

May 12, 2022

Dr. Justin Hoggard, President  
Coastal Bend College  
3800 Charco Rd.  
Beeville, Texas 78102

Re: *A Compliance Monitoring Review of the Carl D. Perkins Grant-Related Inventory Policies and Procedures at Coastal Bend College*, Report No. THECB-CM-22-031.

Dear Dr. Hoggard,

I am attaching the final report on our *Compliance Monitoring Review of the Carl D. Perkins Grant-Related Inventory Policies and Procedures at Coastal Bend College*, Report No. THECB-CM-22-031. This report will be presented at the July 2022 Agency Operations Committee meeting.

We found that Coastal Bend College (CBC) substantially complied with relevant Carl D. Perkins (Perkins) grant rules and regulations regarding capital asset and equipment transactions according to the Uniform Grant Guidance found in Title 2, Subtitle A, Chapter II, Part 200, Subpart E. We have two recommendations to help strengthen CBC's administration of capital asset and equipment transactions. This includes clarifying and improving the institution's policy for disposition of surplus or otherwise no longer needed inventory items, and for strengthening the central receiving of new items.

If you have any questions or comments, please let me know.

Sincerely,



Mark A. Poehl, CPA, CIA, CISA, CFE  
Assistant Commissioner, Internal Audit and Compliance

## EXECUTIVE SUMMARY

We found that Coastal Bend College (CBC) substantially complied with relevant Carl D. Perkins (Perkins) grant rules and regulations regarding capital asset and equipment transactions according to the Uniform Grant Guidance found in Title 2, Subtitle A, Chapter II, Part 200, Subpart E. We have two recommendations to help strengthen CBC's administration of capital asset and equipment transactions. This includes clarifying and improving the institution's policy for disposition of surplus or otherwise no longer needed inventory items, and for strengthening the central receiving of new items.

### Scope, Objective, and Methodology

Our review scope covered Perkins awards to CBC for grant years 2020 and 2021. Our work objectives included procedures to verify:

- Fixed assets procurements were approved in CBC's Perkins 2020 and 2021 grant requests;
- Fixed asset items were present, verified by onsite physical observation, and properly accounted for;
- Prior years' fixed assets were present, verified by onsite physical observation, and properly accounted for; and
- CBC's fixed asset policy complies with the Uniform Grant Guidance and THECB Perkins program requirements.

The review methodology included objectively reviewing and analyzing various forms of documentation, conducting interviews and physical observations, and performing other tests of controls necessary to achieve the objectives of the review.

### Background

This review was conducted in response to a verbal complaint regarding the possible misuse and poor accountability for equipment purchased by CBC. We met with the Academic Affairs and Workforce Education (AAWE) program office staff and obtained Perkins grant-related data and information for grant years 2019-2021 to gain an understanding of the grant requirements and determine CBC's compliance with those requirements as they specifically related to inventory control and reporting.

### Detailed Observations, Recommendations, and Management Responses

#### **1. CBC policies and procedures need improvement for documenting the disposal of fixed assets to align with Perkins program requirements.**

CBC policies and procedures need improvement for documenting the disposal of fixed assets to align with Perkins program requirements. CBC developed and implemented policies and procedures governing accountability for fixed assets and noncapital items. However, we noted a discrepancy between the CBC policy and THECB documentation requirements when accounting for disposal of equipment purchased with Perkins funds.

THECB Perkins program requirements for inventory records retention are found on page 56 of the 2020-2021 Basic Request for Application (RFA) as follows:

*Property Inventory and Disposition Report: The Awarded Applicant shall submit a Property Inventory and Disposition Report by September 30, 2021, to Perkins@THECB.state.tx.us. The report shall be a cumulative inventory of the following:*

- 1. All single capital equipment items purchased with Grant funds (valued according to federal cost policy (tangible property having an initial acquisition price of more than \$5,000 per unit and a useful life of more than one year) or by the applicant's local capitalization policy, whichever is more stringent; and*
- 2. All single noncapital equipment items with an initial acquisition price of \$500 to \$4,999.*

*The Report shall include all items in the Awarded Applicant's possession and those discarded, sold, or transferred to another entity. Each entry on the inventory shall include the identification number, description of the property; acquisition date; acquisition cost; and location (if in the Applicant's possession).*

CBC Policy: Guidelines for Federally Funded Equipment and Inventory Control states:

- Disposals & Missing Assets: If the items in question are still missing after 45 days, the asset will be removed from Colleague and the Insurance Administrator will be notified if necessary.
- Disposition of Equipment:
  - (Perkins Only) Complete the THECB Disposition Form.
  - Records regarding item(s) sold (e.g., date of sale and amount received) must be retained for three (3) years after final disposition (ref: CFR 200.333).

As a result, items can be removed from the inventory listings, thus not complying with the Perkins document retention requirements.

### **Recommendation**

CBC needs to revise its current policy entitled *Guidelines for Federally Funded Equipment and Inventory Control* to align with the THECB Perkins Basic RFA requirements found on page 56 of the 2020-2021 Basic RFA.

### **Management's Response**

*We have shared the conversation with the Dean of Career and Technical Education and college personnel about this discrepancy. The institution will align the practices of the College with the recommendations provided. We recognize the inconsistency and will resolve those issues.*

### **2. CBC needs to implement a centralized inventory control system and point of contact for the receipt, verification, distribution, and disposal of fixed assets.**

CBC needs to implement a centralized inventory control system and point of contact for the receipt, verification, distribution, and disposal of fixed assets. CBC's current practice includes multiple locations and various staff members responsible for the receipt, verification, distribution, and disposal of fixed assets. Locations include a loading dock, the mail room, and the information technology

department. As a result, accountability for the receipt, verification, distribution and disposal of fixed assets and related items can be compromised.

The Code of Federal Regulations Title 2, Subtitle A, Chapter II, Part 200, Subpart D, Section 213 Equipment, subsection (d) (3) provides the following guidance: “A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.”

### **Recommendation**

CBC should establish a centralized inventory control system and point of contact for the receipt, verification, distribution and disposal of fixed assets and related items providing adequate safeguards to prevent loss, damage, or theft of the property.

### **Management Response**

*I acknowledge the practices, while well-intentioned, fell short of providing the “adequate safeguards to prevent loss, damage, or theft of the property.” As you have seen some of the measures taken to provide those safeguards-i.e., a locked container with very limited access-the procedure does need centralizing with clear processes and accountability points. The conversations held regarding the specific issue during the site visit were insightful. I am working toward those suggestions. I am hopeful that we will have completely overhauled these practices by the beginning of the next academic year.*

**PERFORMED BY:**

Mr. Bobby Lane, CFE, CICA, Compliance Specialist  
Ms. Elizabeth Steele, Compliance Specialist

cc:

**THECB**

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