing.
- b. We verified that sufficient documentation exists to support the actual hours worked as reported to THECB in the performance reports by inspecting college records including payroll journals, faculty contracts, grade reports, and class schedules.

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:

- a. We obtained copies of the monthly reports for February 2010 and March 2010. The amount claimed in February was \$34,066 and the amount claimed in March was \$40,046.
- b. We were able to verify that sufficient documentation exists to support the financial results reported for these months. In addition, we were able to verify that sufficient documentation existed to support that North Central Texas College spent \$39,747 for computer equipment and related supplies as part of our testing in procedures Step 5 above. No discrepancies were noted.