OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

PRE-AUDIT SURVEY OF THE OHIO GOVERNOR'S COMMUNITY SERVICE COUNCIL

OIG Audit Report Number 00-15
November 30, 1999

Prepared by:

KPMG LLP
2001 M Street, N.W.
Washington, D.C. 20036

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This report was issued to Corporation management on April 12, 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 October 9, 2000, and complete its corrective actions by April 12, 2001. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of Inspector General
Corporation for National and Community Service

CORPORATION
FOR NATIONAL
SERVICE

Pre-Audit Survey of the
Ohio Governor's Community Service Council
OIG Audit Report Number 00-15

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 Ohio Governor's Community Service Council. KPMG's report, which follows, concludes that the Council presently has adequate controls over pre-award and grant selection procedures, fiscal administration, monitoring, and the use of training and technical assistance funds. The report includes recommendations for improvements by the Council, oversight by the Corporation for National Service, a full-scope audit of the Council for program years 1995-96 through 1997-98, and a limited scope audit for program year 1998-99.

We have reviewed the report and work papers supporting its conclusions, and we agree with the findings and recommendations presented. Responses to the report by the Ohio Council and the Corporation for National Service are included as appendices C and D, respectively.

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

Pre-Audit Survey of the
Ohio Governor's Community Service Council
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2001 M Street, NW
Washington, DC 20036

Telephone 202 533 3000
Fax 202 533 8500

November 30, 1999

Inspector General
Corporation for National and Community Service:

At your request, KPMG performed a pre-audit survey of the Ohio Governor's Community Service Council (the Council). 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 Council;
- 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 Council.

Results in Brief

Based on the results of the limited procedures performed, we have made the following preliminary assessments regarding the Council's systems for administering its AmeriCorps grants:

- The Council administers an open, competitive process to select national service subgrantees. However, we identified areas for improvement related to (1) consideration of prior subgrantee evaluations during the renewal application process and (2) Learn and Serve subgrantee selection.

- The Council has an adequate process in place for fiscal administration of grants. However, we identified areas of improvement related to the lack of procedures to determine the accuracy of information processed through the state's financial systems.

- The Council has adequate controls in place to evaluate and monitor subgrantees. However, we identified areas of improvement related to (1) documentation of items tested during site visits prior to program year 1998-99 and (2) consistent and timely review of and feedback on Office of Management and Budget (OMB) Circular A-133 reports.

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

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The section below entitled Findings and Recommendations describes the observations noted above in further detail and addresses additional issues noted during the survey.

The results of our survey showed an improvement in the development and implementation of policies and procedures during 1997-98, which impacted controls for 1998-99. Therefore, based on our preliminary assessment, we recommend the performance of a full scope audit at the Council for program years 1995-96 through 1997-98 and a limited scope audit for program year 1998-99.

Additionally, we recommend that the Corporation follow up with the Council 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 Council.

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

Overview of the Ohio Council

The Ohio Governor's Community Service Council, located in Columbus, Ohio, has received AmeriCorps grant funds from the Corporation for National and Community Service since

program year 1994-95. The Council is an office of the State of Ohio, established through state legislation in 1994 to administer grants under the National and Community Service Trust Act of 1993.

The Council consists of 13 Governor appointees and eight state legislative representatives. The Ohio Department of Aging serves as the Council's fiscal agent. The Council has a staff of 10 full-time and 4 part-time/contract personnel working under an Executive Director in three teams: program, fiscal, and community.

As part of the Ohio State government, the Council is annually subjected to statewide OMB Circular A-133 audits. However, the Corporation grants have never been tested as major programs.

The Council 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	$4,505,074	42	25
1997-98	4,210,613	42	22
1998-99	3,591,160	55	24

* Determination is based solely on dollar value of federal awards passed through the Council 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. Because the Council does not consistently obtain and review such audit reports as reported on page 10, we were unable to verify that applicable subgrantees complied with this audit requirement.

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 a preliminary assessment of the systems and procedures in place at the Council 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 Council;
- 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 Council.

Our survey included the following procedures:

- reviewing applicable laws, regulations, grant provisions, the Corporation's *A 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 reports and current program year grant agreements with the Council;

- obtaining information from Council 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 Council'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 Council 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 Council management during an exit conference on November 30, 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 Council 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 Council'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 Council and the Corporation. The Council's and the Corporation's responses to our findings and recommendations are included as Appendix C and Appendix D, respectively. In order to address certain of the concerns expressed in the Council's response, we have clarified the wording of the respective Findings and Recommendations, which begin on the following page.

Findings and Recommendations

The Council is in the process of documenting its policies and procedures relating to the selection of subgrantees, administration of grant funds, evaluation and monitoring of subgrantees, and providing training and technical assistance to subgrantees. As the Council completes this project, we recommend that the Council include the recommendations discussed below that we developed based on specific findings within each area.

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 Council has developed and implemented various procedures to meet this responsibility. For example, Council personnel require the AmeriCorps selection officials to sign conflict of interest statements before the commencement of the selection process. In addition, selection officials use a standard form, which includes an area for the assessment of financial systems and organizational capacity, to evaluate each applicant. However, we identified the following areas for improvement within the selection process.

Consideration of Prior Evaluations by Selection Officials in the Renewal Application Process

The selection officials consist of a peer review team of three to four independent community professionals (for recompete projects), a staff review team of three Council staff members, and the Council Board members. These selection officials have the responsibility to evaluate applicants and make approval/rejection decisions. Council personnel provide information to these selection officials for each applicant.

If the Council has funded an applicant in a previous year, Council personnel communicate key aspects of program evaluations to the selection officials through the staff review process using a written summary of the applicant's strengths and weaknesses. This summary, however, does not specifically address the program's performance in the prior program year. Therefore, the content of this communication may vary significantly from applicant to applicant because Council subgrantee selection procedures do not identify what information should be communicated to selection officials for each previously funded applicant.

As a result, Council personnel may provide certain information to the selection officials about one previously funded applicant, but may inadvertently omit that information in their communications about other previously funded applicants. If similar information is not consistently communicated about each previously funded applicant, then the fairness of the selection process may be impaired and Council personnel may unintentionally bias the selection process. In addition, if information is inadvertently omitted, the Council runs the risk of funding a program that had operational issues in the previous program year.

Lack of Consistent Documentation over the Subgrantee Selection Process prior to November 1997

Currently, the Council has implemented specific controls and documentation procedures over the subgrantee selection process. However, prior to November 1997, we observed that for two of

eight applications selected, the documentation supporting the review process was inconsistent and incomplete. In November 1997, the Council developed policies that required specific documentation of the reviews performed in the selection process, and we identified no documentation exceptions for the six applications tested that were processed after that date (program year 1998-99 applications). As a result, no recommendation is required at this time related to documentation supporting the subgrantee selection process.

Inconsistent Application of Policies and Procedures over Selecting Subgrantees for the Learn and Serve Grants

The Council has developed procedures related to documentation requirements of the Learn and Serve subgrantee selection process. However, we noted that these procedures are not in writing and that the Council has not consistently followed them. For the two of the six Learn and Serve applications selected for test work, we found a lack of supporting documentation for the selection review process. In addition, we noted the inconsistent completion of conflict of interest statements.

Other Observations

We noted that the Council does not consider an applicant's prior OMB Circular A-133 audit reports, if applicable, during the subgrantee selection process to assist in the determination of the adequacy of the applicant's operations and control environment. In addition, the Council lacks written procedures that address grievance suits related to the selection process.

Recommendations

We recommend the Council focus on measures for improving the effectiveness of its subgrantee selection process as follows:

- Develop an objective, standardized method of communicating the results of the Council's evaluation of previously funded applicants. This method should ensure that the same type of information is communicated for each applicant. The Council should also consider providing this information to the reviewers in writing to ensure consistency of content and availability of the information to the selection officials while they are making their funding determinations.

- Formalize and enforce established policies and procedures for the Learn and Serve subgrantee selection process. These procedures should (1) specify documentation requirements over the selection process and (2) require completion of conflict of interest statements for all peer review members.

- Develop and implement procedures to (1) evaluate each applicant's prior OMB Circular A-133 audit reports, if applicable, during the selection process, and (2) address grievance suits related to the selection 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 Council has developed and implemented procedures to administer grant funds received from the Corporation. 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. The Council's organizational structure appears adequate and personnel appear to have adequate skills and experience to manage Corporation grant funds.

We identified the following areas for improvement related to the evaluation of subgrantee compliance with reporting and grant requirements.

Lack of Procedures to Determine the Accuracy of Information Processed through the State's Financial Systems

The Ohio Department of Aging (ODA) serves as the Council's fiscal agent. ODA performs the following tasks for the Council: processing grant draw downs using the statewide accounting system, disbursing funds to subgrantees and vendors, and providing the Council with reports on financial activity. The Council uses the data output from these systems to report its financial information in the required FSRs and to determine the amount of funds that have been spent. Furthermore, prior to program year 1999-2000, the Council did not receive or review the annual independent auditors' report on the processing of transactions by the statewide accounting system; reviewing this report would provide assurance over or highlight weaknesses in the statewide accounting system's internal controls.

In addition, because of system limitations, the Council does not compare budget to actual expenses by budget line item for its Administrative and PDAT grants. Comparing actual expense by budget line item to the approved budget is a strong control to ensure that the Council is expending its funds on approved activities and that the fiscal agent and state accounting system are properly processing its fiscal activities. Currently, the Council does compare total actual grant expense to the approved grant amount.

Lack of Evidence of FSR Review, Including Matching Recalculation, prior to December 1996

Council procedures require that subgrantee FSRs be reviewed upon receipt and that matching requirements be recalculated at that time. However, prior to the 1996-97 program year, the Council did not document the performance of this review. As a result, the one FSR we tested from the 1995-96 program year did not contain evidence that this review had been performed.

In December 1996, the Council developed procedures that require the completion of an FSR worksheet, which documents the review performed over each FSR and the related matching recalculation. We noted no exceptions to this procedure for the nine subgrantees tested that submitted FSRs after this date (program years 1996-97 through 1998-99). As a result, no recommendation is required at this time related to documentation of the FSR review and matching recalculation.

Recommendations

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

- Develop and implement formal procedures to review the annual independent auditors' report on the processing of transactions by the statewide accounting system to ensure that the third party financial system maintains proper controls over data integrity and financial reporting.

- Develop and implement procedures to compare on a periodic basis (e.g., monthly) budgeted expenses to what the fiscal agent reports as actual expenses for each budget line item for the PDAT and Administration grants. This review will help identify any unusual or inappropriate transactions or any overspending of funds.

Evaluating and Monitoring Subgrantees

As noted above, the Council is responsible for evaluating whether subgrantees comply with legal, reporting, financial management and grant requirements and ensuring follow through on issues of noncompliance. The Council monitors its programs through review of required quarterly progress reports, FSRs and Financial Detail Reports (FDRs) (which compare the subgrantee's actual to budgeted expenditures) and the performance of three types of monitoring site visits throughout the year (i.e., compliance, financial and programmatic). In addition, beginning in February 1999 (program year 1998-99), the Council implemented unannounced monitoring visits for subgrantees with areas of concern identified by the Council.

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

Documentation of Items Tested During Site Visits

Prior to the 1998-99 program year, the Council did not document the items selected when performing detailed reviews during site visits. Thus, we were unable to verify the examination of Member timesheets and expenses during site visits for the subgrantees selected. Beginning in April 1999 (program year 1998-99), the Council implemented a checklist that requires the identification of items tested during compliance site visits. However, a similar checklist has not been developed for the financial site visits.

Review of OMB Circular A-133 Reports or Other Audit Reports from Subgrantees

OMB Circular A-133 Compliance Supplement, April 1999, Part 6 – Internal Control suggests that review of and follow-up on subgrantees' audit reports is a key component of a program to monitor subgrantees' compliance with federal grant requirements. In program year 1997-98, the Council implemented procedures to receive and review OMB Circular A-133 reports. However, these procedures do not require the review of OMB Circular A-133 reports until the end of the grant term in conjunction with grant closeout procedures. In addition, although the Council maintains a listing of OMB Circular A-133 reports that are required but not received, we noted that two of five outstanding OMB Circular A-133 reports were not included on the control listing.

Because the Council does not consistently review or receive these reports, identified control weaknesses or instances of noncompliance related to the AmeriCorps program are not known until the end of a grant term, if at all. As a result, control weaknesses or instances of material noncompliance related to the AmeriCorps program of which the Council is not aware may exist and may not be corrected timely.

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

The Council does not have written policies and procedures related to the resolution of deficiencies identified by the Council through site visits, review of OMB Circular A-133 reports, and/or review of quarterly progress reports. Without formal policies and procedures for follow-up on audit issues, the Council can not assure itself that subgrantees have corrected identified deficiencies and instances of non-compliance in a timely manner.

Receipt of Progress Reports

The Council has procedures to determine that all progress reports are received timely. These procedures include date stamping the progress reports and maintaining a master list of each program with the date the progress report was received. However, for the quarters ending June and September 1999, the master list was not completed. Therefore, the Council was not readily able to verify that all progress reports were received and reviewed.

In October 1999 (program year 1999-2000), the Council began using the Web Based Reporting System, which electronically records the date subgrantees submit their progress reports to the Council. As a result, no recommendation is required at this time related to receipt of subgrantees' progress reports.

Timeliness of Feedback on Progress Reports

Timely feedback on progress reports allows the subgrantees to improve their operations. Council procedures indicate that the review of progress reports and submission of results to the subgrantees is to be completed within three weeks of receipt. Currently, the Council is not meeting this guideline. Instead, the Council provides feedback on progress reports to the subgrantees within three months of completion of the review.

Policies and Procedures over the Evaluating and Monitoring of Learn and Serve Subgrantees

The Council requires Learn and Serve subgrantees to submit quarterly progress reports detailing programmatic and financial compliance with grant agreements. However, Council procedures do not include (1) the performance of site visits for Learn and Serve subgrantees or (2) the submission of written feedback on the quarterly progress reports submitted by Learn and Serve subgrantees.

Recommendations

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

- Develop and implement procedures to document the review and testing of subgrantees' Member timesheets and expense documentation during financial site visits. These procedures should require identification of selection criteria and items selected for testing.

- Obtain and review the most recent OMB Circular A-133 reports as a part of the compliance site visits for all subgrantees. The Council should review these reports upon receipt to determine if corrective action relevant to the AmeriCorps grant is needed. If an OMB Circular A-133 audit is in process when the site visits occurs, the Council should note this in an "outstanding reports" listing, which should be reviewed periodically during the year to ensure all OMB Circular A-133 reports are obtained and reviewed timely.

- Develop and implement written policies and procedures to ensure that adequate corrective actions are taken in a timely manner when deficiencies are noted either by the Council during site visits, or by OMB Circular A-133 report reviews.

- Enforce current procedures related to the timely review and submission of feedback on subgrantee progress reports.

- Develop and implement formal policies and procedures for evaluating and monitoring Learn and Serve subgrantees. These procedures should include performing site visits and providing the subgrantees with feedback on their quarterly progress reports to help ensure proper programmatic and financial compliance.

Providing Technical Assistance

Annually, the Council receives grant funds to provide technical assistance to its subgrantees. Procedures are in place at the Council to (1) identify training needs of subgrantees through site visits, training evaluations, and need and resource assessment surveys; (2) notify subgrantees of training programs; and (3) provide needed training to subgrantees. We identified no significant areas for improvement within this process as a result of the limited procedures performed.

*****

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 Ohio Governor's Community Service Council, 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

Council Funding

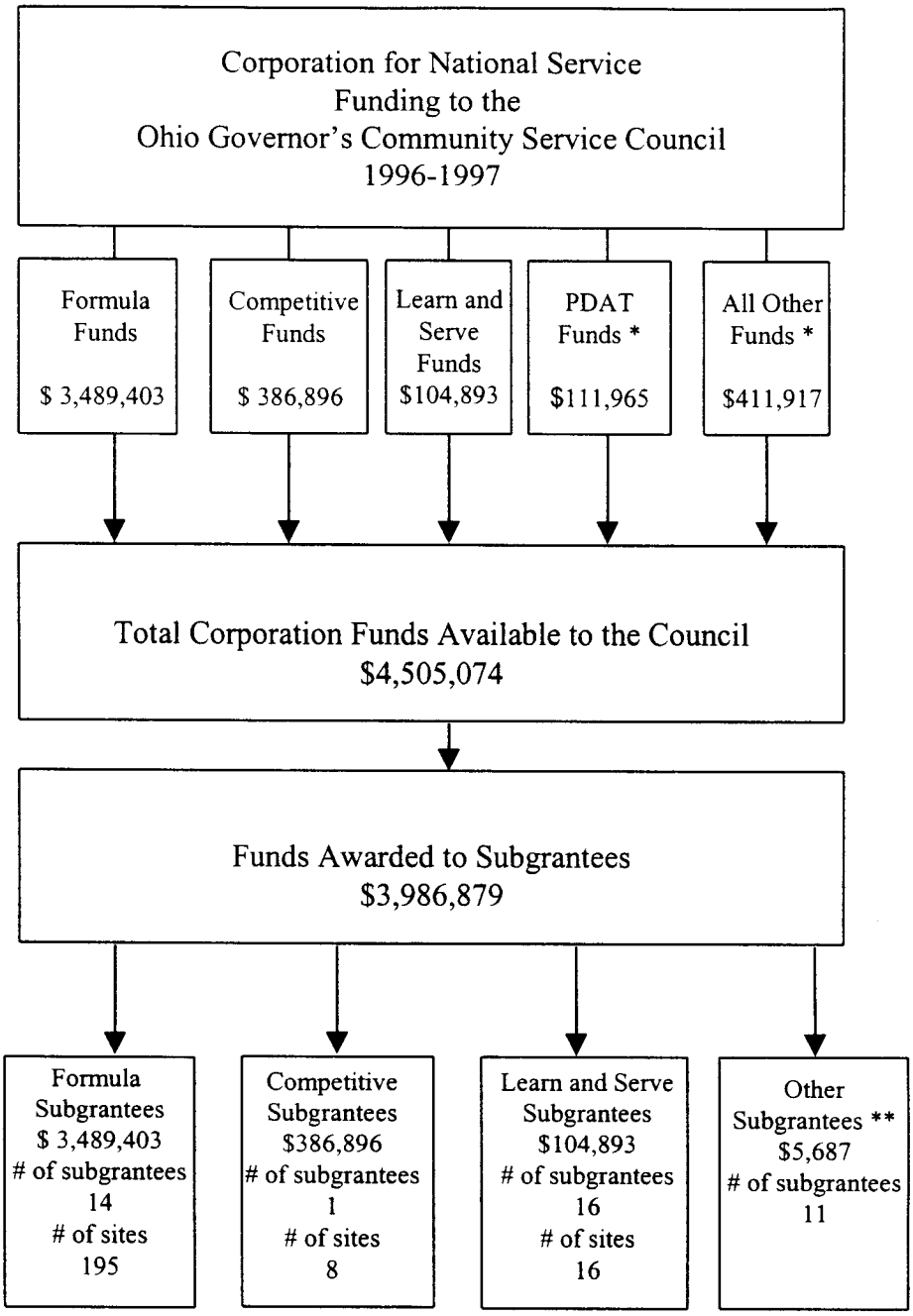
Appendix A

The table below and the flowcharts on the following pages depict the Council's funding over the past three program years. We were unable to agree the funding amounts to the Council'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.

Funding Source and Type	1996-97	1997-98	1998-99
CNS Formula Grant Funds	$3,286,336	$2,581,425	$2,137,677
CNS Competitive Grant Funds	307,638	841,360	689,864
CNS Promise Fellows Funds	-	-	52,836
CNS Ohio Reads Early Funds	-	-	88,613
CNS Educational Only Awards	-	142,656	1,500
CNS Learn and Serve Funds	104,893	155,227	-
CNS Disability Funds	-	-	3,006
CNS PDAT Funds	89,784	189,545	31,476
CNS Administrative Funds	323,036	112,247	385,421
CNS Carryover Funds	393,387	188,153	200,767
State Matching Funds	104,622	310,333	388,965
Total Funding	$4,609,696	$4,520,946	$3,980,125

Council Funding

Appendix A

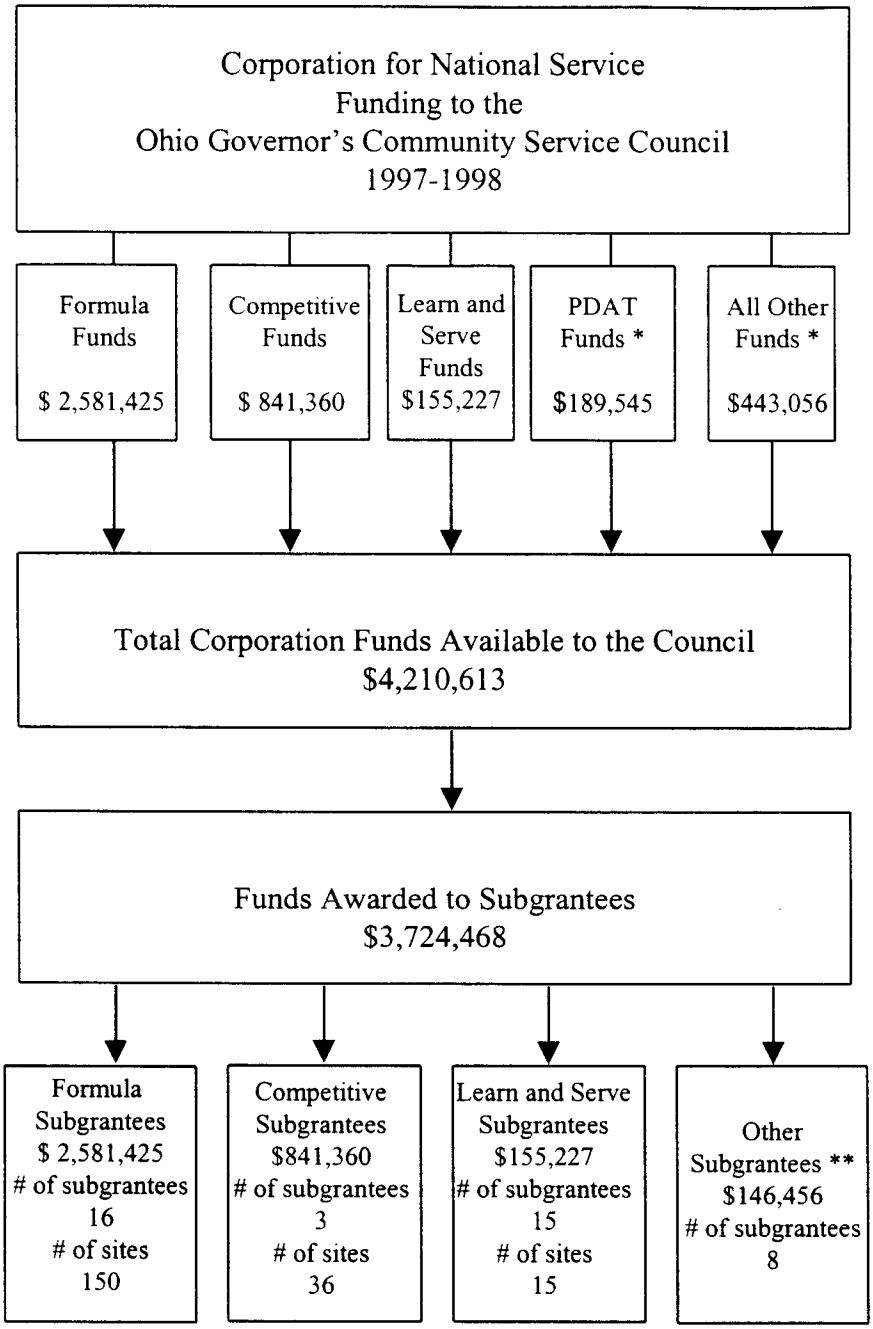


* The PDAT and Administrative (within "all other funds") grant information is based on the program year 1/1/97 to 12/31/97. All other grants and information is based on the 8/96-12/97 program year.

** Other subgrantees receive funding under Educational Only Awards and Administrative grants.

Council Funding

Appendix A

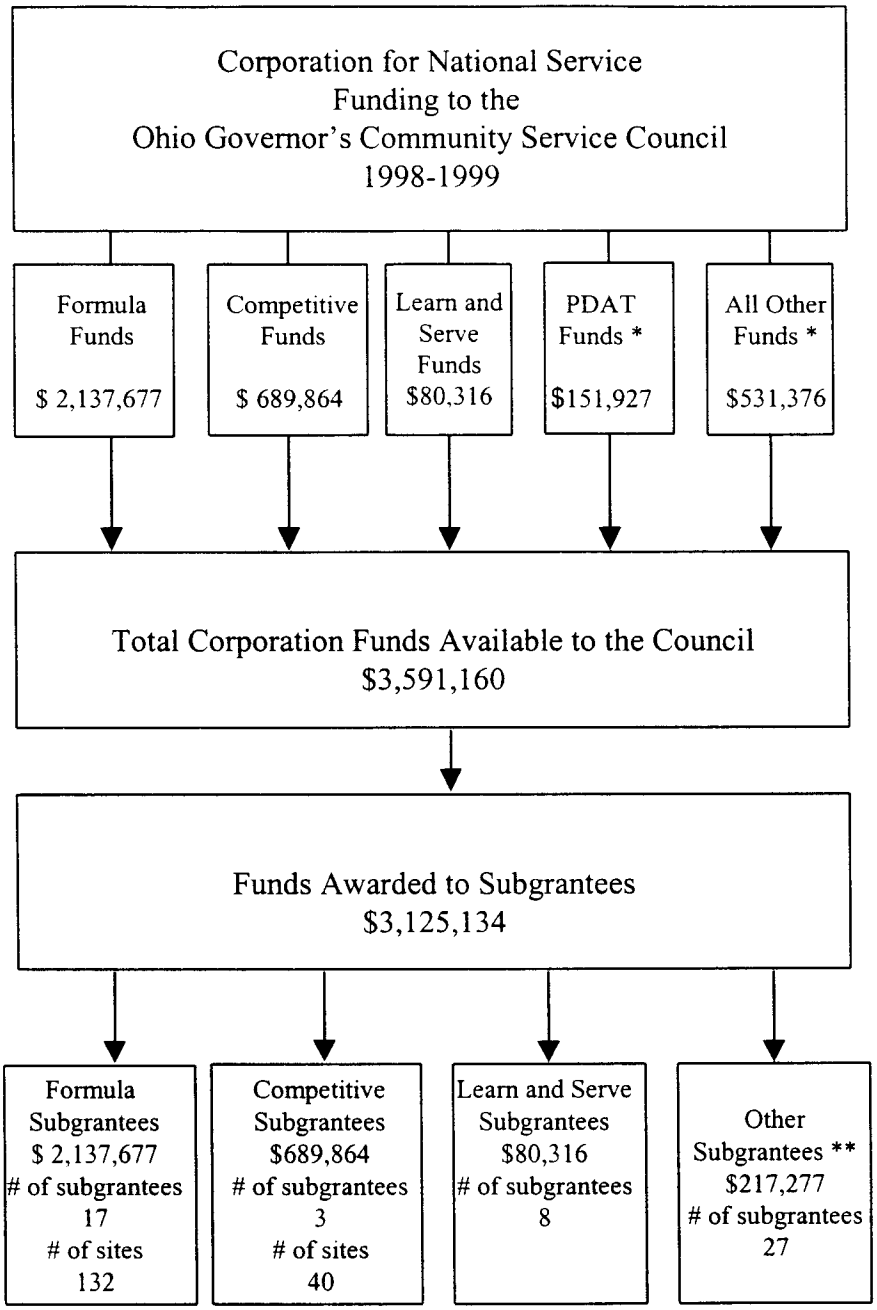


* The PDAT and Administrative (within "all other funds") grant information is based on the program year 1/1/98 to 12/31/98. All other grants and information is based on the 8/97-12/98 program year.

** Other subgrantees receive funding under Educational Only Awards and Administrative grants.

Council Funding

Appendix A



* The PDAT and Administrative (within "all other funds") grant information is based on the program year 1/1/99 to 12/31/99. All other grants and information is based on the 8/98-12/99 program year.

** Other subgrantees receive funding under Educational Only Awards, Administrative, Disability, and Promise Fellows grants.

Internal Controls

Our objective was to make a preliminary assessment of the adequacy of the Council's financial systems and documentation maintained by the Council 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 Council's AmeriCorps grant program, as follows: activities allowed or unallowed and allowable costs; cash management; eligibility; matching; period of availability of Corporation funds; procurement, suspension and debarment; subrecipient monitoring; and reporting by the Council to the Corporation. We then interviewed key Council personnel to assess the Council'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 Council to select national service subgrantees to be included in an application to the Corporation;
- as to whether the Council 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 Council involvement in the application process involved any actual or apparent conflict of interest.

In order to achieve the above objectives, we interviewed key Council management and documented procedures performed by the Council during the pre-award financial and programmatic risk assessment of potential subgrantees. We also reviewed documentation to determine if conflict of interest forms were signed by selection officials annually and maintained by the Council.

Administering the Grant Funds

Our objectives were to:

- make a preliminary assessment of the adequacy of the systems and controls utilized by the Council to oversee and monitor the performance and progress of funded subgrantees;
- make a preliminary assessment as to whether the Council's organizational structure and staffing level and skill mix are conducive to effective grant administration and whether the Council has a properly constituted membership;

- make a preliminary assessment as to whether the Council 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 Council to support oversight of subgrantees and required reporting to the Corporation (including Financial Status Reports, enrollment forms and exit forms); and

- determine whether the Council 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 Council to the Corporation, to preliminarily assess the accuracy of submitted Financial Status Reports. We also determined whether the Council has implemented the Web Based Reporting System (WBRS).

Evaluating and Monitoring Subgrantees

Our objectives were to:

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

- determine whether the Council 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 Council'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 Council'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 Council to evaluate and monitor individual subgrantees. In addition, we judgmentally selected subgrantees and obtained the Council's documentation for site visits. We reviewed the documentation to preliminarily assess the adequacy of the procedures performed by the Council

to assess financial and programmatic compliance and related controls at the sites. We also determined whether the Council 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 Council 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 Council to identify and satisfy training needs for the subgrantees and Council 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.

GOVERNOR'S
COMMUNITY SERVICE
COUNCIL

March 16, 2000

Ms. Luise S. Jordan
Inspector General
Office of the Inspector General
Corporation for National Service
1201 New York Avenue, NW
Washington, DC 20525

Dear Ms. Jordan:

Please accept this letter as the Governor's Community Service Council's formal response to the pre-audit survey (OIG Audit Report Number 00-15) prepared by KPMG LLP. I would like to begin by expressing appreciation to the Columbus, Ohio firm of KPMG which conducted the pre-audit survey. The audit team provided helpful recommendations to further strengthen the sound operating systems the Council has put into place over the last several years. The team's professional, thoughtful and respectful approach to its task and to the Council staff helped to make the pre-audit survey a positive, productive and ultimately beneficial experience for us.

We agree with the general conclusions that the Council as it has evolved and matured has developed and implemented policies and procedures that ensure adequate controls for and compliance of both Council and sub-grantees financial and programmatic matters. The pre-audit survey also corroborated the only deficiency noted in the Council's Administrative Standards Review in late 1999: the strong systems, policies and practices developed and consistently utilized by the Council are not adequately documented in writing. Needless to say, the completion of policy and procedure manuals governing all aspects of Council operation is the primary administrative goal for Year 2000. The Council maintains communication with Susannah Washburn, AmeriCorps Program Officer concerning progress in this area.

However, there are several specific findings with which we do not agree:

1. **<u>Inconsistent Application of Policies and Procedures over Selecting Subgrantees for the Learn and Serve Grants</u>**
   It was noted that procedures related to selecting subgrantees were not in writing. This is incorrect. Copies of policies and procedures for selecting Learn and Serve subgrantees were provided to the audit team during the review and again as the team sought further clarification of information related to Learn and Serve. I am enclosing the information again as part of this response.

In addition, the final section in this section implies that both test files were deficient. This is incorrect. One of the two test files was complete and the other lacked some of the necessary documentation.

2. **Documentation of Items Tested During Site Visits (Recommendation , page 11)**
The recommendation suggests that the written checklist utilized to document the records that are examined during a monitoring visit is not enough. It was verbally recommended that copies of tested records be maintained with the checklist as necessary documentation. Implementation of this recommendation requires additional time at the site to copy records and additional storage space that is not available. We do not believe that this is a realistic or necessary part of the monitoring process. However, the part of this recommendation that we are implementing is attaching copies of tested member time sheets to the monitoring checklist.

3. **Timeliness of Feedback on Progress Reports (page 11)**
While the information presented is accurate, I want to reiterate that the three-week turnaround time is a self-imposed goal rather than a compliance issue. We do agree that we should be meeting our goal or changing it if it isn't realistic. The recent addition of staff in the Program area will enable the Council to meet its goal of timely feedback to subgrantees.

4. **Lack of Procedures to Determine the Accuracy of Information Processed through the State's Financial Systems (Page 8)**
The comments on *Information processed through the State's Financial System* overstate the role of the fiscal agent (ODA) and overlook existing Council procedures which verify the accuracy of information. In reality, ODA is simply a conduit between the Council and the state accounting system (CAS) – entering data as directed by the Council and channeling back to the Council system-generated reports based on the data entered. ODA also downloads to the Council the raw data in electronic format. Given this system, there are two potential sources of error: (1) inaccurate data entry by ODA, and (2) erroneous coding by Council staff. Procedures in place to prevent and/or detect errors from both of these sources include:
   - Draw downs of funds, which are reflected in CAS as deposits, are reconciled to the source via quarterly PMS-272 report.
   - Funds drawn correspond exactly to vouchers processed, allowing quarterly reconciliation of each federal grant as part of the PMS-272 process; any inaccuracy would result in an unexplained excess or deficit.

- With each request for payment, subgrantees indicate the total funds received to date according to their records; any discrepancy between CAS and the subgrantee records is resolved prior to approval of the payment request.
- The electronic data provided from CAS is used to prepare monthly financial reports; this process involves a review by the Internal Operations Director of the monthly transaction detail for miscoded or mis-keyed transactions.

We do concur that a review of the annual independent auditors' report on the statewide accounting system is essential, given our reliance on CAS for financial information. While we are not in a position to rectify any systemic weakness uncovered by the independent auditors, knowledge of such weakness will ensure that we use CAS data in an appropriate manner.

The observations detailed on Pages 8 and 9 regarding budget-to-actual reporting and the limitations of the state accounting system are correct. However, it should be noted for the record that we are among the state agencies implementing CAS/Workflow, an enhancement which allows user-defined coding to be added to CAS transactions. This will give us the ability to code transactions and report data on the basis of CNS budget lines. Implementation will be complete by the start of fiscal 2001 (July 1, 2000).

5. **Implied Non-Compliance**

Two of the "areas for improvement" cited in the report call for no action on the part of the Council:

- Lack of Consistent Documentation over the Subgrantee Selection Process
- Lack of Evidence of FSR Review, Including Matching Recalculation

We feel the words "Lack of" should be removed resulting in a neutral description. This will eliminate the implication of current non-compliance resulting from the present wording.

In conclusion, I would also like to go on record as saying that the Governor's Community Service Council, like the other State Service Commissions around the country, is less than six years old. We didn't have the "luxury" of planning before doing, of establishing systems, policies and procedures before becoming operational. At the same time we were trying to establish ourselves at the state level, the Corporation for National Service was trying to establish itself at the federal level. At all levels we have struggled to develop sound operating systems, adequate documentation, consistent and timely communication, and a full understanding of the complex rules and regulations of CNS. In Ohio,

thanks to the unflagging commitment and hard work of a dedicated (and weary!) staff and Council, we are making excellent progress in creating a stable, accountable, effective and sustainable organization. The scrutiny of CNS and the Office of the Inspector General are always welcome especially if, as a result, the Governor's Community Service Council becomes an even stronger organization.

Thank you.

Sincerely,

Kitty Burcsu

Kitty Burcsu
Executive Director

cc: Susannah Washburn
Andrew Geisfeld

MEMORANDUM

AmeriCorps National Service

CORPORATION FOR NATIONAL SERVICE

TO: Luise S. Jordan

THRU: Anthony Musick

FROM: Deborah R. Jospin
Bruce H. Cline

DATE: March 10, 2000

SUBJECT: Response to the Draft Audit Report 00-15, *Pre-Audit Survey of the Ohio Governor's Community Service Council*

We have reviewed the draft report on your pre-audit survey of the Ohio Governor's Community Service Council. Given the nature of the report, this response serves as our proposed management decision. We note that your preliminary assessment recommends a full scope audit at the Council for program years 1995-96 through 1997-98 and a limited scope audit for program year 1998-99. 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 Council 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 Council."

Some of the conditions cited in the "results in brief" section of the report include concerns related to the lack of procedures to determine the accuracy of information processed through the state's financial systems and consistent and timely review of an feedback of OMB Circular A-133 reports.

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 Ohio, 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 Council provide semi-annual reports on their actions to correct conditions cited in the OIG pre-audit survey.

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

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