Office of the Inspector General
Corporation for National and Community Service

Audit of
Corporation for National and Community Service
Grant Numbers 340A167/01 & 02;
339A041/16 & 17; 336A015/17 & 18
With the Health Association of Niagra County, Inc.

OIG Audit Report Number 00-05
July 30, 1999

Prepared by:
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Under Department of State OIG
Contract # S-OPRAQ-99-D-0020-CNS-02

This report was issued to Corporation management on December 6, 1999. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than June 3, 2000, and complete its corrective actions by December 6, 2000. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of the Inspector General
Corporation for National and Community Service

CORPORATION FOR NATIONAL SERVICE

Audit of Corporation for National and Community Service
Grant Numbers 340A167/01 & 02; 339A041/16 & 17; 336A015/17 & 18
With the Health Association of Niagra County, Inc.
(OIG Audit Report Number 00-05)

Leonard G. Birnbaum and Company, under contract to the Office of the Inspector General, audited the amounts claimed by the Health Association of Niagra County, Inc. under Grant Numbers 340A167/01 & 02; 339A041/16 & 17; and 336A015/17 & 18. The audit covered the costs ($1,317,689 in total: $147,295, $502,442, and $667,952 respectively) claimed during the period from April 1, 1997 to June 30, 1999 and included tests to determine whether costs reported to the Corporation were documented and allowable in accordance with the terms and conditions of the grants. We have reviewed the report and work papers supporting its conclusions and agree with the findings and recommendations presented.

The report questions costs totaling $22,085 (less than two percent of total claimed costs), primarily because the Health Association of Niagra County, Inc. (HANCI) did not have an after-the-fact labor distribution system to charge an employee's time who worked on two separate programs. The report also cited several compliance issues including:

- HANCI did not obtain the necessary prior approval from the Corporation before making budget revisions on the RSVP program;
- Federal Cash Transactions Reports (FCTRs) for the SCP program were not always submitted on a timely basis; and
- HANCI did not submit all progress reports for the RSVP program on a timely basis.

In addition to the audit of claimed costs, Leonard G. Birnbaum and Company evaluated the monitoring and oversight of these grants by the Corporation. The auditors reported that oversight and monitoring procedures performed by Corporation staff included:

- reviewing and analyzing financial information and progress reports submitted by HANCI;
- providing periodic training sessions to HANCI staff during statewide and regional conferences; and
- performing periodic site visits.

However, the auditors found that improvements should be made in the Corporation's guidance regarding documenting the procedures performed or areas addressed during a site visit to a grantee,

Inspector General
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and in the Corporation's policies for ensuring that program personnel are complying with grant monitoring guidance.

We provided a draft of this report to HANCI and the Corporation for National and Community Service. HANCI's response to a draft of this report is included as Appendix A. In its response, HANCI generally agreed with the audit findings. The Corporation's response is included as Appendix B. In its response, the Corporation stated that it had reviewed the draft but had no comments at this time.

Office of the Inspector General
Corporation for National and Community Service
Audit of Health Association of Niagara County, Inc.
Grant Numbers 340A167/01 & 02; 339A041/16 & 17; 336A015/17 & 18

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REPORT SUMMARY AND HIGHLIGHTS

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Inspector General
Corporation for National and Community Service

We performed an audit of the Health Association of Niagara County, Inc. (HANCI) covering the funds awarded by the Corporation for National and Community Service (Corporation) under the following grants and grant periods. In addition to the audit of amounts claimed by HANCI, we evaluated the Corporation's monitoring and oversight of these grants in order to identify specific procedures of the Corporation that could be improved regarding monitoring and oversight of these programs.

Grant Program	Grant No.	Grant Period
Retired and Senior Volunteer Program	340A167/01 & 02	April 1, 1997 - March 31, 1999
Foster Grandparent Program	339A041/16 & 17	July 1, 1997 - June 30, 1999
Senior Companion Program	336A015/17 & 18	July 1, 1997 - June 30, 1999

HANCI is a nonprofit organization located in Niagara, Falls, New York. HANCI established its Retired and Senior Volunteer Program (RSVP) and Foster Grandparent Program (FGP) in 1972 and its Senior Companion Program (SCP) in 1981.

The Corporation has awarded HANCI another year of funding to continue the RSVP program until March 31, 2000, and the FGP and SCP programs until June 30, 2000.

Our audit of the costs claimed by HANCI under the above grants disclosed the following:

	RSVP	FGP	SCP	Total
Award Budget	$147,295	$524,824	$677,968	$1,350,087
Claimed Costs	147,295	502,442	667,952	1,317,689
Questioned Costs	56	21,061	968	22,085

Office of the Inspector General
Corporation for National and Community Service
Audit of Health Association of Niagara County, Inc.
Grant Numbers 340A167/01 & 02; 339A041/16 & 17; 336A015/17 & 18

PURPOSE AND SCOPE OF AUDIT

The RSVP, FGP and SCP program grants are awarded under the authority of the Domestic Volunteer Service Act of 1973, as amended (DVSA). The Corporation is responsible for monitoring grants in order to reduce the risk that the grantees may be unable to properly manage, safeguard, and account for grant funds in accordance with Federal law and grant provisions. Grant monitoring involves overseeing a funded activity, obtaining information and data, and utilizing that information to make assessments, provide feedback and recommend or take action.

In August 1998, a Corporation grant official requested that the Office of the Inspector General (OIG) conduct an audit of the above-referenced grants awarded to HANCI. It had been alleged that HANCI wrongfully utilized AmeriCorps grant funds. The allegations centered on labor mischarging and the utilization of equipment purchased under the AmeriCorps grant on activities unrelated to the grant.

OIG informed the State of New York, Office of National and Community Service (NYONCS) of the allegations. In response to the allegations, NYONCS contracted with a Certified Public Accounting firm to perform a financial review of HANCI's AmeriCorps program. The financial review performed at NYONCS' request disclosed several serious weaknesses in HANCI's financial accounting for expenditures under the AmeriCorps grant. Specifically, the review disclosed that approximately 22 percent of total expenditures had either no supporting documentation or inadequate supporting documentation. Further, time sheets or other labor distribution records did not support salaries and benefits charged to the grant. Finally, matching funds were not documented. As a result of the financial review, NYONCS and HANCI reached a written agreement which included HANCI not being reimbursed for questionable claims and termination of the AmeriCorps grant.

In light of the above, our audit of the claimed costs was designed to determine whether the conditions cited in the financial review performed at NYONCS' request were present in the on-going DVSA grants and whether the assertions made might be present in the DVSA programs. Specifically, the objectives of our audit of the claimed costs were to determine whether:

- financial reports prepared by HANCI presented fairly the financial condition of the awards;
- the internal controls were adequate to safeguard Federal funds;
- the auditee had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations and award conditions; and

- the award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions.

Because the allegations and the weaknesses concerning HANCI's AmeriCorps program could be a systemic problem, i.e., occurring in all of HANCI's programs, we tested 100 percent of certain categories of claimed costs on the RSVP, FGP and SCP programs. The cost categories tested 100 percent were Volunteer Support (staff travel, equipment, supplies, printing, space, contractual, audit fee and postage) and Volunteer Expenses (insurance, uniforms, and recognition). Other costs were tested on a judgmental sampling basis.

We performed the audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the award, as presented in the schedule of award costs by program (Exhibit A), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibit A. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

In addition to the audit of the claimed costs, we evaluated the Corporation's monitoring and oversight of these grants in order to identify specific procedures of the Corporation that could be improved. Our evaluation was performed at the Corporation's Office of Grants Management in Philadelphia, PA; the Corporation's New York State Office in New York City; and HANCI's offices in Niagara Falls, NY. Our evaluation was performed in accordance with *Government Auditing Standards*. Our procedures included the following:

- We reviewed the grant applications and grant awards to obtain an understanding of the programs.

- We reviewed the grant files maintained by the Corporation's Grants Officer and Program Officer to obtain evidence of oversight and guidance provided by Corporation staff.

- We obtained and reviewed the Corporation's reference documents related to grant monitoring to determine the policies and procedures for monitoring grants awarded under the authority of DVSA.

- We conducted interviews with the Corporation's Grants Officer in Philadelpia, Program Officer in Albany, New York, and Program Specialist in New York City and obtained documentation to substantiate information provided during the interviews to determine the type of guidance and/or oversight provided to HANCI.

- We conducted interviews with HANCI's management to gain an understanding of HANCI's perspective of the type of guidance and/or oversight provided by the Corporation.

We provided a draft of this report to Health Association of Niagara County, Inc and to Corporation management. HANCI's response is included as Appendix A. In its response, HANCI generally agreed with the findings and indicated the corrective action it would take to address the recommendations. The Corporation's response is included as Appendix B. In its response, the Corporation stated that it had reviewed the draft but had no specific comments.

SUMMARY OF AUDIT RESULTS

As a result of our audit of the aforementioned awards, we are questioning costs totaling $22,085 (less than two percent of total claimed costs) which are summarized below and detailed in Exhibit A to the Independent Auditor's report. Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the award, or costs which require additional support by the grantee or which require interpretation of allowability by the Corporation.

The following summarizes the costs questioned on the above awards:

Explanation	Amount
• Salary and fringe benefit costs were not supported by labor distribution records	$ 21,031
• Volunteers were paid in excess of the maximum allowable hours per annum	602
• Mathematical errors were made when computing the expense	176
• Claimed costs were incurred outside of the grant period	86
• Travel costs included unallowable mileage for the staff's commute to/from home	62
• Volunteer uniforms were purchased although funding was not provided for in the grant award	59
• Claimed costs were not supported by adequate source documentation	54
• Claimed costs were charged to the wrong program	15
Total Questioned Costs	$ 22,085

Except as discussed above, we used a judgmental sampling method to test the costs claimed. Based upon this sampling plan, questioned costs in this report may not represent total costs that may have been questioned had all expenditures been tested. In addition, we have made no attempt to project such costs to total expenditures incurred, based on the relationship of costs tested to total costs.

COMPLIANCE

Our audit disclosed the following instances of noncompliance with Federal laws, applicable regulations and award conditions:

- HANCI did not obtain the necessary prior approval from the Corporation before making budget revisions on the RSVP program. (Independent Auditor's Report on Compliance, Finding No. 1)

- Stipend payments to SCP volunteers were not always limited to 1,044 hours per year. (Independent Auditor's Report on Compliance, Finding No. 2)

- HANCI did not ensure that all RSVP and FGP volunteers signed an enrollment form or designated a beneficiary on the enrollment form. (Independent Auditor's Report on Compliance, Finding No. 3)

- Documents (i.e., pamphlets, brochures and press releases, describing HANCI's RSVP, FGP and SCP programs) neither stated the percentage of the total cost of the program financed with Corporation funds nor the dollar amount of Corporation funds for the program as required. (Independent Auditor's Report on Compliance, Finding No. 4)

- Federal Cash Transactions Reports (FCTRs) for the SCP program were not always submitted on a timely basis. (Independent Auditor's Report on Compliance, Finding No. 5)

- HANCI did not submit all progress reports for the RSVP program on a timely basis. (Independent Auditor's Report on Compliance, Finding No. 6)

INTERNAL CONTROLS

Our audit disclosed the following reportable condition in HANCI's internal controls.

- HANCI did not have an after-the-fact labor distribution system to charge employees' time if the employee did not work exclusively on a program. (Independent Auditor's Report on Internal Controls, Finding No. 1)

CORPORATION MONITORING AND OVERSIGHT

Our evaluation found that Corporation grant and program staff performed procedures to monitor and oversee the National Senior Service Corps (NSSC) grants awarded to HANCI under the authority of the Domestic Volunteer Service Act of 1973. Specifically, we found evidence of monitoring and oversight activity that included:

- reviewing and analyzing financial information and progress reports submitted by HANCI;
- providing periodic training sessions to HANCI staff during statewide and regional conferences (fiscal training is provided to all grantees every two years); and
- performing periodic site visits (conducted by the Corporation's New York City program office).

However, in the area of site visits we found two areas where improvements should be made by the Corporation. First, the Corporation's guidance related to site visits used by the program specialist does not require that detailed documentation be maintained to provide evidence of the procedures performed or areas addressed during a site visit. Second, the program specialist assigned responsiblity for monitoring the HANCI grants was unaware of all of the Corporation's requirements concerning the performance of site visits.

In late 1993, the Corporation implemented a new system for monitoring grants for NSSC programs. The system is the Project Review and Redevelopment System (PRRS). PRRS provides guidance in the form of a series of questions and activity that should be performed during a site visit. Separate modules were developed covering: Community Impact; Technical Assistance/Program Development; Representation; Project Administration; Volunteers; Fiscal Review; and Compliance.

Under PRRS, the project manager determines which module, modules or components of modules are appropriate for the purpose of the site visit. The PRRS guidance states that "not every project needs to be visited every year and the Compliance Review module needs only to be used once every three years (in the absence of any surfaced compliance issue)." The guidance further states: that the completed modules are not a reporting document; the required letter to the grantee CEO is the formal site visit report. As a result, the program specialist did not maintain documentation to support the specific procedures performed at HANCI. Because of the lack of documentation for the specific procedures performed during the site visits, Corporation management cannot determine whether its policy is followed or whether the site visits were thorough.

We recommend that the Corporation State Offices ensure that the program officers and program specialists for the NSSC projects are complying with its grant monitoring guidance. We further recommend that the Corporation revise its policy requiring that the completed modules be retained for a specific period of time of at least three years.

REPORT RELEASE

This report is intended solely for use of the Office of the Inspector General, the Corporation For National and Community Services, and HANCI management.

INDEPENDENT AUDITOR'S REPORT

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Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITOR'S REPORT

We have audited the costs claimed by Health Association of Niagara County, Inc. (HANCI) for the award numbers listed below. These costs, as presented in the schedule of award costs by program (Exhibit A), are the responsibility of HANCI's management. Our responsibility is to express an opinion on the Schedule of Award Costs based on our audit.

Grant Program	Grant No.	Grant Period
Retired and Senior Volunteer Program (RSVP)	340A167/01 & 02	April 1, 1997 - March 31, 1999
Foster Grandparent Program (FGP)	339A041/16 & 17	July 1, 1997 - June 30, 1999
Senior Companion Program (SCP)	336A015/17 & 18	July 1, 1997 - June 30, 1999

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying financial schedules were prepared for the purpose of complying with the requirements of the award agreement as described in Note 1, and are not intended to be a complete presentation of financial position in conformity with generally accepted accounting principles.

MEMBER OF THE DIVISION FOR CPA FIRMS, PRIVATE COMPANIES PRACTICE SECTION
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Inspector General
Corporation for National and Community Service

In our opinion, except for $22,085 in questioned costs, the Schedule of Award Costs referred to above presents fairly, in all material respects, the costs claimed for the period April 1, 1997 to June 30, 1999, in conformity with the award agreements.

This report is intended solely for use of the Office of the Inspector General, the Corporation For National and Community Services, and HANCI management.

Leonard G. Birnbaum and Company

Alexandria, Virginia
July 30, 1999

FINANCIAL SCHEDULES

Exhibit A

Health Association of Niagara County, Inc.
Grant Numbers 340A167/01 & 02, 339A041/16 & 17, 336A015/17 & 18
Schedule of Award Costs
(by Program)

	Approved Budget	Claimed Costs	Questioned Costs	Schedule Reference
Retired and Senior Volunteer Program	$ 147,295	$ 147,295	$ 56	A-1
Foster Grandparent Program	524,824	502,442	21,061	A-2
Senior Companion Program	677,968	667,952	968	A-3
Total	$1,350,087	$1,317,689	$ 22,085	

The accompanying notes are an integral part of this financial schedule.

Health Association of Niagara County, Inc.
Corporation for National and Community Service Award Nos. 340A167/01 & 02
Retired and Senior Volunteer Program
Schedule of Award Costs
From April 1, 1997 to March 31, 1999

Cost Category	Approved Budget	Claimed Costs	Questioned Costs	Note Reference
Volunteer Support Costs:				
Personnel Expenses	$ 81,262	$ 82,415		
Fringe Benefits	15,777	17,698		
Staff Travel	2,494	2,383	$ 56	1
Supplies	860	892		
Communications	2,900	3,807		
Printing	2,700	1,808		
Space	5,142	5,694		
Audit Fee	600	1,013		
Postage	1,620	1,819		
Subtotal	113,355	117,529	56	
Volunteer Expenses:				
Insurance	1,840	1,340		
Travel	27,900	23,525		
Recognition	4,200	4,901		
Subtotal	33,940	29,766	-	
CORPORATION FUNDS	147,295	147,295	56	
MATCHING FUNDS	77,097	146,718	-	
TOTAL FUNDS	$ 224,392	$ 294,013	$ 56	

The accompanying notes are an integral part of this financial schedule.

Health Association of Niagara County, Inc.
Corporation for National and Community Service Grant Number 340A167/01 & 02
Retired and Senior Volunteer Program
Explanation of Questioned Costs

1. Staff Travel

Travel costs claimed for HANCI staff included payment for mileage between the employee's home and duty station which resulted in reimbursement in the amount $56 which is contrary to HANCI's staff travel policy. Accordingly, we have questioned this amount.

Health Association of Niagara County, Inc.
Corporation for National and Community Service Award Nos. 339A041/16 & 17
Foster Grandparent Program
Schedule of Award Costs
From July 1, 1997 to June 30, 1999

Cost Category	Approved Budget	Claimed Costs	Questioned Costs	Note Reference
Volunteer Support Costs:				
Personnel Expenses	$ 85,021	$ 82,734	$ 18,288	1
Fringe Benefits	19,820	16,207	2,743	2
Staff Travel	2,578	1,577	24	3
Equipment	4,883	4,256		
Supplies	938	626		
Contractual	1,656	859		
Communications	3,722	3,488		
Printing	1,310	1,097	6	4
Space	3,605	3,666		
Postage	-	1,054		
Subtotal	123,533	115,564	21,061	
Volunteer Expenses:				
Stipends	363,991	340,427		
Insurance	94	62		
Travel	36,766	43,919		
Recognition	440	2,470		
Subtotal	401,291	386,878	-	
CORPORATION FUNDS	524,824	502,442	21,061	
MATCHING FUNDS	106,035	124,229	-	
TOTAL FUNDS	$ 630,859	$ 626,671	$ 21,061	

The accompanying notes are an integral part of this financial schedule.

Health Association of Niagara County, Inc.
Corporation for National and Community Service Grant Number 339A041/16 & 17
Foster Grandparent Program
Explanation of Questioned Costs

1. Personnel

Special Condition No. 10 of the Notice of Grant Award and OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, require that salaries and wages be supported by labor distribution records if the employee's time is divided among more than one program or function of the organization. OMB Circular A-122 further clarifies the requirements by stating that the labor distribution records "must reflect an *after-the-fact* determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards." A program assistant shared her time between the Foster Grandparent program (FGP) and the Senior Companion Program (SCP). However, instead of preparing a labor distribution report which accurately reflects the amount of time spent on each program as required, each program was routinely charged 50 percent of the program assistant's labor costs irrespective of the actual number of hours expended on each program. On the FGP program, the labor costs were charged against Corporation funds. The amount charged to the SCP program was recorded as matching since the grant award did not provide funding for this position. Given the lack of labor distribution records and the fact that the FGP program is essentially inactive during the summer months, we have questioned the entire amount ($18,288) charged to the FGP program. We have not, however, questioned the amount claimed on the SCP program as matching since HANCI exceeded its matching requirement by more than this amount.

2. Fringe Benefits

As a result of the questioned personnel costs, we have questioned $2,743 of the associated fringe benefits.

3. Staff Travel

We have questioned $24 of the amount claimed for staff travel. Of this amount, $2 represents a mathematical error on a travel voucher and $22 represents expenses that were claimed outside of the grant period.

4. Printing

We have questioned $6 resulting from a mathematical error made when computing the expense.

Health Association of Niagara County, Inc.
Corporation for National and Community Service Award Nos. 336A015/17 & 18
Senior Companion Program
Schedule of Award Costs
From July 1, 1997 to June 30, 1999

Cost Category	Approved Budget	Claimed Costs	Questioned Costs	Note Reference
Volunteer Support Costs:				
Personnel Expenses	$ 133,551	$ 127,591		
Fringe Benefits	17,372	20,838		
Staff Travel	2,400	2,705	$ 85	1
Supplies	300	879	113	2
Contractual	400	-		
Communications	1,200	1,100		
Printing	1,800	1,080	168	3
Space	3,672	3,672		
Postage	-	1,215		
Subtotal	160,695	159,080	366	
Volunteer Expenses:				
Stipends	475,646	464,746	602	4
Insurance	1,076	1,260		
Travel	38,951	40,908		
Recognition	1,600	1,958		
Subtotal	517,273	508,872	602	
CORPORATION FUNDS	677,968	667,952	968	
MATCHING FUNDS	259,540	211,112	-	
TOTAL FUNDS	$ 937,508	$ 879,064	$ 968	

The accompanying notes are an integral part of this financial schedule.

Health Association of Niagara County, Inc.
Corporation for National and Community Service Grant Number 336A015/17 & 18
Senior Companion Program
Explanation of Questioned Costs

1. Staff Travel

We have questioned $85 of the amount claimed for staff travel. Of this amount, $64 represents costs incurred outside the grant period, $15 represents costs charged to the wrong program and $6 represents costs claimed for mileage for the employee to commute between home and duty station which is contrary to HANCI's staff travel policy.

2. Supplies

We have questioned $113 of the amount claimed for supplies. Of this amount, $59 represents the purchase of uniforms. Funding for the purchase of uniforms was not provided in the grant award. The remaining amount of $54 was not supported by adequate documentation.

3. Printing

We have questioned $168 resulting from a mathematical error made when computing the expense.

4. Stipends

We have questioned $602 claimed for stipends that were paid for hours served in excess of maximum 1,044 hours per annum. The Corporation regulations (Paragraph a of Section 34, Direct Benefits Detailed, of the SCP Operations Handbook) limit volunteers to an annual stipend based on 1,044 hours of service annually. For complete details, refer to Finding No. 2 of the Independent Auditor's Report on Compliance.

INDEPENDENT AUDITOR'S REPORTS

ON

COMPLIANCE AND INTERNAL CONTROLS

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Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

We have audited the schedule of award costs by program, as presented in Exhibit A, which summarizes the claimed costs of the Health Association of Niagara County, Inc. (HANCI) under the Corporation for National and Community Service (Corporation) awards listed below, and have issued our report thereon dated July 30, 1999.

Grant Program	Grant No.	Grant Period
Retired and Senior Volunteer Program (RSVP)	340A167/01 & 02	April 1, 1997 - March 31, 1999
Foster Grandparent Program (FGP)	339A041/16 & 17	July 1, 1997 - June 30, 1999
Senior Companion Program (SCP)	336A015/17 & 18	July 1, 1997 - June 30, 1999

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

Compliance with laws, regulations, and the provisions of the award is the responsibility of HANCI's management. As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and the terms and conditions of the award. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

MEMBER OF THE DIVISION FOR CPA FIRMS, PRIVATE COMPANIES PRACTICE SECTION
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, and the provisions of the award. The results of our tests of compliance disclosed the following instances of noncompliance:

Finding No. 1

HANCI did not obtain the necessary prior approval from the Corporation before making budget revisions on the RSVP program. Corporation regulations (Section 23, Budget Revisions, of the Grants Management Handbook for Grantees) require that grantees obtain prior approval for budget revisions whenever "funds budgeted for volunteer allowances (direct payments or benefits to volunteers) are to be transferred to other categories of expense." According to the Notice of Grant Awards for the period of audit, Federal funds awarded to HANCI totaled $147,295 with $33,940 and $113,355 budgeted for Volunteer Expenses and Volunteer Support Costs, respectively. While HANCI reported that it expended the total amount of the Federal funds awarded, only $29,766 was claimed for Volunteer Expenses which is $4,174 less than the budgeted amount. The $4,174 was expended for Volunteer Support Costs (i.e., personnel and fringe benefits, communications) which are not direct payments or benefits to volunteers.

Recommendation

We recommend that HANCI implement policies and procedures to obtain prior approval from the Corporation for required budget revisions.

Finding No. 2

Stipend payments to SCP volunteers were not always limited to 1,044 hours per year as required. Corporation regulations (Paragraph a of Section 34, Direct Benefits Detailed, of the SCP Operations Handbook) limit volunteers to an annual stipend based on 1,044 hours of service annually. Of the stipend payments made to 40 volunteers of the SCP program, we noted that 6 of the volunteers had been paid for hours in excess of 1,044 per annum. 80 percent of the excess stipend payments were claimed against the Corporation's grants. Accordingly, we have questioned the excess amount paid with Corporation funds.

Recommendation

We recommend that HANCI implement policies and procedures to monitor the number of service hours performed by the volunteers and limit stipend payments to 1,044 hours per year.

Finding No. 3

HANCI did not ensure that all RSVP and FGP volunteers signed an enrollment form or designated a beneficiary on the enrollment form. Corporation regulations (Section 23, Enrollment of Foster Grandparents, and Section 28, Enrollment of RSVP Volunteers, of the respective Operations Handbook) for each program require that the volunteer sign an enrollment form that includes a designation of beneficiary. Our testing of 20 enrollment forms for each grant year of each program (a total of 40 for each program) disclosed the following number of exceptions to this requirement.

Program	Enrollment Form Not Signed	Beneficiary Not Designated
RSVP	1	1
FGP	4	1

Recommendation

We recommend that HANCI implement policies and procedures to review the enrollment forms of volunteers to ensure that all of the necessary information, including beneficiary designation and volunteer signature, has been completed on the enrollment forms.

Finding No. 4

Documents (i.e., pamphlets, brochures and press releases, describing HANCI's RSVP, FGP and SCP programs) neither stated the percentage of the total cost of the program financed with Corporation funds nor the dollar amount of Corporation funds for the program. The Notice of Grant Award for each program stipulated that "when issuing statements, press releases, requests for proposals, bid solicitations, annual reports and other documents describing projects or programs funded in whole or in part with Federal Corporation money, the grantee receiving Federal funds, including but not limited to state and local governments, shall clearly state (1) the percentage of the total cost of the project or program which will be financed with Federal Corporation money, and (2) the dollar amount of Federal Corporation funds for the project or program" (Grant Special Condition No. 8). While HANCI produced a variety of documents that reference the RSVP, SCP, and FGP programs as being supported in part by Corporation funds, none of the documents included the percentage of the total cost of the programs financed with Corporation funds or the dollar amount of Corporation funds for the programs as required.

Recommendation

We recommend that HANCI implement policies and procedures to ensure that all documents describing projects or programs funded in whole or in part with Corporation funds contain the required information concerning funding of the programs.

Finding No. 5

Federal Cash Transactions Reports (FCTRs) for the SCP program were not always submitted on a timely basis. The Notice of Grant Award stipulated that FCTRs were to be submitted on a quarterly basis within 15 days after the end of the quarter if the grantee's monthly advances were or projected to be $25,000 or more (Grant Special Condition No. 9). Under this stipulation HANCI was required to submit eight FCTRs for the SCP program during the audit period. While HANCI submitted the required number of FCTRs, two of the FCTRs were submitted approximately 15 days after the due date.

Recommendation

We recommend that HANCI implement policies and procedures to submit all required FCTRs on a timely basis.

Finding No. 6

HANCI did not submit all progress reports for the RSVP program on a timely basis. The Notice of Grant Award stipulated that progress reports were to be prepared on a quarterly basis and submitted within 30 days after the end of the quarter (Grant Special Condition No. 14). Our review of the progress reports received by the Program Office disclosed that the progress report for the quarter ended September 30, 1998, was submitted approximately ten days late.

Recommendation

We recommend that HANCI implement policies and procedures to submit progress reports on a timely basis.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, the grantee has complied in all material respects with the provisions referred to in the third paragraph of this report. We considered these instances of noncompliance in forming our opinion on whether the Schedule of Award Costs (Exhibit A) is presented fairly in all material respects, in conformity with Corporation policies and procedures, and this report does not affect our report dated July 30, 1999, on this financial schedule.

Inspector General
Corporation for National and Community Service

This report is intended solely for use of the Office of the Inspector General, the Corporation For National and Community Services, and HANCI management.

Leonard G. Birnbaum and Company

Alexandria, Virginia
July 30, 1999

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Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS

We have audited the schedule of award costs by program, as presented in Exhibit A, which summarizes the claimed costs of the Health Association of Niagara County, Inc. (HANCI) under the Corporation for National and Community Service (Corporation) awards listed below, and have issued our report thereon dated July 30, 1999.

Grant Program	Grant No.	Grant Period
Retired and Senior Volunteer Program (RSVP)	340A167/01 & 02	April 1, 1997 - March 31, 1999
Foster Grandparent Program (FGP)	339A041/16 & 17	July 1, 1997 - June 30, 1999
Senior Companion Program (SCP)	336A015/17 & 18	July 1, 1997 - June 30, 1999

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

HANCI's management is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objective of internal controls is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial schedules in accordance with generally accepted accounting principles. Because of inherent limitations in any internal controls, errors or irregularities may nevertheless occur and not be detected.

MEMBER OF THE DIVISION FOR CPA FIRMS, PRIVATE COMPANIES PRACTICE SECTION
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Also, projection of any evaluation of the internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Schedule of Award Costs (Exhibit A) we obtained an understanding of the internal controls. With respect to the internal controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide an opinion on the internal controls. Accordingly, we do not express such an opinion.

We noted a matter involving internal controls that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal controls that, in our judgement, could adversely affect the entity's ability to record, process, summarize and report financial data in a manner that is consistent with the assertions of management in the financial schedules.

Finding No. 1

HANCI did not have an after-the-fact labor distribution system to charge employees' time if the employee did not work exclusively on a single grant program. The Notice of Grant Award stipulated that "Salaries and wages charged to the grant must be supported by signed time and attendance records for each individual employee, regardless of position, and by documented payrolls approved by a responsible official of the grantee. Salaries and wages chargeable between the grant and other programs or functions of the grantee organization must be supported by individual time distribution records" (Grant Special Condition No. 10). One employee divided her time between the FGP and SCP programs. Each program was charged a predetermined 50 percent of this employee's time irrespective of the actual number of hours expended on each program.

Recommendation

We recommend that HANCI implement an after-the-fact labor distribution system for all employees that work on multiple programs or activities.

A material weakness is a condition in which the design or operation of the specific internal control element does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Inspector General
Corporation for National and Community Service

Our consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe the reportable condition described above is a material weakness.

This report is intended solely for use of the Office of the Inspector General, the Corporation For National and Community Services, and HANCI management.

Leonard G. Birnbaum and Company

Alexandria, Virginia
July 30, 1999

Appendix A

Health Association of Niagara County, Inc.'s Response

Health Association *of Niagara County, Inc.*

1302 Main Street
Niagara Falls, NY 14301-1193
(716) 285-8224
Home Care Fax 285-9689
General Fax 285-8232

18 Market Street
Lockport, NY 14094-2934
(716) 433-2664
Fax 433-2931

84 Sweeney Street
North Tonawanda, NY 14120-5822
(716) 692-4855
Fax 692-2511

Home Care
•
Adult Day Care Centers
•
Intergenerational Child Learning Centers
•
Council on Aging
•
Foster Grandparent Program
•
Retired and Senior Volunteer Program
•
Senior Companion Program
•
Title V Senior Employment
•
Elder Abuse Prevention, Education, Counseling and Respite Program
•
Meals on Wheels Lockport
•
Look Good... Feel Better (With American Cancer Society)
•
HANCI's Breast Health Initiative
•
Speaker's Bureau

Email: hanci@aol
Website: www.hanci.com

A United Way Agency

November 11, 1999

Mr. Leslie A. Leiper
Leonard G. Birnbaum and Company, LLP
Certified Public Accountants
Washington Office
6285 Franconia Road
Alexandria, VA 22310-2510

Dear Mr. Leiper:

RE: Draft audit report
Corporation for National and Community Service
Service Grant Numbers: 340A167/01 & 02
339A041/16 & 17
336A015/17 & 18

Enclosed please find our comments on the draft report findings and recommendations dated October 15, 1999.

If you should have any questions, please do not hesitate to contact me at (716)285-8224.

Sincerely,

Dr. Irene J. Elia
Executive Director

cc: Kevin Dafoe, HANCI Controller

Serving the Niagara Frontier . . .

Independent Auditor's Report
On
Compliance

Finding No. 1 (page 23)
Effective immediately, HANCI will obtain prior approval from the Corporation for required budget revisions.

Finding No. 2 (page 23)
Procedures will be implemented which will monitor the number of service hours performed by volunteers and limit payment to 1044 hours per year. Many unique client situations presented a need for a few hours of additional service during the monitoring period.

Finding No. 3 (page 24)
The Foster Grandparent Program / Retired Senior Volunteer Program volunteers who neglected to designate a beneficiary has since designated.

The Program Directors and staff will closely review all beneficiary and enrollment forms before being filed in the volunteer's permanent file.

The Foster Grandparent Program has redesigned the program enrollment (application) form to provide a specific line for the signature of all applicants.

Finding No. 4 (page 25)
Corporation funded programs will include the percentage of the total cost of the program funded and dollar amount of Federal Corporation funds on future press releases, brochures, etc. along with the listing of all the program's funding sources.

Finding No. 5 (page 25)
Since HANCI has three (3) grants awarded by the Corporation for National and Community Service, we have always submitted all financial reports (FCTRs and FSRs) within 30 days after the end of the quarter. The Corporation has never informed us that this was untimely. Effective immediately, the Senior Companion Program FCTRs and FSRs will be submitted on a quarterly basis within 15 days after the end of the quarter.

Finding No. 6 (page 26)
The Retired Senior Volunteer Program will submit progress reports on a timely basis.

Independent auditors Report on Internal Controls

Finding No. 1 (page 29)
Following an in-depth study, an after-the-fact labor distribution system will be instituted. The time sheet will show the distribution of hours of each program when staff time is shared with another program.

HANCI will also research other Corporation programs with shared staff for appropriate established procedures.

After many years of consultation with other Corporation program directors, site visits and government audits, HANCI was never instructed to implement an after-the-fact labor distribution system for the one employee that worked on multiple programs or activities. Per the recommendation of this audit, we will immediately implement this procedure beginning January 1, 2000.

Appendix B

Corporation's Response

CORPORATION
FOR NATIONAL
SERVICE

November 15, 1999

MEMORANDUM

TO : Luise Jordon, OIG

FROM : Rocco Gaudio, Director / Atlantic Service Center

SUBJECT : OIG Draft Report 00-05 – Audit of Corporation for National Service Grant No. 340A167/01 $ 02, No. 339A041/16 & 17 and No. 336A015/17 & 18 with the Health Association of Niagara County, Inc

Thank you for the opportunity to review the draft audit of subject grantee and related specific grants. We have reviewed the draft audit report and do not have specific comments at this time. We will address the findings and recommendations in the final management decision.

CC: Wendy Zenker, COO
Mal Coles, Atlantic Area Manager
Donna Smith, SPD New York

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