Office of the Inspector General
Corporation for National and Community Service

Pre-Audit Survey Report of the Kentucky Commission on Community Volunteerism and Service

OIG Audit Report Number 00-11
October 28, 1999

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

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This report was issued to Corporation management on June 20, 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 December 18, 2000, and complete its corrective actions by June 20, 2001. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

CORPORATION
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Office of Inspector General
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Pre-Audit Survey of the Kentucky Commission on Community Volunteerism and Service OIG Audit Report Number 00-11

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 issue a report to the state commission and to the Corporation communicating the results and making recommendations for improvement, as appropriate.

We engaged Urbach Kahn & Werlin, PC to perform the pre-audit survey of the Kentucky Commission on Community Volunteerism and Service. Based on the procedures performed, UKW concluded that the Commission had adequate controls for its training and technical assistance efforts. However, UKW concluded that the Commission lacks adequate controls for fiscal administration and subgrantee monitoring. Moreover, the firm was unable to determine whether the Commission has an open and competitive grant award process because of inadequate documentation. Their report, which follows, includes numerous findings and recommendations for improvements in these areas.

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

In accordance with CNS OIG policies and procedures, the Kentucky Commission was provided copies of the pre-audit survey findings and a draft of this report. The findings were discussed with the Commission at an exit conference at the completion of field work, October 28, 1999. As of June 15, 2000, the Commission had not returned signed copies of the findings or responded to them, as requested. The Commission also did not respond to the draft report within the thirty day comment period. Instead, the Commission requested an extension of the response period. The request (Appendix C) was denied because it is our policy not to grant extensions to the thirty day comment period. No other timely response from the Commission was received.

As a result of the pre-audit survey findings, UKW recommends a full scope financial audit of funds awarded to the Commission for 1995 through the current program year. UKW also recommends that Corporation for National Service management follow up to determine the effectiveness of the Kentucky Commission's corrective actions and that the Corporation consider the reported conditions in its oversight and monitoring. We have reviewed the report and work papers supporting its conclusions, and we agree with the findings and recommendations presented.

A draft of this report was also provided to Corporation for National Service Management. The Corporation's response (Appendix D) indicates that the Corporation plans to request semi-annual reports from the Kentucky Commission on it actions to correct the conditions reported and to follow-up on the corrective actions when the Commission is reviewed during the Corporation's administrative review process.

Office of the Inspector General
Corporation for National and Community Service

Pre-Audit Survey Report of the
Kentucky Commission on Community
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UK &W Urbach Kahn & Werlin PC
CERTIFIED PUBLIC ACCOUNTANTS

Inspector General
Corporation for National and Community Service

At your request, Urbach Kahn and Werlin PC performed a pre-audit survey of the Kentucky Commission on Community Volunteerism and 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 Kentucky State 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 Kentucky Commission.

RESULTS IN BRIEF

Based on the results of the limited procedures performed, we have made the following preliminary assessments regarding the Commission's systems for administering grants received from the Corporation.

- We were unable to determine if the Commission has an open and competitive process to select national service subgrantees, and whether the related systems and controls are functioning as designed, due to inadequate supporting documentation.
- The Commission does not have an adequate process in place for the fiscal administration of grants.
- The Commission does not have adequate controls in place to evaluate and monitor subgrantees.
- The Commission appears to have adequate controls in place to provide reasonable assurance that training and technical assistance are made available and provided to subgrantees.

Based on our preliminary assessments, we recommend that the OIG perform a full-scope financial audit of the funds awarded to the Kentucky Commission for 1995 through the current program year. Procedures should also include verification of reported Member

1030 Fifteenth Street NW, Washington, DC 20005 (202) 296-2020 FAX (202) 223-8488
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service hours and matching amounts by subgrantees.

In addition, we recommend that the Corporation follow up with the Commission to determine that appropriate corrective actions are put in place to address the conditions reported herein, including the Commission's failure to acknowledge the survey findings as reported on page 4, and that the Corporation consider these conditions in its oversight and monitoring of the Kentucky 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 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 between 15 and 25 voting members. Each Commission has a responsibility to develop and communicate a vision and ethic of service throughout the State.

The State Commissions provide AmeriCorps funding to approved subgrantees 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 throughout 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, as well as effective control and accountability for all grant and subgrant cash, real and personal property, and other assets.

OVERVIEW OF THE KENTUCKY COMMISSION

The Kentucky Commission on Community Volunteerism and Service is headquartered in Frankfort, Kentucky. The Commission 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 $1,913,177 in 1995; $2,994,879 in 1996; $2,425,838 in 1997; $3,909,858 in 1998; and $3,694,086 in 1999. Additional information on the Commission's funding is presented in Appendix A.

At the time of our visit, the Commission had four full-time staff consisting of an Executive Director, a Program Development and Training Officer, a Financial National Service Manager, and an Administrative staff person. In addition, the Commission had a part-time Special Events Coordinator. The Executive Director and the Financial National Service Manager shared the monitoring responsibilities of subgrantee program and fiscal activities. The Executive Director left the Commission on November 30, 1999 to accept another state position. The Executive Director position remained vacant as of January 31, 2000.

As part of the State of Kentucky, the Commission is included in the state's annual OMB Circular A-133 audit. There have been no questioned costs or findings identified at the Commission to date. However, it has not been considered or tested as a major program.

Program Year	Total Amount of Corporation Funds Subgranted	Number of Subgrantees	Number of Subgrantees Subject To A-133 Audit Requirements
1999	3,365,342	15	*
1998	3,574,275	20	*
1997	2,235,239	14	*
1996	2,648,844	15	*
1995	1,440,142	6	*

* The Commission could not provide this information. As reported on page 12 of this report, the Commission does not have a process to support, document and track subgrantee audit reports and findings.

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 Kentucky State 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 Commission.

Our survey included the following procedures:

- reviewing Corporation laws, regulations, grant provisions, the *Reference Manual for Commission Executive Directors and Members*, and other information to gain an understanding of legal, statutory and programmatic requirements;
- reviewing OMB Circular A-133 audit reports and current program year grant agreements for the Commission;
- obtaining information from Commission management to complete flowcharts documenting the hierarchy of Corporation 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 inquiry, observation, and examination of a sample of source documents. Finally, we summarized our observations and developed the findings and recommendations presented in this report. We discussed all findings with Commission management during an exit conference on October 28, 1999. The Commission has not returned signed copies of the findings, acknowledging or responding to their content, as requested.

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 are not sufficient to express an opinion on the controls at the Commission or its compliance with 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 Kentucky Commission and the Corporation for National and Community Service. The Commission wrote a June 5, 2000 letter, included as Appendix C, to CNS/OIG requesting an extension of the comment period. The extension was not granted and no other timely response to the draft report was submitted. The Corporation's response to our findings and recommendation is included as Appendix D.

FINDINGS AND RECOMMENDATIONS

Selection of Subgrantees

According to *A Reference Manual for Commission Executive Directors and Members*, Section 3.2, "Commissions are expected to develop a fair and impartial process for reviewing and selecting applicants for potential funding." The Kentucky Commission has developed various procedures to comply with this requirement.

The Kentucky Commission announces the availability of funds through news releases, direct mailings and public grant information meetings. Interested applicants are requested to submit a full proposal, including applications, budgets and objectives. A Peer Review panel of volunteer members reviews and evaluates applications on how the program will achieve its objectives, strengthen its community, develop its Members, monitor and evaluate the program's continuing improvement, the programs organizational capacities and its cost-effectiveness and sustainability. Once the Peer Review panel ranks each applicant, the applications are forwarded to the full Commission for final decisions. These decisions are then forwarded to the Corporation for fund award decisions.

However, based on the results of our testing, we do not believe the documentation maintained to support these procedures is adequate. We have identified the following areas for improvement.

The Commission did not maintain dated conflict of interest forms prior to the 1999 program year.

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 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 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.*"

Reviewers sign conflict of interest statements for the applications mailed to them for their review. Because the conflict of interest statement forms were not dated and maintained with the grant review forms for the 1995 through 1998 program years, we were unable to determine the program year and applications to which they related. However, during the 1999 program year, the conflict of interest statements were signed, dated and stapled to the grant reviewer evaluations.

Because the Commission could not provide all signed and dated conflict of interest statements, we were unable to determine whether conflict of interest statements were properly completed by all Commission and peer review panel members during the grantee selection process and whether the individual reviewer lacked a conflict of interest.

We recommend that the Commission enforce current procedures and require that signed and dated conflict of interest forms are maintained for each grant applicant on file in accordance with Corporation requirements.

Some documentation supporting grant-making decisions was unavailable.

The Commission was unable to provide us with certain documentation to support the selection process. Specifically, in a sample of ten subgrantees, we identified the following deficiencies:

- Four instances where documentation supporting site visits was not maintained;
- Six instances where the Commission could not provide documentation to support the subgrantee application awards;
- Four instances where the Commission could not provide us with merit ranking forms; and
- Two instances where we were unable to verify individual award amounts to the award letters.

Because the Commission did not maintain adequate documentation, we were unable to determine whether the Commission followed Corporation guidelines regarding the selection of subgrantees. In addition, the lack of merit ranking forms precluded us from determining the ranking of individual applicants to determine whether applicants were appropriately funded.

We recommend that the Commission enforce its policies and procedures requiring the retention of documentation supporting the award or rejection of subgrantee applicants.

Lack of assessment of subgrantee applicants' Financial Systems during the selection process

According to *A Reference Manual for Commission Executive Directors and Members,* Section 4.2, Commissions are responsible for maintaining "appropriate financial management systems to disburse funds and track Commission and program expenditures according to legal and grant requirements." In order to comply with this requirement, the Commission must be able to ensure that subgrantees have systems in place to accurately track expenditures, as this information forms the basis of a majority of Commission expenditure reporting.

During our testing, we determined that selection officials do not consider the adequacy of the applicants' financial systems during the Commission's subgrantee selection process. The grant application form provided by the Corporation does not specifically address the applicant's financial systems. In addition, Commission selection procedures do not require Commission personnel to request information from the applicants related to their financial systems or to otherwise assess an applicant's financial system. As a result, grant funds may be provided to an organization that does not have financial systems in place to properly account for the Corporation funds received or to ensure compliance with related requirements.

We recommend that the Commission evaluate and document the adequacy of the applicants' financial systems during the selection process to ensure applicants have systems in place to properly account for grant funds and comply with related grant requirements

The Commission did not maintain documentation to support the advertisement of the availability of grant funds.

A Reference Manual for Commission Executive Directors and Members, page 3-9 states, "Just as the process for developing the Unified State Plan must be open and accessible to all interested parties, so too must the process by which the Commission solicits funding applications. The Commission is expected to widely publicize the availability of funds, distribute a clear and easily understood application packet, and offer technical assistance to potential applicants. The application instructions should reflect the themes and priorities of the state and those established by the Corporation."

Commission procedures indicate that the availability of funds is announced through news releases, direct mailings and public grant information meetings. However, no supporting documentation exists that such announcements was made during the 1995 through 1998 program years.

This lack of documentation precluded us from determining whether the Kentucky Commission announced the availability of funds in accordance with Corporation guidelines.

We recommend that the Commission revise its procedures to require the retention of documentation to support the advertisement of the availability of grant funds.

Administering Grant Funds

As part of the grant administration process, "Commissions must evaluate whether subgrantees comply with legal, reporting, financial management and grant requirements and ensure follow through on issues of non-compliance" (*A Reference Manual for Commission Executive Directors and Members*, Section 4.3). Based on the results of our testing, we identified the following areas for improvement related to the evaluation of subgrantee compliance with reporting and grant requirements.

Lack of evidence of Financial Status Report review, including matching recalculation

Commission procedures indicate that subgrantee Financial Status Reports are to be reviewed, and matching requirements, recalculated. However, our testing identified the following deficiencies:

- Two instances where previously reported amounts were not carried forward properly;
- Two instances where matching requirements were not met;
- Two instances where documentation supporting match requirements were inadequate; and
- Seven instances where the amounts reported on the spreadsheet used to compile subgrantee FSRs did not agree with the total amount reported by the Commission to the Corporation.

In addition, Commission personnel do not compare the FSRs to the subgrantees' accounting records or other supporting documentation during site visits.

Because of these conditions, errors on the FSRs may exist and remain undetected. Although all subgrantees are on a reimbursement only basis, if subgrantee FSRs are not agreed to the subgrantees' accounting system, there is an increased risk that subgrantees are incorrectly reporting amounts on their FSRs, and the Commission lacks reasonable assurance that subgrantees are correctly reporting amounts on their FSRs.

We recommend the Commission develop standard procedures to review subgrantee FSRs, recalculate matching requirements and formally document the results of the review. Also, the Commission should implement site visit monitoring procedures that require the reconciliation

of the subgrantees' FSRs to the subgrantees' accounting records along with other supporting documentation (eg. invoices).

Late Submission of FSRs

AmeriCorps Provision 17 (i) states "AmeriCorps State programs and most AmeriCorps National sites that receive subgrants must submit at least four Financial Status Reports (SF 269 a) to their respective State Commission or Parent Organization." It continues to state "State Commissions and 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."

However, in our sample of thirty-two subgrantees, our testing identified the following deficiencies:

- Eleven instances where the Commission submitted FSRs more than ten days late to the Corporation; and
- Fourteen instances where subgrantees did not submit FSRs timely to the Kentucky Commission.

As a result, the Commission and the subgrantees did not submit the FSRs in accordance with Corporation guidelines.

We recommend that the Commission enforce current policies and procedures requiring the submission of FSRs in accordance with Corporation guidelines.

Inability to determine the timeliness of the receipt of FSRs

The Commission does not routinely date-stamp FSR reports from subgrantees as they are received. Thus, the Commission can not determine if these documents are submitted timely in compliance with the grant agreement.

As a result, subgrantee FSRs may not be submitted on a timely basis and the Commission has no basis to verify the FSRs' receipt date.

During October 1999, the Commission began using the Web-Based Reporting system which electronically records the date subgrantees submit their FSRs to the Commission. As a result, no recommendation is required at this time related to recording the date of the receipt of FSRs.

The Commission did not maintain all required FSRs.

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 an FSR for that site/subgrantee 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. 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."

Learn and Serve provisions, issued during 1995, require that grantees submit timely Financial Status Reports in accordance with Corporation guidelines four times a year. During 1998, Learn and Serve provisions were revised to require that grantees submit Financial Status Reports two times versus four times a year.

In our sample of eight subgrantees, we identified the following deficiencies:

- The Commission has not received FSRs from Learn and Serve subgrantees or submitted Learn and Serve FSRs to the Corporation since 1997;

- The Commission could not provide us with copies of the 1995 and 1996 FSRs submitted for its administrative grant;

- Two instances where the Commission could not provide us with subgrantee FSRs; and

- Five instances where the Commission could not provide us with the spreadsheet used to compile the FSRs which were submitted to the Corporation.

As a result, we were unable to determine the accuracy of FSRs submitted to the Kentucky Commission by subgrantees, as well as the accuracy of FSRs submitted by the Commission to the Corporation, due to various missing quarterly FSRs.

We recommend that the Commission maintain copies of, and support for, all FSRs it submits to the Corporation as well as appropriate copies of subgrantee FSRs and supporting documentation.

Evaluating and Monitoring Grants

As discussed above, the Commission is responsible for evaluating whether subgrantees comply with legal, reporting, financial management and grant requirements and ensuring corrective action when noncompliance is found.

We identified the following areas for improvement related to the evaluation and monitoring of subgrantees.

The evaluating and monitoring system for subgrantees needs to be improved at the Commission.

According to OMB Circular No. A-133, *Audit of States, Local Governments, and Non-Profit Organizations,* as amended, Subpart D § 400 (d)(3) pass through entities are required to "Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved." In addition, § 400 (d)(4) requires that pass through entities "ensure that subrecipients expending $300,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year."

However, as noted in Appendix A, the Commission was unable to provide us with requested information related to the Learn and Serve program, including the amount of funding awarded to subgrantees during 1995, the number of subgrantees during 1995, the amount of matching funds during 1995 and 1998, and the number of program operating sites for each year under review.

In addition, we determined that documentation supporting the Commission's monitoring procedures was not consistently maintained. The Commission was unable to provide us with the following documentation:

- Progress Reports;
- FSRs;
- Site visit reports for visits performed during 1995 and 1996;
- Support for reimbursement requests;
- Member enrollment or exit forms; and
- Findings identified and corrective action taken by subgrantee.

It also appears that the Commission does not verify reported Member Service hours to timesheets or other supporting documentation. Moreover, during our review of monitoring files for subgrantees, we determined that certain information was excluded from the site visit documentation. Specifically, the names of the Member files reviewed and identification of Member files where exceptions were identified were not included.

In addition, comments included on the program review instrument developed by the Corporation were general in nature and prevented others or us from re-performing procedures completed by Kentucky Commission personnel. The lack of specific documentation prevents us from determining the adequacy of the monitoring procedures performed by Kentucky Commission personnel.

We recommend that the Commission revise its written policies and procedures to require that specific information be included in the documentation for site visits (for example, sample sizes, exceptions, recommendations, and follow-up). This will allow the Corporation to assess the Commission's oversight of subgrantees when it performs its planned Commission administrative reviews.

In addition, we recommend that the Corporation for National and Community Service revise its guidance to specify minimum procedures to be performed, as well as minimum documentation requirements.

Lack of documentation of review of OMB Circular A-133 Reports or other audit reports from subgrantees

As discussed in the previous finding, OMB Circular No. A-133, *Audit of States, Local Governments, and Non-Profit Organizations,* as amended, Subpart D § 400 (d)(3) requires that pass through entities "monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved." In addition, § 400(d)(4) requires that pass through entities "ensure that subrecipients expending $300,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year."

The Commission does not document its review of subgrantee OMB Circular A-133 audits or other audit reports, as part of the monitoring process. In addition, the Commission does not have a process to support, document, and track subgrantee audit reviews and findings. The Executive Director acknowledged that review of audit reports and follow-up has not been a standard practice.

In its failure to review and consider audit results, the Commission is unaware of information helpful in carrying out its oversight and monitoring responsibilities. Therefore, we recommend that the Commission maintain a schedule of subgrantees subject to OMB A-133 audit requirements and ensure that the audits are performed. We also recommend the Commission establish policies and procedures requiring the review of A-133 audit reports and that such results are documented.

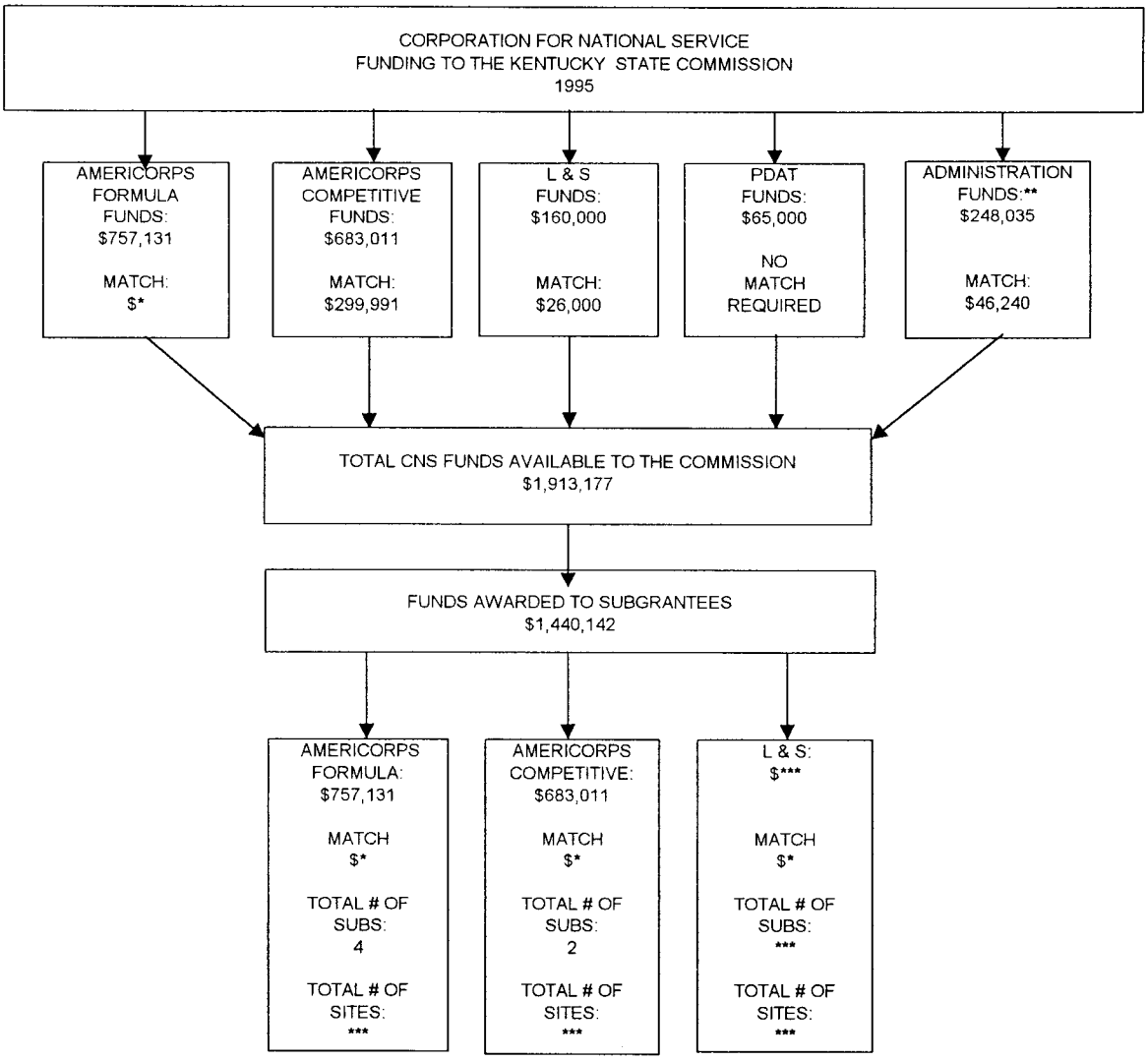
Providing Technical Assistance

Annually, the Commission receives grant funds to provide technical assistance to its subgrantees. Procedures are in place at the Commission to (1) identify training needs of subgrantees through periodic staff meetings with the program directors and a needs assessment survey; (2) notify subgrantees of training programs; and (3) provide needed training to subgrantees. We identified no significant areas for improvement within this process.

This report is intended solely for the information and use of the Office of the Inspector General, management of the Corporation for National and Community Service, the Kentucky Commission on Community Volunteerism and 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
October 28, 1999

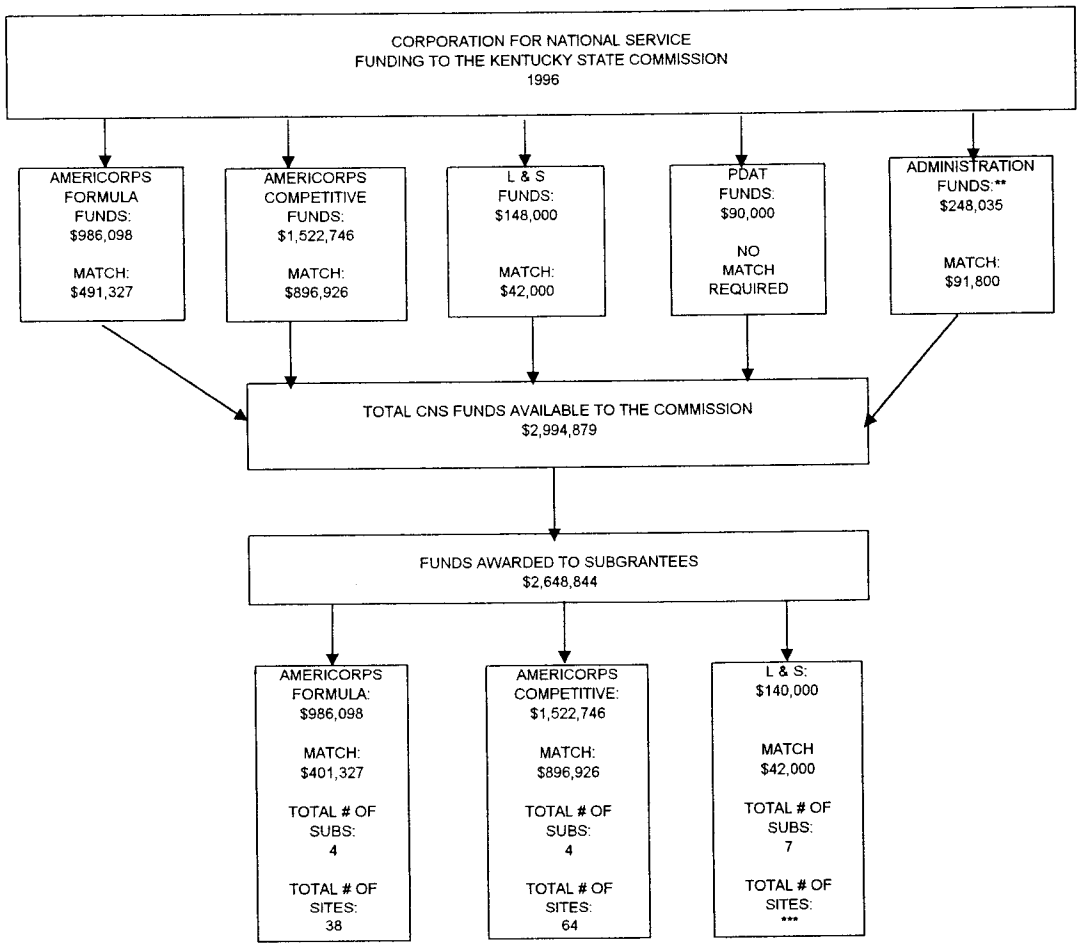


Total Carryovers for 1995 (Not included in the current year funding amounts above):

Administration: $ 46,348

* Per Commission, there was no match required
** Disability funds included in grant award
*** Information not provided by the Commission

APPENDIX A – KENTUCKY COMMISSION FUNDING

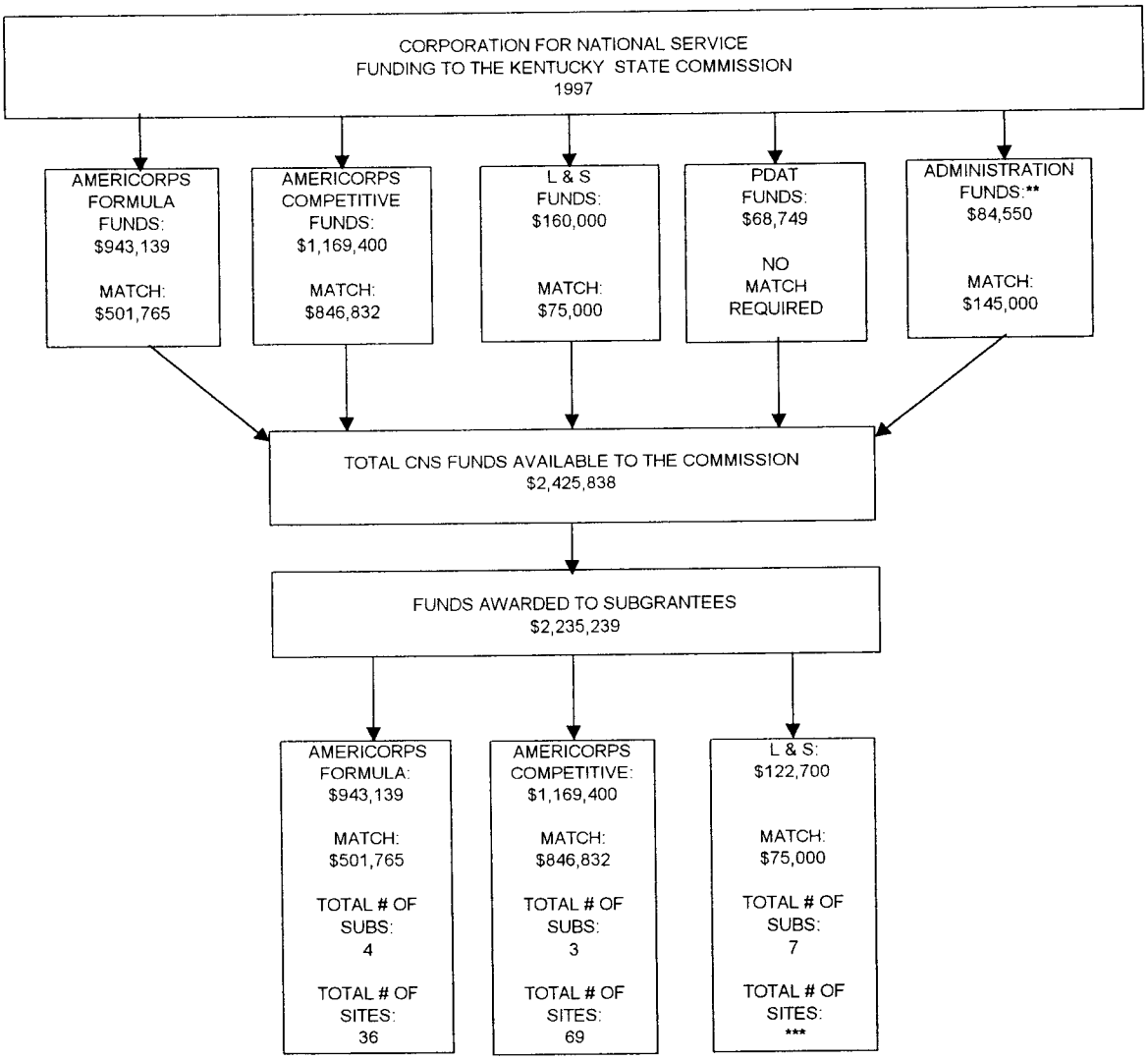


Total Carryovers for 1996 (Not included in the current year funding amounts above):

Administration:	$	50,000	
PDAT:	$	12,662	per Commission, 0 per Corporation Award Letter

* Per Commission, there was no match required
** Disability funds included in grant award
*** Information not provided by the Commission

APPENDIX A – KENTUCKY COMMISSION FUNDING

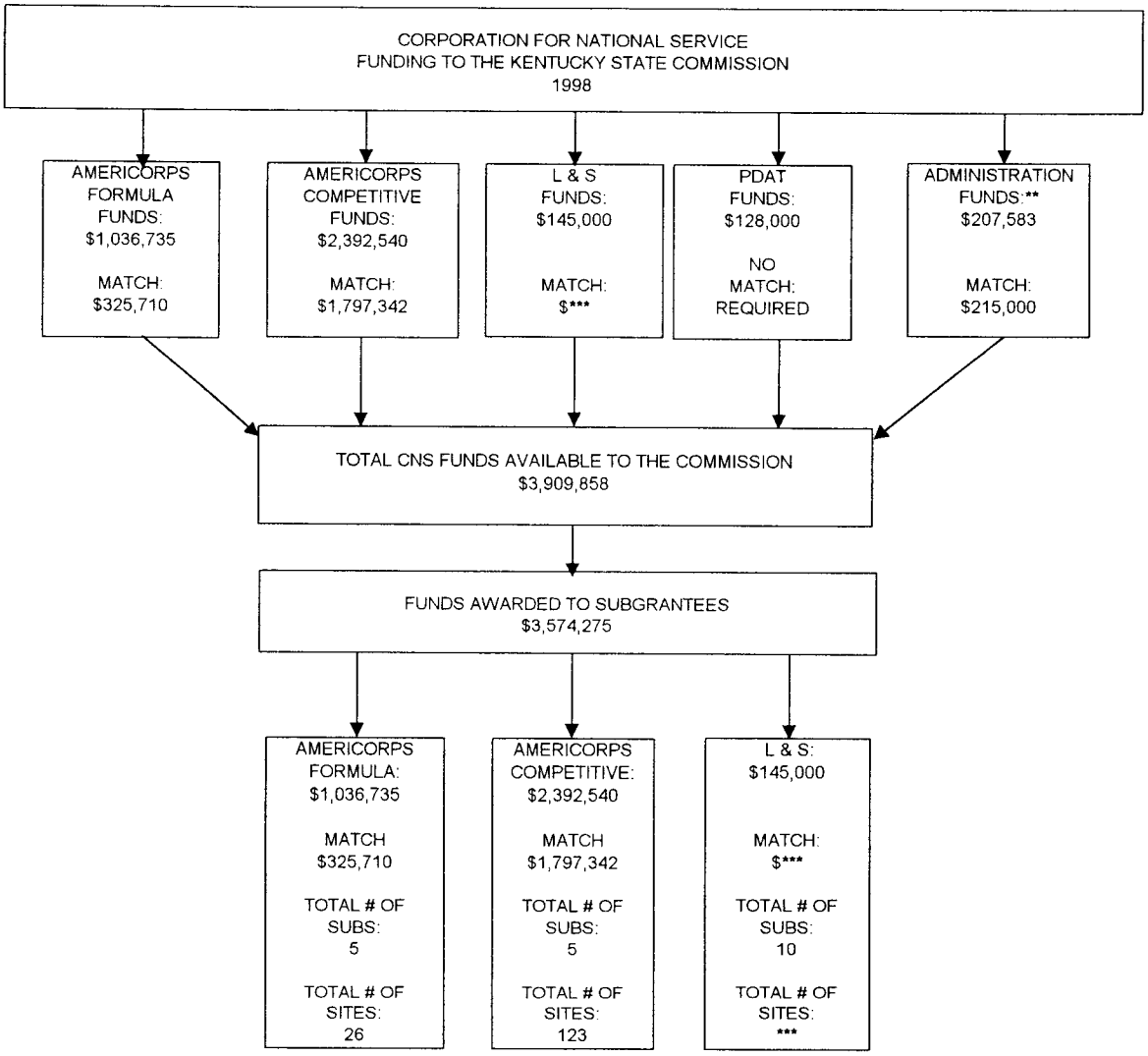


Total Carryovers for 1997 (Not included in the current year funding amounts above):

Administration:	$	119,704	
PDAT:		30,590	Per Commission, $34,251 per Corporation Award Letter

** Disability funds included in grant award
*** Information not provided by the Commission

APPENDIX A – KENTUCKY COMMISSION FUNDING



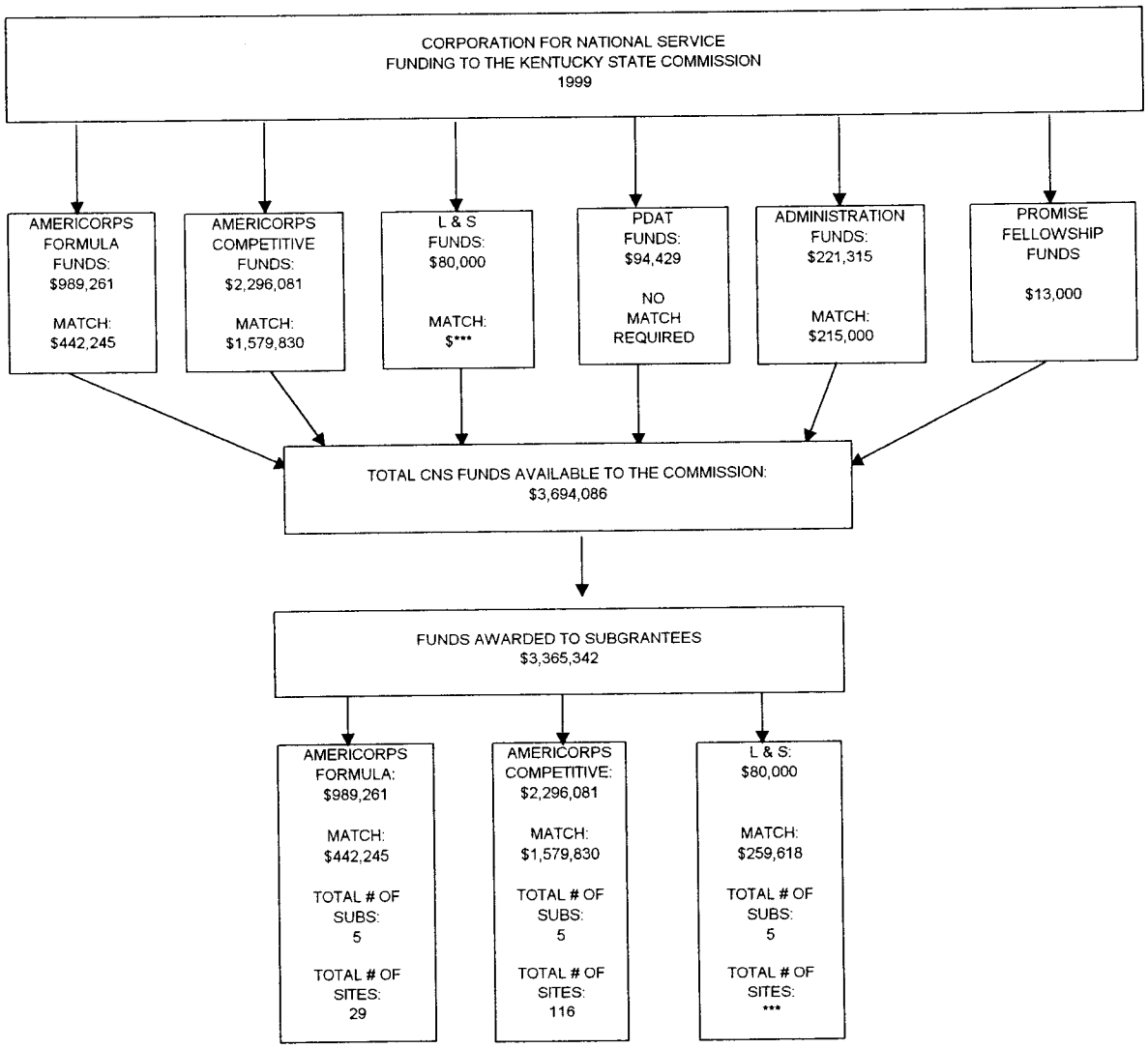
Total Carryovers for 1998 (Not included in the current year funding amounts above):

Administration:	$	25,000	
PDAT:	$	54,411	per commission, $ 6,419 per award letter

** Disability funds included in grant award
*** Information not provided by the Commission

Note: Per the Executive Director, the L & S Award has not gone final.

APPENDIX A – KENTUCKY COMMISSION FUNDING



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

PDAT: 13,571

* Per Commission, there was no match required
** Disability funds included in grant award
*** Information not provided by the Commission

NOTE: Per the Executive Director the L&S award is still in Negotiations within the Corporation

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 items 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 determined 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;

- make a preliminary assessment as to whether a process is in place to identify training and technical assistance needs; and

- make a preliminary assessment as to 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.

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June 5, 2000

Dean A. Reuter
Deputy Inspector General
for Audit and Policy
Officer of Inspector General
1201 New York Avenue, N.W.
Washington, DC 20525

Dear Mr. Reuter:

I am in receipt of the pre-audit survey of the Kentucky Community Service Commission and want this letter to serve as a first response to the survey as indicated in your letter of May 9.

As you know, our Commission has undergone significant changes during the past several months. We have not had an Executive Director since mid-October, the Commissioners have assumed day-to-day responsibilities in some areas, given our depleted staff. However, we have recently become associated with the Cabinet for Families and Children within the state of Kentucky and the transition process is moving along at a rapid rate.

We plan to respond to each of the items outlined in the audit; we plan to have this done within the next few weeks so we ask for your indulgence while our response is being drafted. However, we would also like the opportunity to meet with either you and/or the auditors to work through each of the items listed in the preliminary audit. We believe this is a customary practice and want to follow-up on a number of the issues discussed at our exit interview.

Please feel free to call me at 502-451-8840, email at aengel@iglou.com or write to advise that you have received this letter and the process outlined above is acceptable. The Commission appreciates the comments made and looks forward to complying with all issues.

Sincerely,

Alan S. Engel
Executive Director

ASE/pkd

cc: KCCVS Executive Committee
Howard Valosky
Lori Jo Hill

JUN 12 2000

3630 Dutchmans Lane, Louisville, Kentucky 40205-3200, Phone 502-451-8840, Fax 502-458-0702, email: jfed@iglou.com

CORPORATION FOR NATIONAL SERVICE

MEMORANDUM

TO: Luise S. Jordan

THRU: Anthony Musick

FROM: Deborah R. Jospin
Bruce H. Cline

DATE: May 15, 2000

SUBJECT: Response to the Draft Audit Report 00-11 Pre-Audit Survey of the Kentucky Commission on Community Volunteerism and Service

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We have reviewed the draft report on your pre-audit survey of the Kentucky Commission. Given the nature of the report, this response serves as our proposed management decision. We note that your preliminary assessment recommend a full-scope financial audit at the Kentucky Commission for 1995 through the current program year. The draft audit report includes a recommendation to the Corporation. We are providing the following response to that recommendation. The Inspector General recommended:

> "Additionally, we (the Inspector General) recommend that the Corporation follow up with the Kentucky 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 Kentucky Commission."

Some of the conditions cited in the "results in brief" section of the report include concerns related to conducting an open and competitive selection process for national service subgrantees. It was also noted that the Commission does not have adequate controls in place for the fiscal administration of grants or similarly, there are inadequate controls to evaluate and monitor subgrantees.

Given our limited program administration resources, we developed a plan to assess State Commission administration functions. Over a three-year period, we will be reviewing each of the state commissions. As part of our follow-up with Kentucky, we will determine whether the Commission has put appropriate corrective actions in place for conditions noted in the pre-audit survey that your office has issued.

In addition to this scheduled review, we will also request that the Kentucky Commission provide semi-annual reports on their actions to correct conditions cited in the OIG pre-audit survey.

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