Office of the Inspector General
Corporation for National and Community Service

Pre-Audit Survey of the Tennessee Commission on National and Community Service

OIG Audit Report Number 00-09
September 24, 1999

Prepared by:
Urbach Kahn & Werlin, PC
1030 Fifteenth Street, N.W.
Washington, D.C. 20005

Under CNS OIG MOU # 98-046-5003
With the Department of Labor
Contract # J-9-G-8-0024
Task Order B9G9X102

This report was issued to Corporation management on February 9, 2000. 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 August 7, 2000, and complete its corrective actions by February 9, 2001. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

CORPORATION
FOR NATIONAL
SERVICE

Office of Inspector General
Corporation for National and Community Service

Pre-Audit Survey of the Tennessee Commission on National and Community Service OIG Audit Report Number 00-09

Introduction

The Corporation for National and Community Service, pursuant to the authority of the National and Community Service Act, awards grants and cooperative agreements to state commissions, nonprofit entities, tribes and territories to assist in the creation of full and part time national and community service programs. Currently, in accordance with the requirements of the Act, the Corporation awards approximately two-thirds of its AmeriCorps State/National funds to state commissions. The state commissions in turn fund, and are responsible for the oversight of, subgrantees who execute the programs. Through these subgrantees, AmeriCorps Members perform service to meet educational, human, environmental, and public safety needs throughout the nation.

Thus, state commissions play an important role in the oversight of AmeriCorps programs and expenditures. The Corporation has indicated that it intends to give them greater responsibility. However, the Corporation lacks a management information system that maintains comprehensive information on its grants including those to state commissions and subgrantees. Moreover, although the Corporation began state commission administrative reviews in 1999, the Corporation, historically, has not carried out a comprehensive, risk-based program for grantee financial and programmatic oversight and monitoring. It is also unlikely that AmeriCorps programs are subject to compliance testing as part of state-wide audits under the Single Audit Act due to their size relative to other state programs.

Therefore, CNS OIG has initiated a series of pre-audit surveys intended to provide basic information on the state commissions' operations and funding. The surveys are designed to provide a preliminary assessment of the commissions' pre-award and grant selection procedures, fiscal administration, monitoring of subgrantees (including AmeriCorps Member activities and service hour reporting), and the use of training and technical assistance funds. For each survey, we will issue a report to the state commission and to the Corporation communicating the results and making recommendations for improvement, as appropriate.

The first of the our pre-audit surveys was performed at the Tennessee Commission on National and Community Service by Urbach Kahn and Werlin PC. Their report, which follows, indicates that the Tennessee Commission has established effective controls over pre-award and grant selection procedures, fiscal administration, monitoring of subgrantees, AmeriCorps Member activities and service hour reporting, and the use of training and technical assistance funds. We have reviewed the report and work papers supporting its conclusions, and we agree with the findings and recommendations presented.

Inspector General
1201 New York Avenue, NW
Washington, DC 20525

Office of the Inspector General
Corporation for National and Community Service

Pre-Audit Survey Report of the Tennessee Commission On National And Community Service

Table of Contents

Pre-Audit Survey Report

Results in Brief 1

Background 2

Overview of the Tennessee Commission 2

Objectives, Scope and Methodology 3

Findings and Recommendations 5

Appendices

Appendix A – Tennessee Commission Funding – 1995 through 1999 9

Appendix B – Detailed Engagement Objectives and Methodology 14

Appendix C – Tennessee Commission Response 17

Appendix D – Corporation Response 18

Inspector General
Corporation for National and Community Service

At your request, Urbach Kahn & Werlin PC, performed a pre-audit survey of the Tennessee Commission on National and Community Service. The primary purpose of this survey was to provide a preliminary assessment of:

- the adequacy of the pre-award selection process;
- the fiscal procedures at the Commission;
- the effectiveness of monitoring of the Tennessee State Commission subgrantees, including AmeriCorps Member activities and service hours; and
- the controls over the provision of training and technical assistance.

We were also asked to report on the recommended scope of additional audit procedures to be performed at the Tennessee Commission.

RESULTS IN BRIEF

Based on the results of the limited procedures performed, our preliminary assessment is that the Tennessee Commission has established effective controls in the following areas:

- pre-award and grant selection process;
- fiscal administration of grants;
- monitoring of AmeriCorps subgrantees;
- AmeriCorps Member oversight and service hour monitoring; and
- the use of training and technical assistance funds.

However, we did note two areas for improvement related to the receipt and maintenance of signed conflict of interest forms and Financial Status Reports. The section entitled Findings and Recommendations describes these matters in detail.

Based on our preliminary assessment, we do not believe a full-scope financial audit of the Tennessee Commission's programs is necessary at this time. We recommend that the Corporation follow up with the Commission to determine that appropriate corrective actions are put into place to address the conditions reported herein and that the Corporation consider these conditions in its oversight and monitoring of the Tennessee State Commission.

BACKGROUND

The National and Community Service Trust Act of 1993, P.L. 103-82, which amended the National and Community Service Act of 1990, established the Corporation for National and Community Service.

The Corporation, pursuant to the authority of the Act, awards grants and cooperative agreements to State Commissions, nonprofit entities and tribes and territories to assist in the creation of full and part time national and community service programs. Through these grantees, AmeriCorps Members perform service to help meet the educational, human, environmental, and public safety needs throughout the nation, especially addressing those needs related to poverty. In return for this service, eligible Members may receive a living allowance and post service educational benefits.

Currently, the Corporation awards approximately two-thirds of its *AmeriCorps State/National* funds to State Commissions. State Commissions are required to include 15 to 25 voting members. Each Commission has a responsibility to develop and communicate a vision and ethic of service throughout its State.

The State Commissions provide AmeriCorps funding to approved applicants for service programs within their states and are responsible for monitoring these subgrantees' compliance with grant requirements. The State Commissions are also responsible for providing training and technical assistance to AmeriCorps State and National Direct programs and to the broader network of service programs in the state. The Commissions are prohibited from directly operating national service programs.

The Corporation's regulations describe standards for financial management systems that must be maintained by State Commissions. The standards require, in part, that the State Commissions maintain internal controls that provide for accurate, current, and complete disclosure of the financial and programmatic results of financially assisted activities, and provide effective control and accountability for all grant and subgrant cash, real and personal property, and other assets.

OVERVIEW OF THE TENNESSEE COMMISSION

The Tennessee Commission on National and Community Service, headquartered in Nashville, Tennessee, has been providing national and community service programs in its current form since 1995. The Commission reported that it received funding from the Corporation totaling $2,320,794 in 1995; $3,217,551 in 1996; $2,811,233 in 1997; $3,422,029 in 1998; and $3,848,014 in 1999. Additional information on the Commission's funding is presented in Appendix A.

The Commission currently has five full-time staff consisting of an Executive Director, three Program Officers, and one Systems Coordinator. The Commission's Program Officers monitor subgrantee activity as part of their responsibilities, although not full-time.

In addition, the Commission has established a contract with an independent state agency, the Department of Finance Program Accountability Review Group, commonly referred to as the PAR Team, to provide fiscal and program reviews and perform site visits in order to monitor subgrantees. The PAR Team also performs procedures to assess a subgrantee's compliance with program requirements, including those related to Member service hour reporting (i.e., Members are performing allowable activities, and service hours reported to the Commission for Members are supported by adequate documentation).

As part of The State of Tennessee, the Commission is annually subject to OMB Circular A-133 audits. There were no major programs identified at the Commission during the 1995 through 1998 period under review and the 1999 OMB Circular A-133 audit had not been completed as of the end of our fieldwork on September 24, 1999.

The Commission provided us with the following information regarding subgrantee audits:

Program Year	Total Amount of Corporation Funds Subgranted	Number of Subgrantees	Number of Subgrantees Subject To A-133 Audit Requirements
1999	$3,476,302	52	35
1998	2,981,883	67	36
1997	2,308,112	43	24
1996	2,972,815	59	30
1995	2,049,995	34	17

Appendix A contains more detailed information on funding received from the Corporation for program years 1995 through 1999.

OBJECTIVES, SCOPE AND METHODOLOGY

We were engaged by the Office of the Inspector General for the Corporation for National and Community Service, to provide a preliminary assessment of the systems and procedures in place at the Commission for administering grants and for monitoring the fiscal activity of subgrantees. The primary purpose of this survey was to provide a preliminary assessment of:

- the adequacy of the pre-award selection process;
- the fiscal procedures at the Commission;
- the effectiveness of monitoring of Tennessee Commission subgrantees, including AmeriCorps Member activities and service hours; and

- the controls over the provision of technical assistance.

We were also asked to report on the recommended scope of additional audit procedures to be performed at the Tennessee Commission.

Our survey included the following procedures:

- reviewing Corporation laws, regulations, grant provisions, the Corporation's State Commission Reference Manual, and other information to gain an understanding of legal, statutory and programmatic requirements;

- reviewing OMB Circular A-133 reports and current program year grant agreements for the Commission;

- obtaining information from Commission management to complete flowcharts documenting the hierarchy of AmeriCorps grant funding for program years 1995 through 1999; and

- performing the procedures detailed in Appendix B, in connection with the Commission's internal controls, selection of subgrantees, administration of grant funds, evaluation and monitoring of grants, and technical assistance process.

As part of the procedures performed, we documented and tested certain internal controls in place at the Commission using inquiries, observations, and examination of a sample of source documents. Finally, we summarized the observations to develop the findings and recommendations presented in this report. We discussed all findings with Commission management during an exit conference on September 24, 1999.

Our procedures were performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to, and did not, perform an audit of any financial statements, and the procedures described above were not sufficient to express an opinion on the controls at the Commission or its compliance with applicable laws, regulations, contracts, and grants. Accordingly, we do not express an opinion on any such financial statements or on the Commission's controls and compliance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We provided a draft of this report to the Tennessee Commission and the Corporation for National and Community Service. The Commission's and the Corporation's responses to our findings and recommendations are included as Appendix C and Appendix D, respectively.

FINDINGS AND RECOMMENDATIONS

Based upon the limited procedures performed, and the results of our testing, including the impact of the findings detailed below, our preliminary assessment is that the Commission has established effective controls in the following areas:

- pre-award and grant selection process;
- fiscal administration of grants;
- monitoring of subgrantees;
- AmeriCorps Member oversight and service hour monitoring; and
- the use of training and technical assistance funds.

The continued effectiveness of the Commission's controls is dependent upon the continued involvement of the Program Accountability Review Group. As discussed above in the overview, the PAR Team provides fiscal and program reviews, and performs site visits to monitor subgrantees. The PAR Team provides monitoring of these programs in addition to the monitoring performed by the Commission Program Officers.

Contracting its monitoring and oversight responsibilities to the PAR Team appears to be the most critical component of the Commission's effective monitoring efforts. If the Commission were to reduce the scope of work that the PAR Team is performing or to not include the PAR Team in its monitoring and oversight functions, we believe it would be difficult for the Commission to continue maintaining effective controls without significant staff restructuring and training.

During our review, we identified two matters involving the Commission's internal controls that did not rise to the level of a significant deficiency. A discussion of these conditions, as well as our recommendations for corrective action follow.

The Commission did not maintain all signed conflict of interest forms as required

Section 3.6 of the *Reference Manual for Commission Executive Directors and Members* states "Commissions should strive to achieve the greatest objectivity and impartiality possible in the review and selection of grantees in the state." The section continues to state "As defined by the Act, a Commission member or peer review panel member is considered to have a conflict of interest if the member is currently, or was within one year of the submission of a grant application to the Commission: an officer, a director, a trustee, a full-time volunteer or an employee of an organization submitting a grant application to the State Commission."

Page 3-30 of Section 3.6 states "If a Commission member has a conflict of interest, the member must recuse himself/herself from the State Commission's administration of the grant program, including such activities as any discussions or decisions by the Commission regarding the provision of funds or education awards to *any program or entity funded under the same funding category."*

The Tennessee Commission requires all Commission Members and peer review panel members to read and sign the conflicts of interest statements prior to the application review process. However, the Commission was not able to locate all signed conflict of interest statements for three of six subgrantee files tested at the Tennessee State Commission. The three files were missing approximately one or two of the 12 to 15 required conflict of interest forms from the 1996 selection process.

Because the Commission could not provide all signed conflict of interest forms, we could not determine whether conflict of interest forms were properly completed by all Commission and peer review panel members in the 1996 grantee selection process. Therefore, while conflict forms were available for other years tested and appeared to be in order, we were unable to determine if the individual reviewer confirmed a lack of conflict of interest in 1996.

We recommend that the Executive Director ensure that the Commission obtain and maintain copies, signed and dated by the Commission and peer review panel members, of all required conflict of interest forms for each grant applicant on file. In addition, we recommend that the Corporation follow up with the Commission to determine that appropriate corrective actions are put into place to address the conditions reported herein and that the Corporation consider these conditions in its oversight and monitoring of the Tennessee State Commission.

The Commission did not maintain all required financial status reports

AmeriCorps provision #17 states "Commissions and Parent Organizations are required to submit quarterly Financial Status Reports and three Progress Reports to the Corporation. Commissions and Parent Organizations must submit these reports by the following dates and include three copies along with the original." It continues to state "AmeriCorps State programs and most AmeriCorps National sites that receive subgrants must submit at least four Financial Status Reports to their respective Commission or Parent Organization. In general, if a site has a Corporation-approved budget then the submission of a Financial Status Report for that site/sub-Grantee is required. Commissions/Parent Organizations are required to forward Financial Status Reports from programs and budgeted sites to the Corporation's Grants Office 30 days after the close of each calendar quarter. These reports should be forwarded to the Grants Office. Annual Financial Reports shall be submitted within 90 days of completion and will compare actual expenditures to budgeted amounts using the line item categories in the grant budget form."

We identified several instances where the Commission did not maintain documentation related to its Financial Status Reports. The lack of documentation relates to grants awarded during the 1995, 1996 and 1997 grant years.

Specifically:

- Seven of 20 subgrantee files tested did not include all of the Financial Status Reports required to be submitted which prevented us from determining whether the Commission reported all Financial Status Reports to the Corporation; and

- For one of 20 subgrantee files tested, we could not determine if a revised Financial Status Report was submitted to the Corporation.

As a result, we could not determine whether the Commission submitted all required Financial Status Reports to the Corporation in a timely manner.

We recommend that the Executive Director reemphasize the requirement that all Financial Status Reports submitted by subgrantees, as well as Financial Status Reports submitted by the Commission, to the Corporation be maintained and available upon audit. We also recommend that the Program Officer continue to maintain the worksheet to support amounts reported on each Financial Status Report submitted by the Commission to the Corporation, until the full implementation of the Web-Based Reporting System. The new system should incorporate an on-line program and Commission cumulative Financial Status Reporting with an audit trail. The Commission should continue to be responsible for ensuring that data collection is accurate and timely. In addition, we recommend that the Corporation follow up with the Commission to determine that appropriate corrective actions are put into place to address the conditions reported herein and that the Corporation consider these conditions in its oversight and monitoring of the Tennessee State Commission.

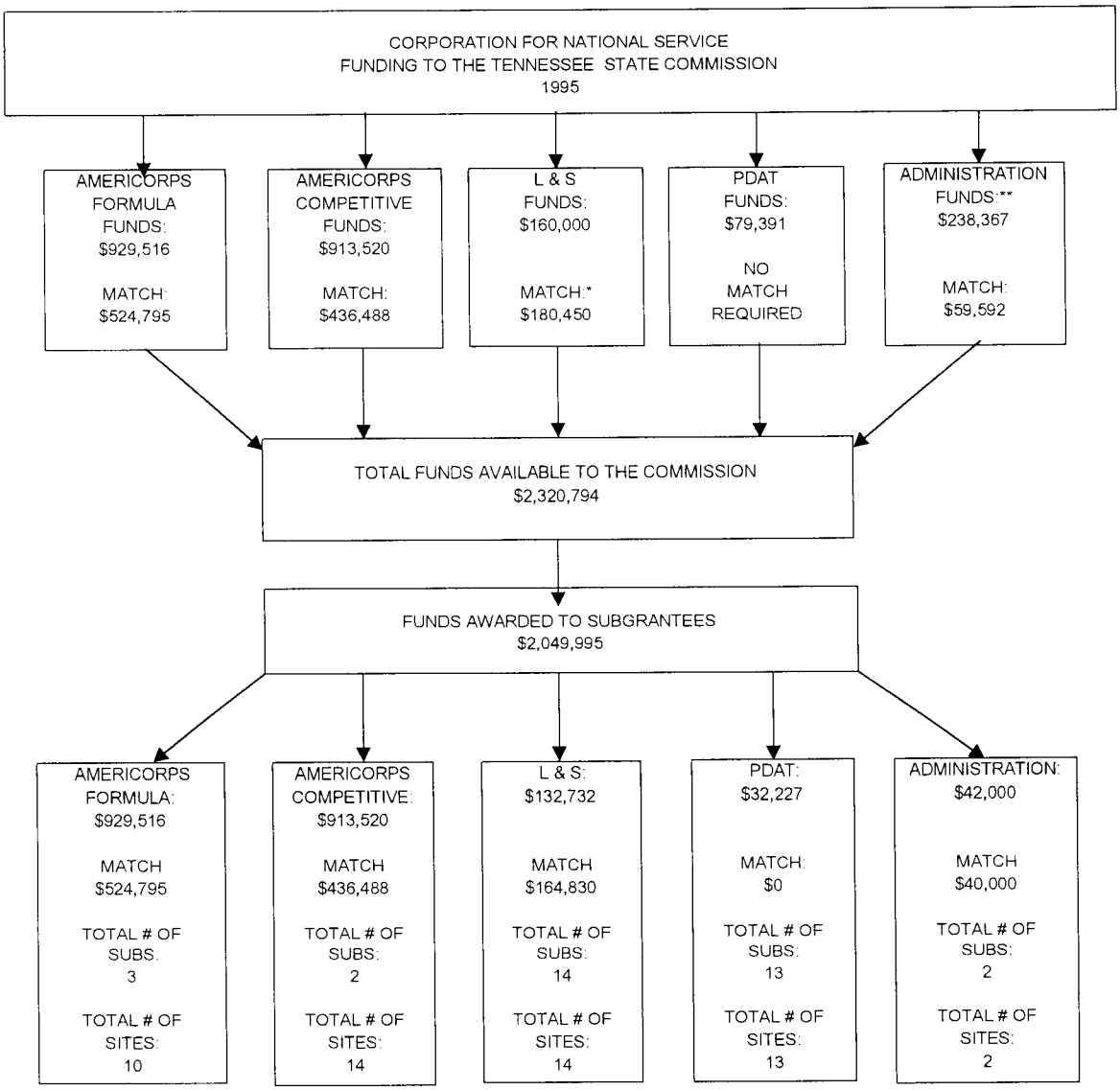
At this preliminary assessment stage, we do not believe these findings to be significant deficiencies in the Commission's operations. We do not consider a full-scope audit of the Tennessee Commission's AmeriCorps programs necessary at this time. Rather, we recommend that Corporation management annually assess the Commission's control environment to ensure it remains effective and to identify potential negative changes to its monitoring and oversight controls.

This report is intended solely for information and use of the Office of the Inspector General, management of the Corporation for National and Community Service, the Tennessee Commission on National and Community Service, and the United States Congress and is not intended to be and should not be used by anyone other than these specified parties.

Urbach Kahn & Werlin PC

Washington, DC
September 24, 1999

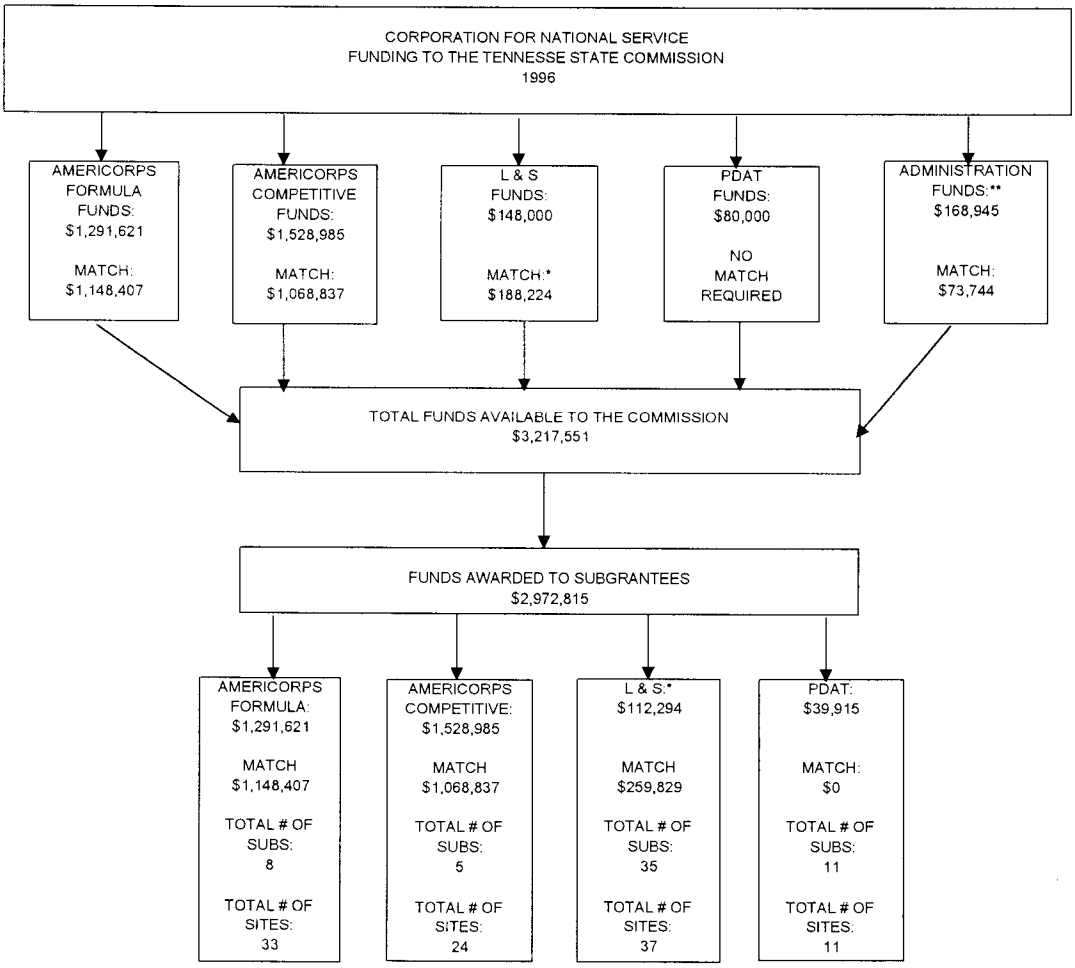
APPENDIX A – COMMISSION FUNDING



Total Carryovers for 1995 (Not included in the current year funding amounts above):
Administration: $ 109,284

* Amount in excess of required match - L&S : $92,833
** Disability funds included in grant award

APPENDIX A – COMMISSION FUNDING



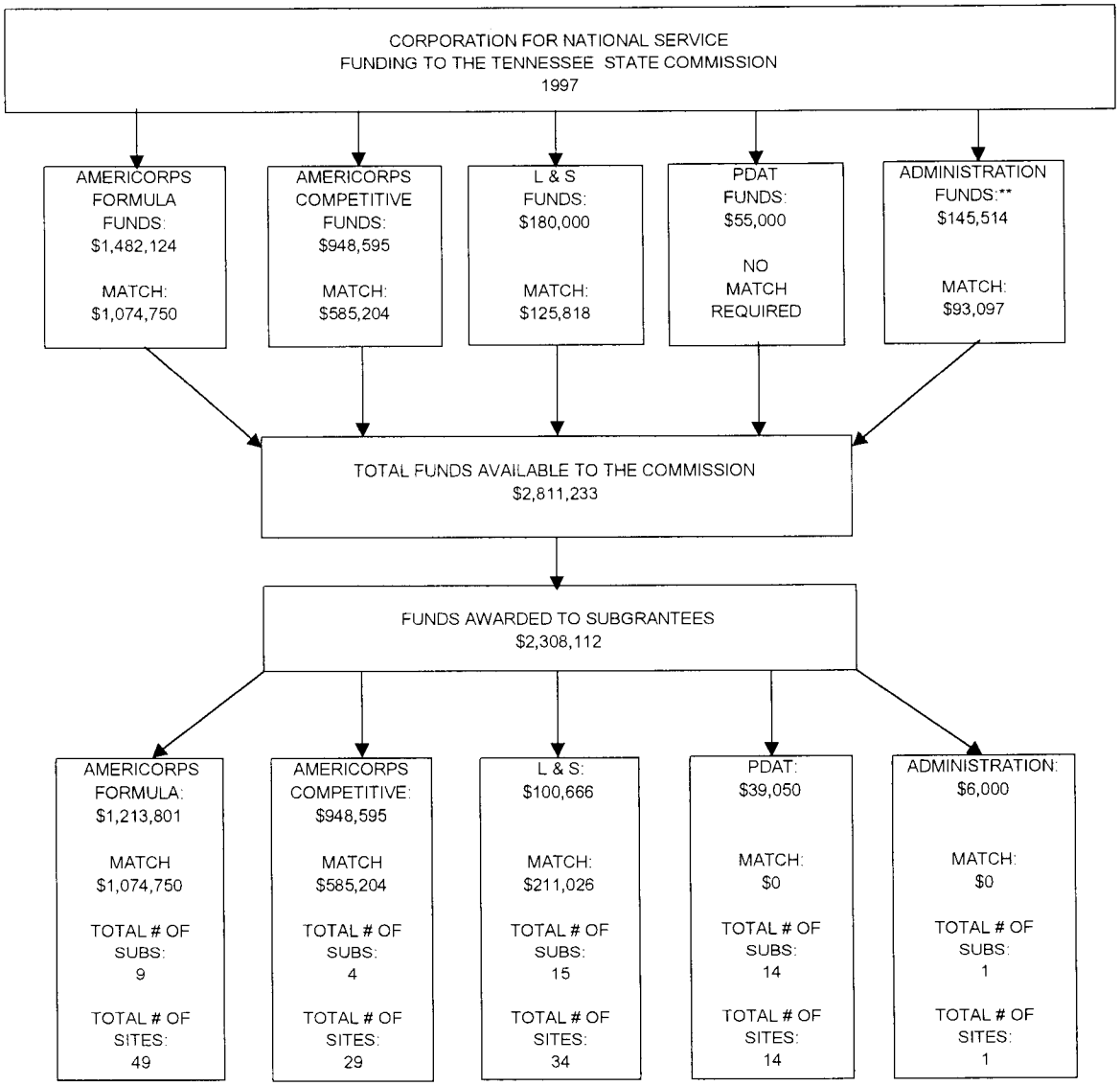
Total Carryovers for 1996 (Not included in the current year funding amounts above):

Administration:	$	126,529
PDAT:	$	9,642
AmeriCorps:	$	190,396

* Amount in excess of required match - L&S : $71,605

** Disability funds included in grant award

APPENDIX A – COMMISSION FUNDING

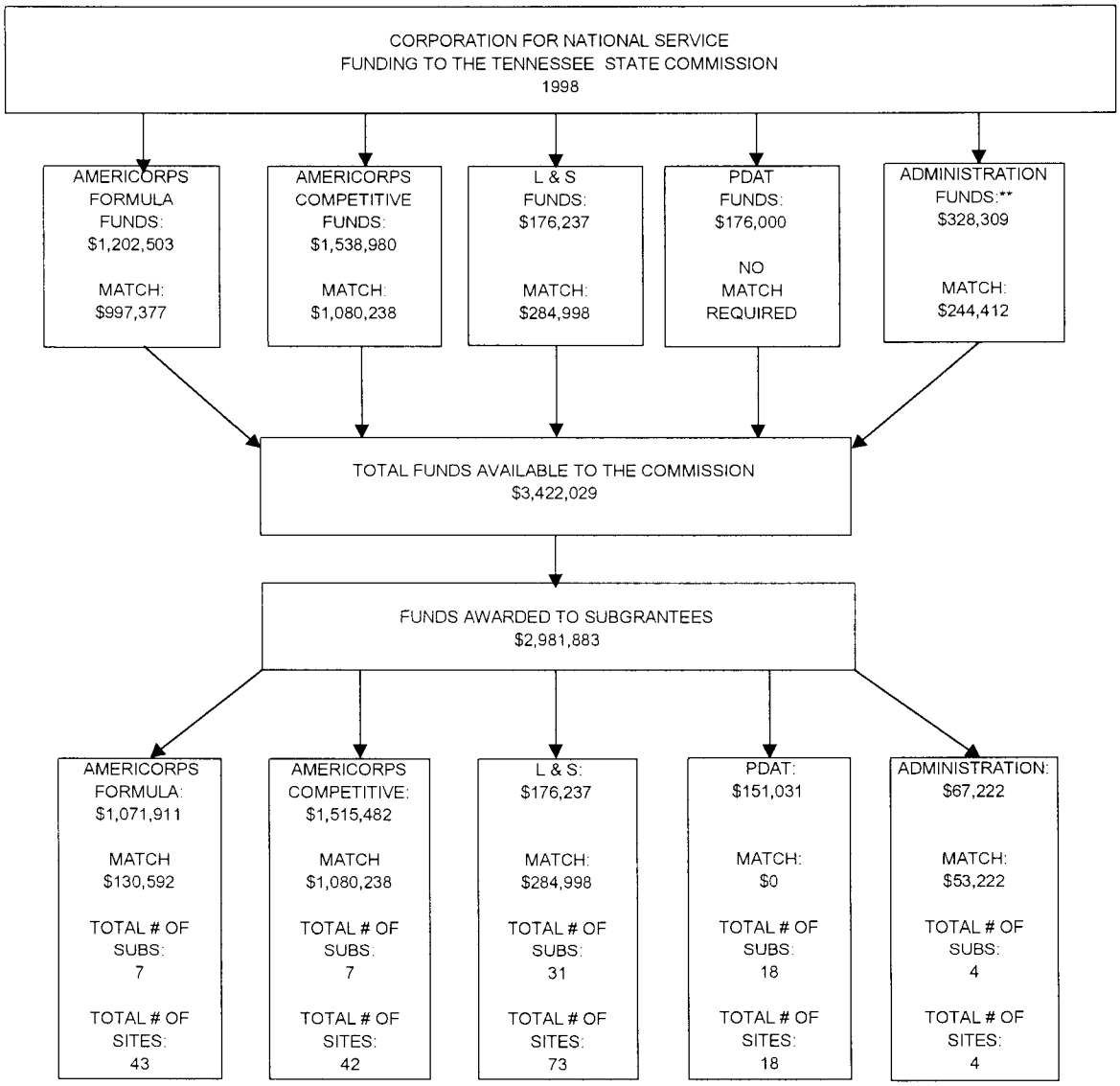


Total Carryovers for 1997 (Not included in the current year funding amounts above):

Administration:	$	91,752
PDAT:	$	100,000
AmeriCorps:	$	275,968

** Disability funds included in grant award

APPENDIX A – COMMISSION FUNDING

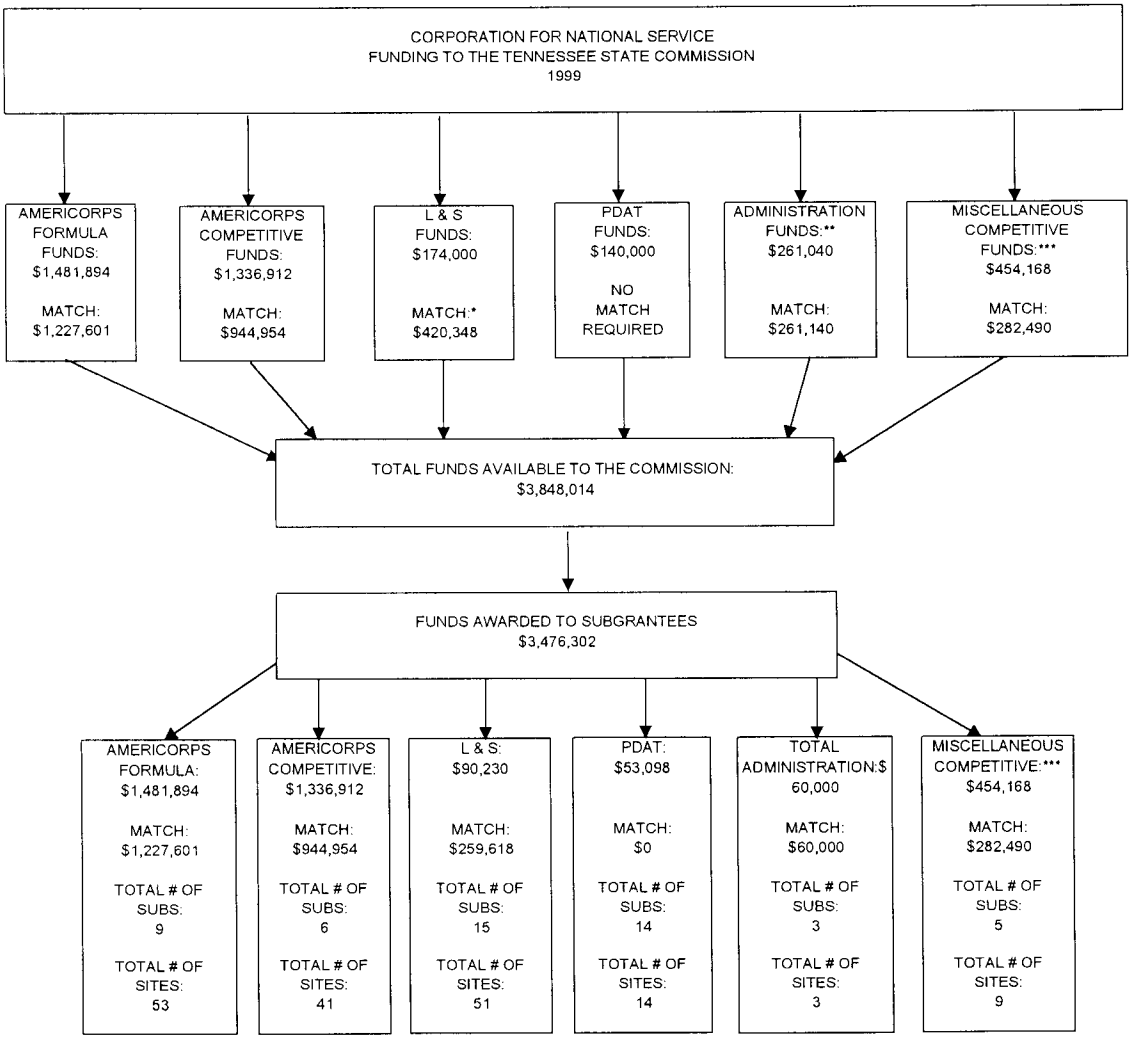


Total Carryovers for 1998 (Not included in the current year funding amounts above):

Administration:	$	109,284
PDAT:	$	10,000
AmeriCorps:	$	292,413

** Disability funds included in grant award

APPENDIX A – COMMISSION FUNDING



Total Carryovers for 1999 (Not included in the current year funding amounts above):

Administration:	$	83,897
AmeriCorps:	$	187,775
PDAT:	$	17,000

* Amount in excess of required match - L&S : $119,911

** Disability funds included in grant award

*** Miscellaneous funds consist of America Reads, Education Award, and the AmeriCorps Promise Fellowship

Internal Controls

Our objective was to make a preliminary assessment of the adequacy of the Commission's financial systems and documentation maintained by the Commission to provide reasonable assurance that transactions are properly recorded and accounted for to: (1) permit the preparation of reliable financial statements and Federal reports; (2) maintain accountability over assets; and (3) demonstrate compliance with laws, regulations, and other compliance requirements.

In order to achieve the above objectives, we interviewed key Commission personnel to assess the Commission's internal controls surrounding the following to ensure compliance with Part 6 of A-133, Internal Control of the Compliance Supplement to *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*: overall control environment; activities allowed or unallowed and allowable costs; cash management; eligibility; equipment and real property management; matching; period of availability of Corporation funds; procurement and suspension, debarment; program income; and reporting by the Commission to the Corporation.

Selection of Subgrantees

Our objectives were to:

- conduct a preliminary survey of the systems and controls utilized by the Commission to select national service subgrantees to be included in any application to the Corporation;

- make a preliminary assessment as to whether the Commission evaluated the adequacy of potential subgrantee financial systems and controls in place to administer a Federal grant program prior to making the award to the subgrantees; and

- make a preliminary assessment as to whether the Commission's involvement in the application process involved any actual or apparent conflict of interest.

In order to achieve the above objectives, we interviewed key Commission management and documented procedures performed by the Commission during the pre-award financial and programmatic risk assessment of potential subgrantees. We also reviewed documentation to ensure that conflict of interest forms for each subgrantee applicant tested were signed by all peer review members annually and maintained by the Commission.

Administering the Grant Funds

Our objectives were to:

- conduct a preliminary survey of the systems and controls utilized by the Commission to oversee and monitor the performance and progress of funded subgrantees;
- make a preliminary assessment as to whether the Commission's organizational structure and staffing level and skill mix is conducive to effective grant administration and whether the commission has a properly constituted membership;
- make a preliminary assessment as to whether the Commission provided adequate guidance to subgrantees related to maintenance of financial systems, records, supporting documentation, and reporting of subgrantee activity;
- conduct a preliminary survey of financial systems and documentation maintained by the Commission to support oversight of subgrantees and required reporting to the Corporation (including Financial Status reports, enrollment and exit forms); and
- make a preliminary assessment as to what procedures the Commission has in place to verify the accuracy and timeliness of reports submitted by the subgrantees.

In order to achieve the above objectives, we reviewed Financial Status Reports submitted by subgrantees, as well as Financial Status Reports submitted by the Commission to the Corporation, to preliminarily assess the accuracy of submitted Financial Status Reports. We also determined whether the Commission has implemented the Web Based Reporting System.

Evaluating and Monitoring Grants

Our objectives were to:

- conduct a preliminary survey of the systems and controls utilized by the Commission, in conjunction with the Corporation, to implement a comprehensive, non-duplicative evaluation and monitoring process for their subgrantees;
- make a preliminary assessment as to whether the Commission has a subgrantee site visit program in place and assess the effectiveness of its design in achieving monitoring objectives;
- conduct a preliminary survey of the Commission's procedures used to assess subgrantee compliance with Corporation regulations (e.g., those governing eligibility of Members, service hour reporting, prohibited activities, payment of living

allowances to Members and allowability of costs incurred and claimed under the grants by subgrantees (including reported match));

- conduct a preliminary survey of the Commission's procedures for obtaining, reviewing and following up on findings included in the subgrantee single audit reports, where applicable;

- determine whether program goals are established and results are reported and compared to these goals; and

- conduct a preliminary survey of the procedures in place to evaluate whether subgrantees are achieving their intended purpose.

In order to achieve the above objectives, we documented the procedures performed by the Commission to evaluate and monitor individual subgrantees. In addition, we judgmentally selected subgrantees and obtained the Commission's documentation for site visits. We reviewed the documentation to preliminarily assess the adequacy of the procedures performed by the Commission to assess financial and programmatic compliance and related controls at the sites. We also determineed whether the Commission received and reviewed A-133 audit reports from subgrantees.

Providing Technical Assistance

Our objectives were to:

- conduct a preliminary survey of the systems and controls utilized by the Commissions to provide technical assistance to subgrantees and other entities in planning programs, applying for funds, and implementing and operating programs;

- determine whether a process is in place to identify training and technical assistance needs; and

- determine whether training and technical assistance is provided to identified subgrantees.

In order to achieve the above objectives, we documented the procedures performed by the Commission to identify and satisfy training needs for the subgrantees and Commission employees. We also obtained a summary of all training costs incurred during the current year to ensure they properly related to training activities which were made available to all subgrantees.

TENNESSEE COMMISSION ON
NATIONAL
AND
COMMUNITY
SERVICE

January 4, 2000

Luise S. Jordan
Inspector General
Corporation for National Service
1201 New York Avenue, NW
Washington, D.C. 20525

Dear Ms. Jordan:

I have reviewed the draft report on the pre-audit survey of the Tennessee Commission on National & Community Service received December 14, 1999. The report appears to be accurate and thorough. It reflects the intensive field work done by Urbach, Kahn & Werlin to address the scope of inquiry outlined by your office in the original notice to the Commission.

We especially appreciate the recognition afforded the Tennessee Department of Finance & Administration Office of Program Accountability Review, cited in slightly different styling on page 3. We are pleased to share information about this subrecipient monitoring model and welcome additional opportunities you may identify.

We look forward to receiving a final copy of the report. In the meantime, if we can be of assistance in any way, please let me know.

Sincerely,

Carol White

Carol White
Executive Director

CW:c

Xc: Commission Chair Fred Cole
Commissioner John Ferguson, TN Department of Finance & Administration
Nancy Whittemore, Director, Resource Development & Support Division, F&A
Leslie Silverman, Corporation for National Service program officer

ANDREW JACKSON BUILDING, SUITE 1400 • 500 DEADERICK STREET • NASHVILLE, TENNESSEE 37243-1700
PHONE: VOICE (615) 532-9250 • TDD (615) 532-9250 • FAX (615) 532-6950

THE STATE OF TENNESSEE IS AN EQUAL OPPORTUNITY, EQUAL ACCESS, AFFIRMATIVE ACTION EMPLOYER • RECYCLED PAPER

AmeriCorps National Service

CORPORATION
FOR NATIONAL
SERVICE

MEMORANDUM

DATE: January 13, 2000

TO: Luise S. Jordan
Inspector General

FROM: Deborah R. Jospin
Director, AmeriCorps

SUBJECT: Comments on OIG Draft Report 00-09; *Pre-Audit Survey of the Tennessee Commission on National and Community Service*

We have reviewed the draft report on your pre-audit survey of the Tennessee Commission on National and Community Service. Your preliminary assessment indicates that the Tennessee Commission has effective controls in the areas evaluated and that a full-scope audit of the Tennessee Commission's programs is not necessary at this time.

The draft report did note two areas for improvement related to the receipt and maintenance of signed conflict of interest forms and Financial Status Reports. During the monitoring and the Administrative Standards Review, we will follow up with the Tennessee Commission on these items.

Cc: Wendy Zenker
Gary Kowalczyk
Peg Rosenberry

1201 New York Avenue, NW
Washington, DC 20525
Telephone 202-606-5000

Getting Things Done.
AmeriCorps, National Service
Learn and Serve America
National Senior Service Corps