OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

PRE-AUDIT SURVEY OF THE PENNSYLVANIA COMMISSION ON NATIONAL AND COMMUNITY SERVICE

OIG Audit Report Number 00-14
November 18, 1999

Prepared by:

KPMG LLP
2001 M Street, N.W.
Washington, DC 20036

Under CNS OIG MOU # 98-046-5003
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This report was issued to Corporation management on March 28, 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 September 28, 2000, and complete its corrective actions by March 28, 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 Pennsylvania Commission on National and Community Service OIG Audit Report Number 00-14

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.

We engaged KPMG LLP to perform the pre-audit survey of the Pennsylvania Commission on National and Community Service. KPMG's report, which follows, includes recommendations for improvements, including increased staffing, at the Commission, oversight by the Corporation for National Service, and a limited-scope audit of the Commission by OIG. We have reviewed the report and work papers supporting its conclusions, and we agree with the findings and recommendations presented. The Pennsylvania Commission's response is included as appendix C.

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

Pre-Audit Survey of the
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2001 M Street, N.W.
Washington, DC 20036

November 18, 1999

Inspector General
Corporation for National and Community Service:

At your request, KPMG performed a pre-audit survey of the Pennsylvania 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 its AmeriCorps State subgrantees, including AmeriCorps Member activities and service hours; and
- the controls over the provision of technical assistance.

We were also to report on the recommended scope of additional audit procedures to be performed at the 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 its AmeriCorps grants:

- The Commission administers an open, competitive process to select national service subgrantees.

- The Commission has developed and implemented procedures that are intended to provide reasonable assurance that grant funds received from the Corporation are properly administered. However, insufficient staffing exists to perform all required duties in an effective manner.

- The Commission's controls in place to evaluate and monitor subgrantees provide reasonable assurance that subgrantees comply with legal, reporting, financial management and grant requirements. However, the Commission's on-site monitoring procedures do not include documenting which subgrantees' financial systems, AmeriCorps Member timesheets, or expense documentation were examined during site visits.

- The Commission has adequate controls in place to provide reasonable assurance that training and technical assistance is made available and provided to subgrantees.

KPMG LLP. KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

The section below entitled Findings and Recommendations describes the weaknesses noted above, and other issues noted during the survey, in detail.

Based on our preliminary assessments, we recommend the performance of a limited scope audit at the Commission for program years 1995-96 through 1998-99, with a focus on the process for evaluating and monitoring subgrantees.

Additionally, 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 Pennsylvania Commission on National and Community Service.

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 15 to 25 voting members. Each Commission has a responsibility to develop and communicate a vision and ethic of service throughout its State.

The 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 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 that provide effective control and accountability for all grant and subgrant cash, real and personal property, and other assets.

KPMG

Overview of the Pennsylvania Commission

The Pennsylvania Commission on National and Community Service, located in Harrisburg, Pennsylvania, has received AmeriCorps grant funds from the Corporation for National and Community Service since program year 1994-95. It operates as part of the Pennsylvania Department of Labor and Industry under the Commonwealth of Pennsylvania. The Commission currently has six full-time staff consisting of an Executive Director, two Program Officers, one Grants Officer, one Program Assistant, and one Administrative Assistant.

As part of the Pennsylvania Department of Labor and Industry, the Commission is annually subject to statewide OMB Circular A-133 audits. However, the Corporation grants have never been tested as major programs.

The Commission provided us with the following information for the last three program years:

Program Year	Total Corporation Funding	Number of Subgrantees	Number of Sub-grantees Subject to A-133 Audit Requirements*
1996-97	$3,061,972	23	3
1997-98	4,394,923	21	4
1998-99	4,046,231	23	4

* Determination is based solely on dollar value of federal awards passed through the Commission for the program year. Remaining subgrantees could be subject to an OMB Circular A-133 audit if they received additional federal grant funds from other sources.

Appendix A contains more detailed information on funding received from the Corporation during program years 1996-97 through 1998-99.

Objectives, Scope, and Methodology

We were engaged by the Office of the Inspector General, Corporation for National and Community Service, to provide an assessment of the systems and procedures in place at the Commission for administering its AmeriCorps grants and for monitoring the fiscal activity of subgrantees. The primary purpose of this pre-audit 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 its AmeriCorps State subgrantees, including AmeriCorps Member activities and service hours; and
- the controls over the provision of technical assistance.

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

Our survey included the following procedures:

- reviewing applicable 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 1996-97, 1997-98 and 1998-99; and

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

As part of the procedures performed, we documented and tested internal controls in place at the Commission using inquiries, observations, and examination of a limited sample of source documents. Finally, we summarized the results of our work to develop the findings and recommendations presented in this report. We discussed all findings with Commission management during an exit conference on November 18, 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 on 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 or 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 Commission and the Corporation. The Commission's response to our findings and recommendations is included as Appendix C. The Corporation did not respond in writing to our findings and recommendations within the 30-day comment period.

Findings and Recommendations

Selecting 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 Commission administers an open, competitive process to select national service subgrantees. Application reviewers sign conflict of interest statements before the commencement of the annual selection process. Application reviewers receive an instruction package and use a standard form to evaluate each applicant.
We identified no significant areas for improvement within this process.

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).

The Commission has developed and implemented procedures that are intended to provide reasonable assurance that grant funds received from the Corporation are properly administered. Procedures are in place to withhold funding payments if subgrantees do not submit Financial Status Reports (FSRs) timely, manage cash draw downs and disbursements to subgrantees, and ascertain whether subgrantees have met their matching requirements. However, we identified the following areas for improvement related to the evaluation of subgrantee compliance with reporting and grant requirements.

Adequacy of Staffing Levels

Sufficient staffing does not exist to perform all required duties in an effective manner. Staffing levels have declined from 12 personnel in program year 1994-95 to six personnel in program year 1998-99, although the workload has remained relatively constant. The current personnel appear to have adequate skills and experience to manage the Corporation grant funds, and one additional management level position has been added beginning in calendar year 2000. However, additional increases in funding and/or subgrantees without a corresponding increase in personnel could result in potential control weaknesses or instances of material noncompliance related to the Corporation programs because of a potential inability to properly administer the grants and monitor all subgrantees.

Timeliness of Receipt of Progress Reports

Prior to October 1999, the Commission did not keep track of when initial quarterly progress reports from subgrantees were received. Therefore, the Commission could not routinely verify if these documents were submitted timely in compliance with the grant agreement. As a result, subgrantee progress reports may have been submitted late.

Recommendations

We recommend the Commission focus on measures for improving the effectiveness of its grant administration process as follows:

- Evaluate its current resources available and the needs of the Corporation's programs to determine the staffing levels necessary to effectively monitor and evaluate each subgrantee. The Commission should then request additional resources from the Commonwealth of Pennsylvania's Office of Administration, as needed.

- Implement procedures to maintain a log to monitor the receipt of progress reports, review the log prior to expected due dates, on a monthly basis, and take necessary action when reports are not received on a timely basis. Commission personnel should consider sending reminder notices to subgrantees to improve the likelihood of timely receipt of reports.

Evaluating and Monitoring Subgrantees

As noted above, the Commission is responsible for evaluating whether subgrantees comply with legal, reporting, financial management and grant requirements and ensuring follow through on issues of noncompliance. As part of the process of determining the site visit schedule, Commission personnel assess the level of risk of noncompliance at each subgrantee.

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

Documentation of Subgrantees' Financial Systems, AmeriCorps Member Timesheets, and Expense Documentation Examined during Site Visits

Commission personnel do not specifically document the subgrantees' financial systems, AmeriCorps Member timesheets, or expenses examined during site visits. In addition, the sample sizes used and the rationale behind these samples are not documented. As a result, a reviewer (e.g., supervisor) of the site visit documentation is not able to (1) assess if the sample size selected was adequate and (2) review the same documentation if a question arose about the results of the test.

Schedule of Planned and Actual Site Visit Dates

The Commission does not maintain a schedule of planned and actual dates for site visits for each program year. Without documentation of when site visits will occur and have occurred, the Commission could overlook a particular site visit or not perform site visits timely.

Written Policies and Procedures Related to Follow-up on Deficiencies Noted at Subgrantees

The Commission does not have written policies and procedures to ensure that subgrantees correct deficiencies that are identified by the Commission. As a result, the Commission may not properly or timely ensure the correction of noted subgrantee deficiencies.

Verifying Information on Progress Reports at Site Visits

The Commission does not formally verify information provided on subgrantees' progress reports as part of their annual or detailed financial site visits. Therefore, the Commission can not routinely determine if these submitted reports are consistent with site visit observations. As a result, inaccurate information in subgrantees' reports may exist and not be detected timely.

Recommendations

We recommend the Commission focus on measures for improving the effectiveness of its evaluation and monitoring of subgrantees as follows:

- Develop and implement procedures to document the subgrantees' financial systems, Member timesheets, and expense items reviewed during site visits. A proforma site visit questionnaire may assist in this regard.

- Maintain a clear, concise schedule of site visits to be performed in the program year and a record of when site visits are actually performed. A person other than the employee responsible for performing site visits should periodically review this schedule to ensure the schedule is complete and that site visits are being performed timely and according to Commission policy.

- Develop and implement written policies and procedures to ensure that adequate corrective actions are taken timely when deficiencies are noted by the Commission.

- Establish and implement formal procedures to verify the accuracy of subgrantee quarterly progress reports and document the verification results. In addition, the Commission should document which data is requested and obtained to support the accuracy of the progress report.

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 training evaluation and feedback forms and a needs assessment survey; (2) notify subgrantees of training programs; and (3) provide needed training to subgrantees. Although funding is limited to address the training needs of Commission staff, they attend the training sessions provided to subgrantees. We identified no significant areas for improvement within this process.

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This report is intended solely for the information and use of the Office of the Inspector General, the management of the Corporation for National and Community Service, the management of the Pennsylvania 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.

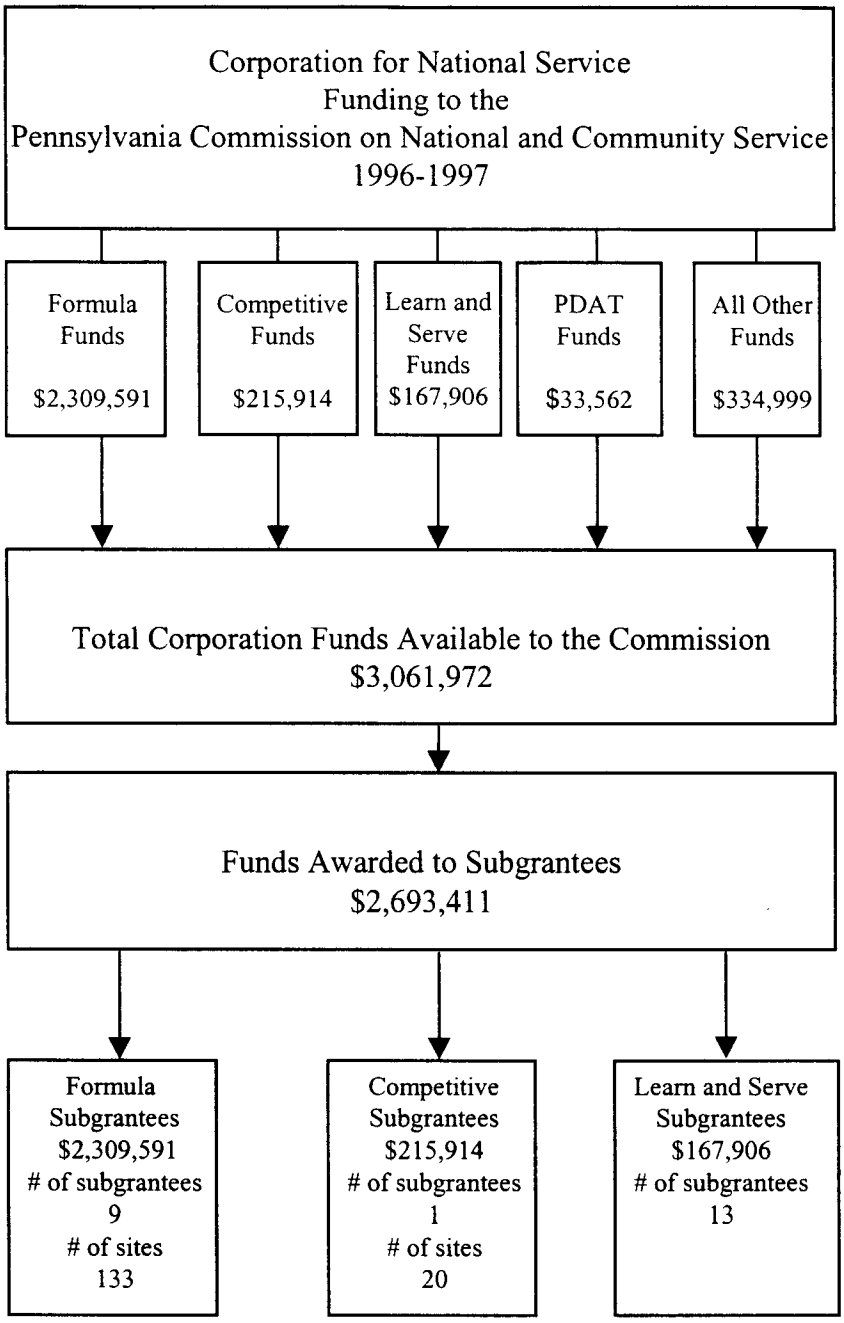
KPMG LLP

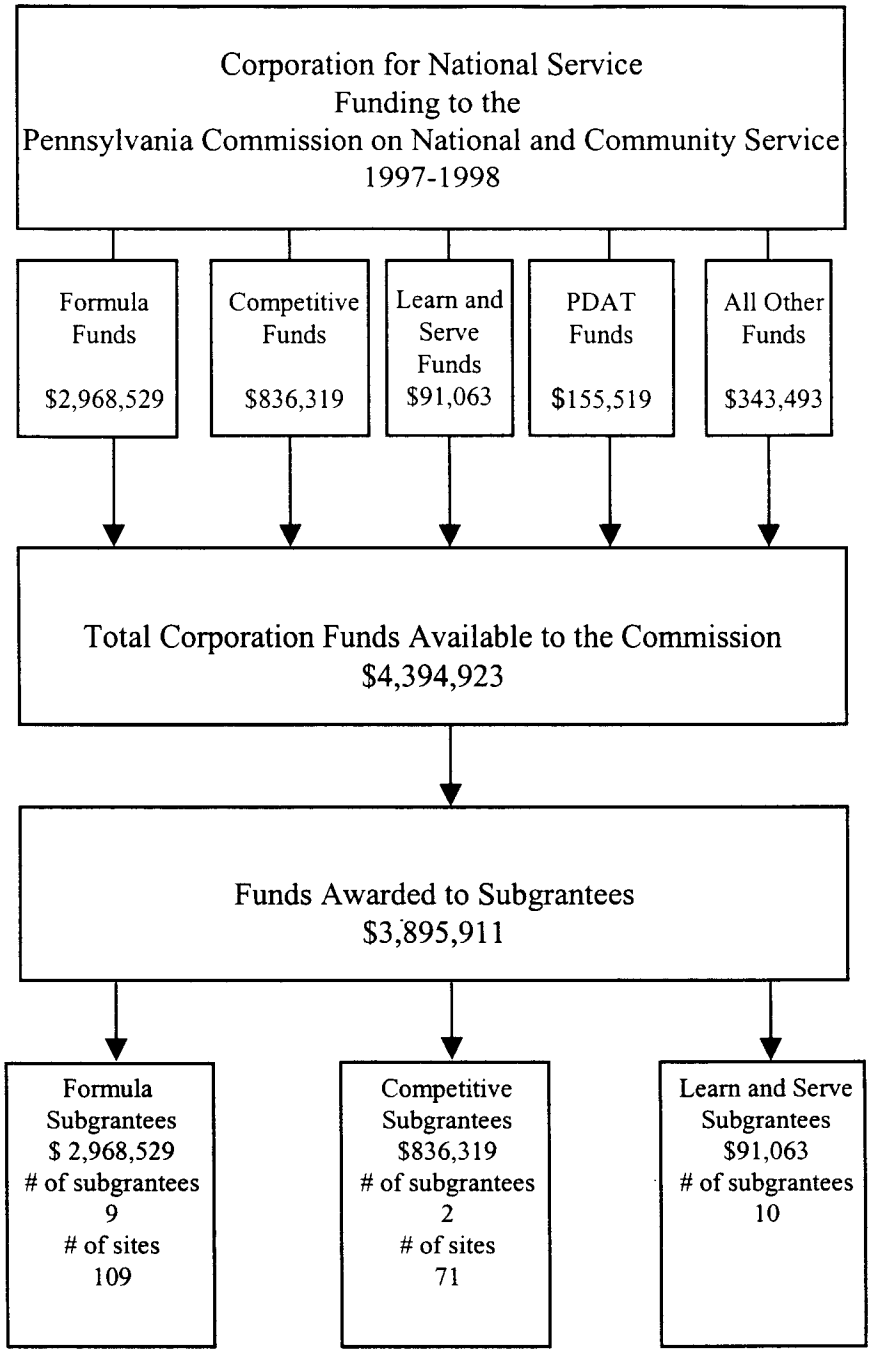
Commission Funding Appendix A

The table below and the flowcharts on the following pages depict the Commission's funding over the past three program years. For the Formula and Competitive Grant Funds and the Learn & Serve Grant Funds, we were unable to agree the funding amounts to the Commission's FSRs for (a) 1998-99 because the final FSR for the program year had not been completed at the time of field work, and (b) previous program years because those FSRs had been prepared on a cumulative, not program year, basis. For all other grant funds, we agreed the amounts to the FSRs for the corresponding years.

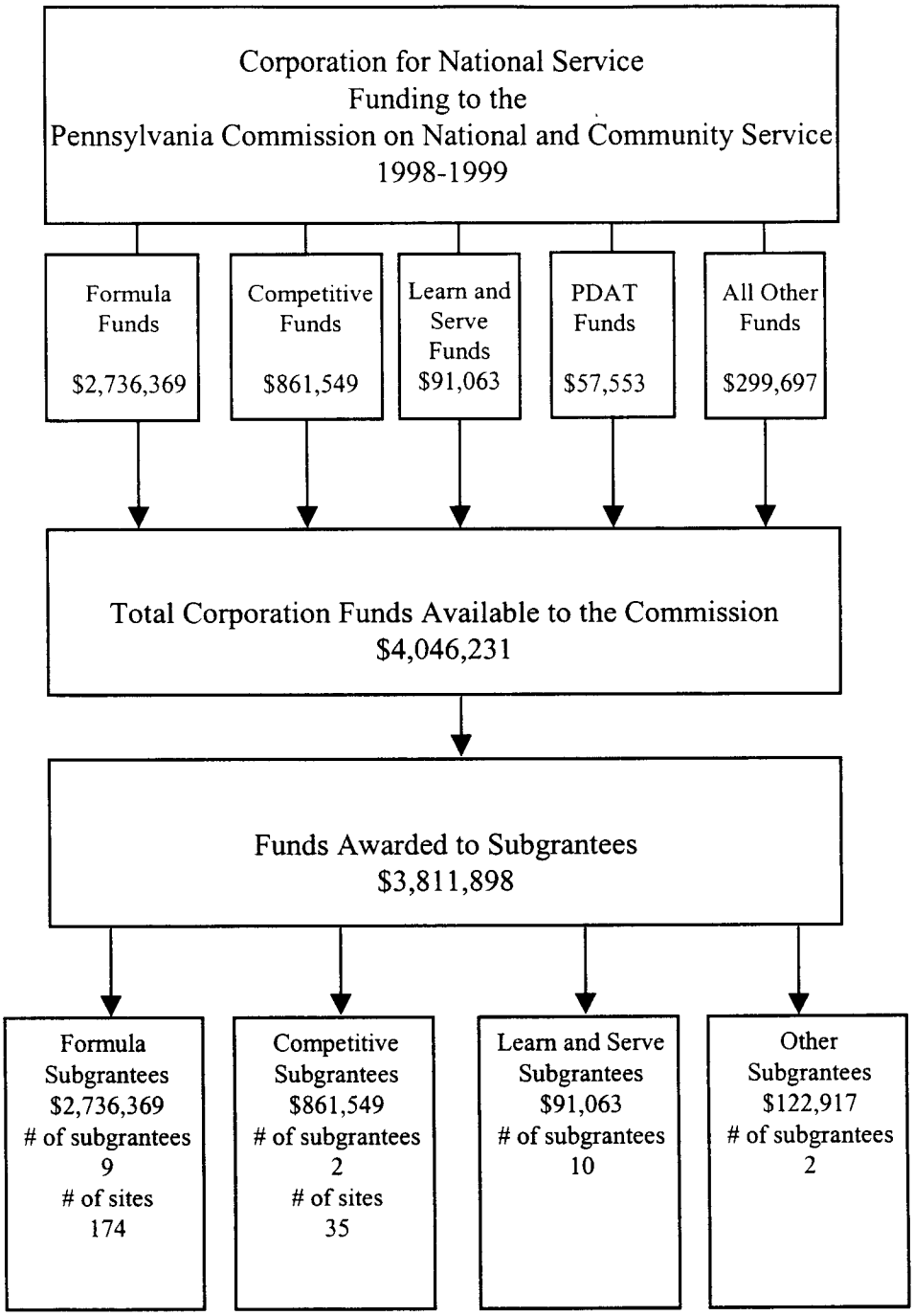
Funding Source and Type	1996-97	1997-98	1998-99
CNS Formula Grant Funds	$2,309,591	$2,968,529	$2,736,369
CNS Competitive Grant Funds	215,914	836,319	861,549
CNS Education Awards	-	19,002	3,866
CNS Learn and Serve	167,906	91,063	91,063
CNS America Reads	-	-	119,051
CNS Other	195,000	152,843	-
CNS PDAT Funds	33,562	155,519	57,553
CNS Administrative Funds	139,999	171,648	176,780
State Matching Funds	243,254	272,979	216,274
Total Funding	$3,305,226	$4,667,902	$4,262,505

Commission Funding




Corporation for National Service
Funding to the
Pennsylvania Commission on National and Community Service
1997-1998
Formula Funds
$2,968,529
Competitive Funds
$836,319
Learn and Serve Funds
$91,063
PDAT Funds
$155,519
All Other Funds
$343,493
Total Corporation Funds Available to the Commission
$4,394,923
Funds Awarded to Subgrantees
$3,895,911
Formula Subgrantees
$ 2,968,529
# of subgrantees
9
# of sites
109
Competitive Subgrantees
$836,319
# of subgrantees
2
# of sites
71
Learn and Serve Subgrantees
$91,063
# of subgrantees
10

Commission Funding



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 objective, we identified the compliance requirements with a direct and material effect on the Commission's AmeriCorps grant program, as follows: 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; and reporting by the Commission to the Corporation. We then interviewed key Commission personnel to assess the Commission's controls surrounding these requirements.

Selecting Subgrantees

Our objectives were to make a preliminary assessment:

- of the adequacy of the systems and controls utilized by the Commission to select national service subgrantees to be included in an application to the Corporation;

- 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

- as to whether Commission 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 determine if conflict of interest forms for each subgrantee applicant tested were signed by application reviewers annually and maintained by the Commission.

Administering the Grant Funds

Our objectives were to:

- make a preliminary assessment of the adequacy 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 are 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;

- make a preliminary assessment of the adequacy 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 forms and exit forms); and

- determine whether the Commission has procedures 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 had implemented the Web Based Reporting System (WBRS) and reviewed the Commission's organizational structure and staffing levels for adequacy.

Evaluating and Monitoring Subgrantees

Our objectives were to:

- make a preliminary assessment of the adequacy of the systems and controls utilized by the Commission to implement a comprehensive, non-duplicative evaluation and monitoring process for their subgrantees;

- determine whether the Commission has an established subgrantee site visit program in place and make a preliminary assessment of the effectiveness of its design in achieving monitoring objectives;

- make a preliminary assessment of the adequacy 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));

- make a preliminary assessment of the adequacy of the Commission's procedures for obtaining, reviewing and following up on findings included in the subgrantee OMB Circular A-133 audit reports, where applicable;

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

- make a preliminary assessment of the adequacy 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 OMB Circular A-133 audit reports from subgrantees.

Providing Technical Assistance

Our objectives were to:

- make a preliminary assessment of the adequacy of the systems and controls utilized by the Commission 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 that were made available to all subgrantees.

Appendix C

PENNSERVE
THE GOVERNOR'S OFFICE OF CITIZEN SERVICE
1304 LABOR & INDUSTRY BUILDING
HARRISBURG, PA 17120

TELEPHONE: 717-787-1971 FAX: 717-705-4215

March 8, 2000

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

Dear Inspector General Jordon:

Attached to this letter are comments to the draft report on the pre-audit survey of PennSERVE, Pennsylvania State Commission on Community Service. I have also attached a correction to an error found in the draft report.

If you have any questions on the information provided, please call me at 717-787-1971.

Sincerely,

KAREN S. FLEISHER
Executive Director

Attachments (2)

PennSERVE'S RESPONSE TO FINDINGS AND RECOMMENDATIONS OF THE DRAFT REPORT ON THE PRE-AUDIT SURVEY OF THE PENNSYLVANIA STATE COMMISSION

Selecting Subgrantees

The Commission agrees with this finding.

Administering Grant Funds

Adequacy of Staffing Levels

The Commission agreed with this finding. On February 7, 2000, an additional permanent staff person began work as an Administrative Officer II.

Timeliness of Receipt of Progress Reports

Initially this finding was correct. However, in October 1999 the Commission began to track the receipt of all progress reports from subgrantees. In addition, the Commission will make the failure of the timely filing of progress reports by subgrantees subject to the same withholding of reimbursements of subgrantees as is currently in effect for the failure to file timely FSRs.

A notice of due dates for progress reports and FSRs has been provided since 1994 to all subgrantees in the form of a yearly calendar distributed by the state commission to all subgrantees in October of each year and for the past year a two weeks notice is also given through the PennSERVE onelist, an e-mail system which is utilized by all AmeriCorps State subgrantees.

Evaluating and Monitoring Subgrantees

Documentation of Subgrantees' Financial Systems, AmeriCorps Member Timesheets, and Expenses Documentation Examined during Site Visits

Commission staff will begin to specifically document these areas during site visits. However, since 1998, the Commission has and will continue to utilize the services of the Labor, Education and Community Services Comptroller's Office (LECS) to conduct site visits of AmeriCorps programs. These engagements are conducted in accordance with Generally Accepted Government Auditing standards, regulations promulgated by OMB Circulars, AmeriCorps Program Application Guidelines and the Program Director's Handbook. The review Includes tests of the accounting records, internal controls and verification of the revenues, matching requirements, accruals, expenditures and other tests considered by the accountants to be necessary.

Schedule of Planned and Actual Site Visit Dates

The Commission will maintain a yearly log of planned and actual site visits. The dates of visits may be subject to change for a variety of reasons such as a subgrantee has hired a new director or a problem has been identified which would require immediate action through a site visit conducted by the Commission. All subgrantees have and will continue to receive a letter from the commission after a site outlining any areas of concern or of exemplary performance. All site visits conducted by the accountants of the LECS Audit Division are scheduled in the preceding year through a cooperative agreement between the Commission and the auditors. An engagement letter is sent to the subgrantee notifying them of the upcoming review by the auditors.

Written Policies and Procedures Related to Follow-up on Deficiencies Noted at Subgrantees

The Commission is currently working on the development of written policies and procedures to ensure subgrantees correct deficiencies found by the Commission. In addition, LECS Audit Division requires that entities under review by the auditors of the Governor's Budget Office respond with a corrective action plan within 60 days of the issuance of the LECS auditors' report on the subgrantee. The resolutions of the LECS engagements ultimately fall under the Commission responsibility umbrella since the report is issued to the Commission. Corrective action plans are reviewed and determination is made as to whether further resolution is required.

Verifying Information on Progress Reports at Site Visits

The commission concurs with this finding and will develop written procedures to judgmentally select and test observations included in progress reports to determine the accuracy of the information included by the subgrantee in the report.

PennSERVE'S CORRECTIONS AND CLARIFICATIONS TO PRE-AUDIT SURVEY OF THE PENNSYLVANIA STATE COMMISSION

On page 3 of the draft report on the pre-audit survey of the Pennsylvania State Commission it states "Number of Subgrantees Subject to A-133 Audit Requirements*". The State Commission was asked to provide audits for a specific sample size. At no time did the staff of the State Commission indicate that these were the only audits on file or the only programs subject to A133 audits.