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July 27, 2011

Office of the Governor
P.O. Box 12428
Austin, Texas 78711-2428

ATTN: Ms. Theresa Boland, Budget and Contract Manager

SUBJ: Desk Review Report for American Recovery and Reinvestment Act (A

REF: (a) THECB ARRA Notice of Grant Award No. 3635
(b) U.S. Department of Education (USDE) Award No.S397A090044

Dear Ms. Boland,

The Texas Higher Education Coordinating Board (THECB) has conducted a desk review of the referenced (a) subaward, and you will find attached for your review and comment the final report of that monitoring effort, with no areas of testing requiring follow-up from your institution.

Your response via email is requested within five (5) business days of receipt of this letter to: (a) confirm receipt of the THECB's desk review monitoring report; and, (b) provide a follow-up response and any additional comments relevant to the monitoring activities.

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 has 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

**Texas Higher Education Coordinating Board**
**ARRA Grants Program**
**Desk Review Survey**

| | |
|---|---|
| **Subrecipient:** | **OFFICE OF THE GOVERNOR OF TEXAS** |
| **NOGA:** | **3635** |
| **Amount of Award:** | **$2,737,381** |
| **Period of Performance:** | **February 17, 2009 through August 31, 2011** |
| **EIN:** | **33003003002** |
| **DUNS:** | **93566235** |

| Y/N/NA | Desk Review Item |
|---|---|
| Y | 1. **Does the subrecipient have an A-133 Audit on file that is <u>free</u> of any <u>significant deficiencies</u>?** Search the Federal Audit Clearinghouse to determine availability of latest information for community colleges at http://harvester.census.gov/sac/, or the SAO Federal Portion of the Statewide Single Audit Report for universities and state agencies at http://www.sao.state.tx.us/Reports/report.cfm/report/11-318. Review Data Collection Form (OMB No. 0348-0057) Parts II (Financial) and III (Federal Programs) for risk assessment, deficiencies, or material weaknesses. |
| Y | 2. **If "No" to #1, is there a Management Response and/or a Corrective Action Plan on file?** |
| N/A | 3. **Are equipment purchases properly accounted for on the subrecipient's inventory listing?** Check that equipment items purchased with ARRA funds are documented in the subrecipient's inventory and designated as ARRA purchases by requesting grant inception-to-date listing. Test (a) capital and (b) controlled property [limited to laptop and desktop computers] equipment items, up to ten (10) items or ten per cent (10%) of the population, whichever is smaller. |
| Y | 4. **Is the subrecipient's reported jobs data <u>free</u> of errors?** Reconcile jobs data (retained and/or created as required) submitted to date with subrecipient time sheets or effort reports that verify accuracy of "actual hours worked" information. Test 50% of all subrecipient reports, up to five reports. If more than five reports have been submitted, sample the most recent five reports. |
| Y | 5. **Is the subrecipient following their approved budget plan?** Compare actual expenditures to the approved budget; determine if 10% of the total project expenditures are over/under budget and if a budget modification is required. |
| Y | 6. **Has the subrecipient been consistent with submitting quality supporting data with their reimbursement requests?** This refers to quality of data, need for repeated requests for clarification, and time needed for subrecipient to respond to requests for additional data. |

**Texas Higher Education Coordinating Board**
**ARRA Grants Program**
**Desk Review Evaluation**

## Desk Review Evaluation

**NOGA#** **3635**

| Question | Subject | Answer | Weight | Data Input | Risk |
|---|---|---|---|---|---|
| 1 | A-133 | Y | 0 | Y | 0 |
| | | N | 50 | | |
| 2 | CAP | Y | 0 | Y | 0 |
| | | N | 50 | | |
| 3 | Equipment | Y | 0 | N/A | 0 |
| | | N | 50 | | |
| 4 | Jobs | Y | 0 | Y | 0 |
| | | N | 50 | | |
| 5 | Budget | Y | 0 | Y | 0 |
| | | N | 50 | | |
| 6 | Source | Y | 0 | Y | 0 |
| | | N | 50 | | |
| | | | | **TOTAL** | **0** |

Higher points = greater risk
Maximum points = 300
Requires further monitoring (high risk @ 60%) = 200-300 range

**Texas Higher Education Coordinating Board**
**ARRA Grants Program**
**Desk Review Comments and Approvals**

| Initial Review Date | Initial THECB Reviewer |
|---|---|
| 6/9/2011 | Johnnie Johnson |
| **Item #** | **Comments/Observations** |
| 1 | A review of the SAO Federal Portion of the Statewide Single Audit Report indicated one item listed under the Office of the Governor which was classified as "Non-Compliance". The issue, as reported by the state auditors, had no material effect on the financial data significant to the audit. According to Government Auditing Standards published on the U.S. Comptroller General's website, this type of finding is not considered a significant deficiency<br><br>A copy of the State of Texas filing certification for the fiscal period ending 08/31/2010 is on file. |
| 2 | The SAO Federal Portion of the Statewide Single Audit Report indicated auditor recommendations were implemented for the issue noted above in Item # 1 of this report. No additional corrective actions are necessary. A copy of the report is on file. |
| 3 | There were no ARRA funds budgeted toward equipment. Therefore, no equipment reimbursement requests were received or paid. |
| 4 | In an effort to verify that hours' data was correctly reported, a sample of seven monthly Progress Reports was chosen for review. Supporting documentation submitted with each related Reimbursement Request was reviewed. Additional information was requested and received from the subrecipient. The additional documentation was reviewed and all hours reported in the chosen sample were validated. An Excel worksheet verifying actual hours reported and the supporting documentation are on file. |
| 5 | Based on the budget information in the ARRA Financial Tracker, the approved budget plan was being followed and the project expenditures were not over or under the 10% requirement. No budget modification was required. |
| 6 | Reviewed 50% of the year-to-date Reimbursement Requests submitted and paid. No significant issues were found regarding the Reimbursement Request data submitted by the subrecipient. |
| **Date Review Completed** | **THECB Reviewer Signature** |
| **7/26/2011** | |
| **Date Closed** | **THECB Approval Signature** |
| | |

***APPROVED***
***By Art Villarreal at 9:45 am, Jul 27, 2011***