



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

**Central Texas College**

**Independent Accountant's Report  
On Applying Agreed-Upon Procedures  
July 6, 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 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 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  
July 6, 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:

Central Texas College used the grant funds to pay for desktop computer equipment, projectors and modular furniture for its computer labs and classrooms. Its grant agreement with THECB states that the grant award is worth \$348,579. There are no performance measures (such as hours worked, etc.) associated with this grant.

### Procedure Step 2:

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

### Results of Step 2:

Central Texas 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. Central Texas 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 Central Texas College's financial recordkeeping system provides for the segregation of THECB ARRA grant funds from other sources of funding. Central Texas College has a financial system of record that requires a separate cost center code for each grant fund that allows for separate reporting of grant funds.
- c. THECB has provided guidance to 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](http://www.thecb.state.tx.us/ARRA). Central Texas College did have written policies and procedures regarding the reimbursement of THECB ARRA grant funds, but it did not specifically refer to or incorporate THECB's ARRA grant guidance.
- d. Central Texas College has a Grants and Contracts written policy that addresses ensuring that funds are not spent after the grant period. However, the college does not have a written policy ensuring funds are not spent prior to the start of the grant period.
- e. Reconciliations
  - i. Central Texas College does not have specific written procedures indicating that reconciliations of financial status reports to supporting documentation should take place. However, management asserts that reconciliations are performed as required. In this case, since the grants reimbursement requests occurred over a short period of time and no reconciling items were noted by management, formal reconciliations were not prepared. As a result, no reconciliations existed and we were not able to perform the procedures for steps 3.e.ii through 3.e.v.
  - v. Although reconciliations were not performed, we obtained the January and May 2010 financial status reports and reconciled them to the general ledger.
  - vi. We verified that documentation to support the financial status reports was available and did reconcile to the general ledger and invoices, as part of our testing in Procedure Step 5.
- f. Central Texas College did have written procedures to require that expenditure reports including budget to actual information are prepared and reviewed by the grant manager. The policy does not state the frequency that the reports should be prepared. Additionally, the College did not maintain documentation of this review as, per the College, the reports are reviewed electronically.

In addition 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. We obtained a copy of the College's most recent single audit report.
  - i. Central Texas College received an unqualified opinion. No significant or material internal control weaknesses were reported. No other findings were reported.
  - ii. There were no findings 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 Central Texas College did not make sub-awards.

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

If the entity has made purchases (for 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 Central Texas College:
  - i. We verified Central Texas College has a written procurement manual to ensure compliance with federal and state procurement and contracting laws and regulations.
  - ii. We determined Central Texas College has a Grants and Contracts 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. The policy requires that budgets be created based on allowable. In addition, the grant expenses must be reviewed by the grant manager.
  - iii. We determined Central Texas College has a Grants and Contracts 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. The policy requires that budgets be created based on allowable costs. In addition the grant expenses must be reviewed by the grant manager.
  - iv. We determined 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 expenditures made with this grant.
- b. Central Texas College made all purchases in a single budget category and only computer equipment was purchased. We selected a sample of five expenditures and verified there was supporting documentation for the five purchases 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. 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. Central Texas College used the grant funds to purchase desktop computer equipment, projectors and modular furniture for its computer labs and classrooms.
- i. Central Texas College does maintain written procedures for the maintenance of property; safeguarding against loss, theft, or damage; and the valuation of property. Central Texas College does not have a policy or procedure regarding IT hardware maintenance. Per the comptroller, Central Texas College does, however, have a maintenance agreement with the computer vendor that covers the computer equipment purchased with the ARRA funds.
  - ii. We obtained an inventory listing of computers purchased with the ARRA grant funds.
  - iii. We selected 10 items for testing. We toured the Central Texas College Campus and noted all 10 items selected for testing were contained in the locations described. All assets were visually identified and their asset tags, descriptions and serial numbers were agreed to the inventory listing.

#### 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:

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

#### 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:

Central Texas College did not report any performance metrics, as there are 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:

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 the two most recent monthly financial reports with activity submitted to THECB which were for January and May 2010. The amount claimed in January was \$189,052 and the amount claimed in May was \$2,151.
- 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 Central Texas College spent \$348,579 for computer equipment as part of our testing in Procedure Step 5 above. No discrepancies were noted.