OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

PRE-AUDIT SURVEY OF THE MISSOURI COMMUNITY SERVICE COMMISSION

OIG Audit Report Number 00-17
November 5, 1999

Prepared by:

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2001 M Street N.W.
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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 Missouri Community Service Commission OIG Audit Report Number 00-17

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 Missouri Community Service Commission. KPMG's report, which follows, includes recommendations for improvements by the Commission, oversight by the Corporation for National Service, and a full-scope financial 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. Responses to the report by the Missouri Commission 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
Missouri Community Service Commission
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2001 M Street, N.W.
Washington, DC 20036

November 5, 1999

Inspector General
Corporation for National and Community Service:

At your request, KPMG performed a pre-audit survey of the Missouri Community Service Commission (Commission). 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. However, we identified areas for improvement related to (1) the lack of assessment of applicants' financial systems during the selection process, and (2) the lack of formal conflict of interest statements.

- The Commission has developed control policies and procedures to administer the Corporation's grant funds. However, as discussed in the Findings and Recommendations section of this report, the Commission did not effectively monitor adherence to these policies and procedures and perform necessary follow up procedures with subgrantees.

- The Commission has established controls to evaluate and monitor subgrantees. However, the Commission's on-site monitoring procedures do not always function as intended and do not include (1) review of Office of Management and Budget (OMB) Circular A-133 reports or other audit reports from subgrantees or (2) review of subgrantees' financial systems and expense documentation.

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

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

Based on our preliminary assessments, we recommend the performance of a full scope audit at the Commission for program years 1995-96 through 1998-99, with a focus on grant administration and subgrantee monitoring.

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 Missouri Community Service 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 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.

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 5, 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 and the Corporation's responses to our findings and recommendations are included as Appendix C and Appendix D, respectively.

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. Selection officials receive a conflict of interest information sheet and an instruction package and use a standard form to evaluate each applicant. However, we identified the following areas for improvement within the selection process.

Assessment of Applicants' Financial Systems during the Selection Process

Selection officials do not consider the adequacy of the applicants' financial systems during the Commission's subgrantee selection process. The application form provided by the Corporation does not specifically address the applicant's financial systems. Commission selection procedures do not require Commission personnel to request from the applicants additional information related to their financial systems. As a result, grant funds may be provided to an organization that does not have financial systems in place to properly account for those funds or is unable to ensure compliance with related grant requirements.

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 meet this responsibility, the Commission must be able to assure itself that subgrantees have systems in place to accurately track expenditures, since this information forms the basis of a majority of Commission expenditure reporting.

Lack of Formal Conflict of Interest Statements

According to *A Reference Manual for Commission Executive Directors and Members*, section 3.6, "State Commissions should strive to achieve the greatest objectivity and impartiality possible in the review and selection of grantees in the state...Any time a voting Commission member is not, or does not appear to be, for any reason, impartial to a program that is applying to the Commission for funding, the member has a conflict of interest." One way to help ensure this objectivity is to require selection officials (i.e., Commission members and peer reviewers) to annually certify in writing that they have no conflicts of interest.

Although Commission staff distributes relevant conflict of interest guidance to selection officials, the Commission does not have policies and procedures that require these officials to annually sign conflict of interest statements certifying that they have no conflicts. If selection officials have conflicts of interest but do not report them, the fairness of the selection process may be impaired.

Recommendations

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

- Require applicants to provide information related to their financial systems, and review this information during the subgrantee selection process. The review should focus on assessing whether the financial systems, as described, would provide reasonable assurance that applicants will be able to properly account for grant funds and comply with related grant requirements.

- Develop and implement procedures that require selection officials to sign conflict of interest statements annually after discussion of related issues with Commission staff and review of written guidance.

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's personnel have adequate skills and experience to manage and administer Corporation grant funds. However, the number of Commission subgrantees has doubled since the 1996-97 program year, and the Commission appears to be having difficulty handling the workload with only three full-time employees. Overall, the Commission's staff has developed control policies and procedures to administer the Corporation's grant funds. However, as discussed below, staff did not effectively monitor the policies and procedures and perform necessary follow up procedures.

From the inception of the AmeriCorps program at the Commission through the end of the 1995-96 program year, the Commission disbursed funds to subgrantees evenly throughout the year. However, the Commission corrected this noncompliance with cash management requirements in program year 1996-97 by implementing procedures to disburse funds to subgrantees on a reimbursement basis.

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

Lack of Review of Matching and Earmarking Requirements

Commission procedures require that subgrantees submit a monthly report/reimbursement request, which is to include documentation for the subgrantees' matching funds. During the 1997-98 program year, one of two subgrantees tested did not include evidence of its matching funds on its monthly report/reimbursement request to the Commission, and Commission personnel did not follow up timely with the subgrantee to obtain the missing information. Therefore, the Commission was unable to ascertain the subgrantee's compliance with the applicable matching

requirements. This subgrantee did not receive funding in the 1998-99 program year, and the Commission withheld payment of the subgrantee's last invoice because of the failure to submit its matching funds information. Also in the 1997-98 program year, the other subgrantee tested utilized greater than 5% of its federal funds for administrative purposes, which did not comply with program requirements. However, the Commission did not withhold payment in excess of the 5% threshold.

Timeliness of Receipt of Financial Status Reports (FSR)

The Commission does not date-stamp FSRs from subgrantees as they are received. Many of the FSRs appear to be received later than the 20th day following the end of the quarter, but the only evidence of when they were submitted is the date associated with the Program Director's signature. Therefore, the Commission can not routinely verify if these documents are submitted timely in compliance with the grant agreement. As a result, subgrantee FSRs may be submitted late, creating difficulty for the Commission when attempting to prepare and submit its FSR to the Corporation on a timely basis.

In program year 1999-2000, the Commission began utilizing 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 date stamping of FSRs.

Missing FSRs, Supporting Documentation for Expenditures and Programmatic Progress Reports

Some of the FSRs for the 1995-96 program year from the two subgrantees we tested could not be located by the Commission staff. Additionally, the Commission had not obtained the last four FSRs due from another subgrantee during program years 1997-98 and 1998-99. The Commission performed a site visit to this subgrantee during our fieldwork, and communicated the need to submit FSRs on a timely basis.

In addition to FSRs, the Commission requires the subgrantees to submit, at least on a quarterly basis, a detailed expenditure listing to support program and matching expenditures. However, Commission personnel did not enforce this requirement during the 1998-99 program year and did not follow up with subgrantees at a later date to obtain this documentation. Without FSRs and documentation to support the expenditures on the FSRs, the allowability of expenditures reported could be in question.

Additionally, we noted during our testing that several subgrantees failed to submit program progress reports. Without regular reporting regarding progress made on the program objectives, the Commission cannot assess whether a subgrantee program objectives are being achieved.

Noncompliance with the Suspension and Debarment Compliance Requirement

The Commission does not currently have procedures in place to ensure that its subgrantees have not been suspended or debarred by the federal government as required by the Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, nor does it monitor whether its subgrantees have procedures in place to ensure that organizations with which they conduct business have not been suspended or debarred by the federal government. If the Commission or one of its subgrantees has awarded or contracted federal funds to an organization

that has been suspended or debarred, the Commission and/or its subgrantee would not be in compliance with OMB Circular A-133 and its federal funds could be at risk.

Recommendations

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

- Develop an improved process for the timely review of and comprehensive review of monthly reports submitted by subgrantees. Consider developing a checklist to be used by the reviewer to provide reasonable assurance that all required information has been reported and verified for compliance with grant agreements. The completed checklist could then be submitted to a second person for review and approval. Such a procedure would enhance the review and monitoring procedures associated with matching funds and earmarking information, and serve as a reminder for communicating instances of noncompliance to subgrantees as soon as they are identified, and for following-up to ensure corrective action has been taken.

- Develop and implement formal procedures to withhold payments to subgrantees when they fail to submit required information and reports (e.g., matching funds information, FSRs, supporting documentation for expenditures and program progress reports) by the specified deadlines. Additionally, when the Commission receives the subgrantees' supporting documentation related to program and matching expenditures, this documentation should be reviewed and agreed to the subgrantees' FSRs and monthly report/reimbursement requests before the Commission disburses funds to the subgrantees. Finally, the Commission should continue to emphasize, during training sessions and site visits, the importance of submitting the required information and reports timely.

- Include in the subgrantee application materials a suspension and debarment certification to be signed by a representative of the subgrantee certifying that the subgrantee has not been suspended or debarred by the federal government. Additionally, during training sessions provided to subgrantees, the suspension and debarment compliance requirement should be thoroughly discussed, and during site visits, Commission personnel should verify related procedures have been put in place.

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. The Commission has established controls to evaluate and monitor subgrantees, which include reviewing program and financial reports and scheduling three site visits for each subgrantee during the 15-month grant period. Commission personnel are required to notify the subgrantees of the results of these site visits, including strengths, weaknesses, concerns, recommendations, and any necessary follow-up requirements

However, we identified the following areas for improvement related to the evaluation and monitoring of subgrantees.

Review of Subgrantees' Financial Systems and Expense Documentation During Site Visits

Commission personnel do not review the subgrantees' financial systems and expense documentation during site visits. As a result, control weaknesses or instances of material noncompliance related to the subgrantees' financial systems and expense documentation of which the Commission is not aware might exist.

Maintenance of Supporting Documentation and Documentation of Records Obtained and Reviewed During Site Visits

The Commission utilizes surveys in conducting its Member site visits, and a comprehensive checklist of all AmeriCorps grant provisions in conducting the record review site visits. However, the Member surveys are not maintained, which could prove problematic if Members claim that they informed the Commission of an issue in a survey and the original survey is not available to the Commission for review. Additionally, while the record review site visit checklist is maintained, it does not identify what documents the reviewer tested. Therefore, subsequent reviewers would be unable to examine the same documentation if a question arose about the results of the test.

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. However, as part of the Commission's monitoring process, the Commission does not consistently require its subgrantees to submit OMB Circular A-133 or other audit reports, if applicable, and the Commission does not routinely review any such reports to determine if auditors have identified control weaknesses or instances of noncompliance related to the AmeriCorps program. As a result, control weaknesses or instances of material noncompliance related to the AmeriCorps program of which the Commission is not aware may exist and may not be corrected.

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 identified by the Commission. The Commission does specify in the memorandum issued to the subgrantee what deficiencies must be corrected and when its response to the Commission is due, but the Commission has not been adequately following up on noted deficiencies. As a result, subgrantee deficiencies identified may not be properly or timely corrected.

Schedule of Planned and Actual Site Visit Dates

The Commission's policies require three site visits during the 15-month grant period. The policy states that the overview site visit must be conducted within 3-5 months after the program starts, the Member site visit must be conducted within 2-3 months before the program ends, and the records review site visit must be conducted in between the overview and Member site visits. The Commission maintains a schedule of planned dates for site visits for the upcoming six weeks on a chalkboard; however, no comprehensive schedule for the grant period exists. An increase in

the number of subgrantees and a lack of a comprehensive schedule of site visits has strained the Commission's resources for consistently performing all three site visits for each subgrantee. In addition, the site visits completed are sometimes not performed within the specified timeframes, and feedback to subgrantees is not always provided on a timely basis.

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 review the subgrantees' financial systems and expense documentation during site visits. The Commission should consider tailoring the financial management survey included in the Corporation's *A Reference Manual for Commission Executive Directors and Members* (pages 5-34) for use during site visits in assessing subgrantees' financial systems.

- Develop and implement procedures to maintain Member surveys obtained during the Member site visit and documentation of specific records reviewed, in the site visit file for each subgrantee.

- Require subgrantees to submit OMB Circular A-133 or other audit reports once the final reports are issued, where applicable. The Commission should review these reports, determine if corrective action relevant to the AmeriCorps grant is needed, and develop procedures to ensure necessary corrective action occurs timely and adequately addresses the issues.

- Develop and implement formal policies and procedures to ensure specific, timely follow up is made and adequate corrective actions are taken when deficiencies are noted by the Commission during site visits.

- Maintain a clear, concise schedule of site visits to be performed during the grant period and a record of when site visits are performed. The Executive Director of the Commission should monitor the Commission's progress towards completing the scheduled site visits. The Commission should reconsider the allocation of its resources in light of its staffing situation, the number of subgrantees, and an assessment of risk for each subgrantee, to improve the effectiveness of its subgrantee evaluation and monitoring procedures. The Commission may also want to revise its site visit policy to reduce the number of visits to low risk subgrantees, or contract out selected site visits to the Missouri State Auditors' office or others.

Providing Technical Assistance

The Commission has adequate controls in place to provide reasonable assurance that training and technical assistance is made available and provided to subgrantees. Procedures are in place at the Commission to (1) identify training and technical assistance needs of subgrantees through discussions with program directors during quarterly training sessions, site visits, quarterly progress reports 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, the management of the Corporation for National and Community Service, the management of the Missouri Community Service Commission, 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

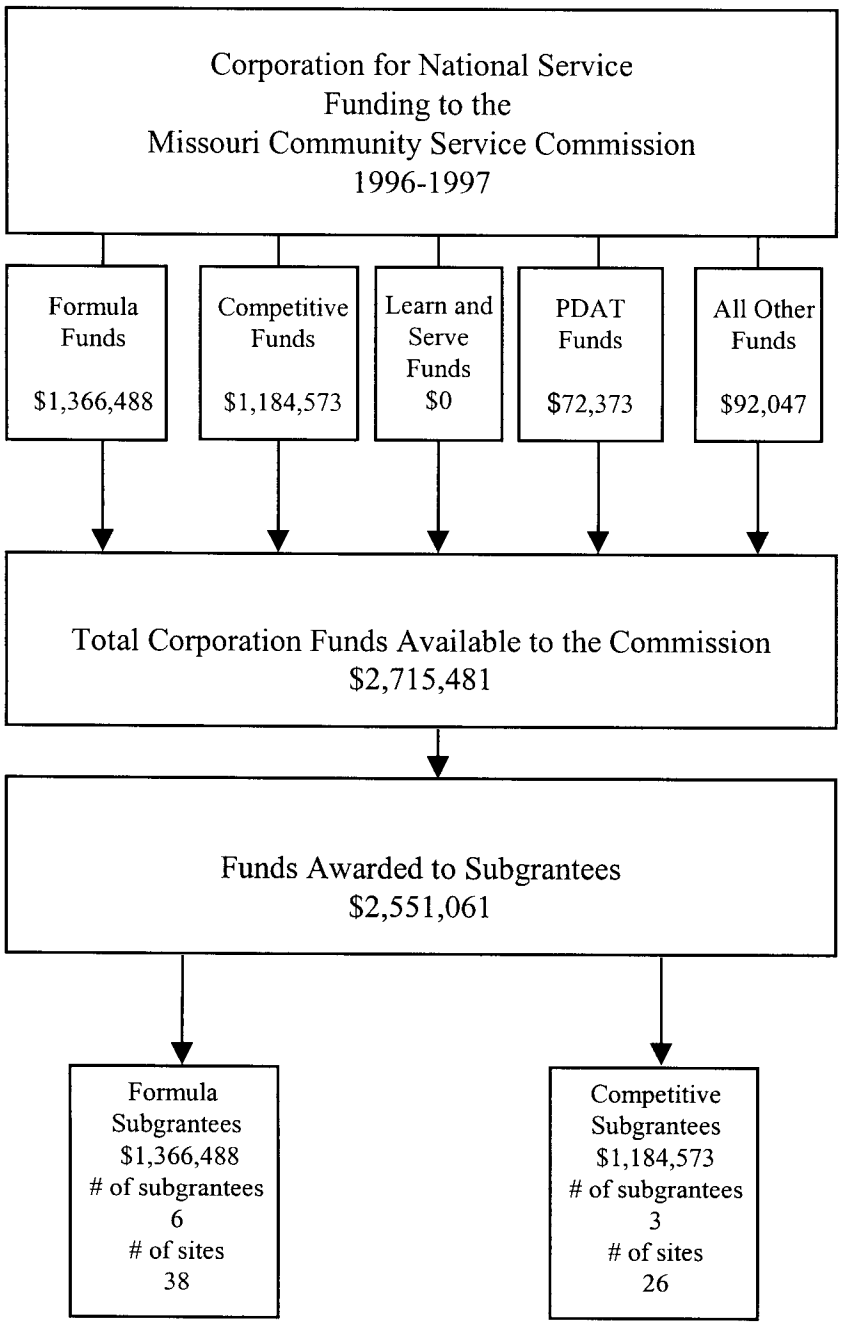
Commission Funding Appendix A

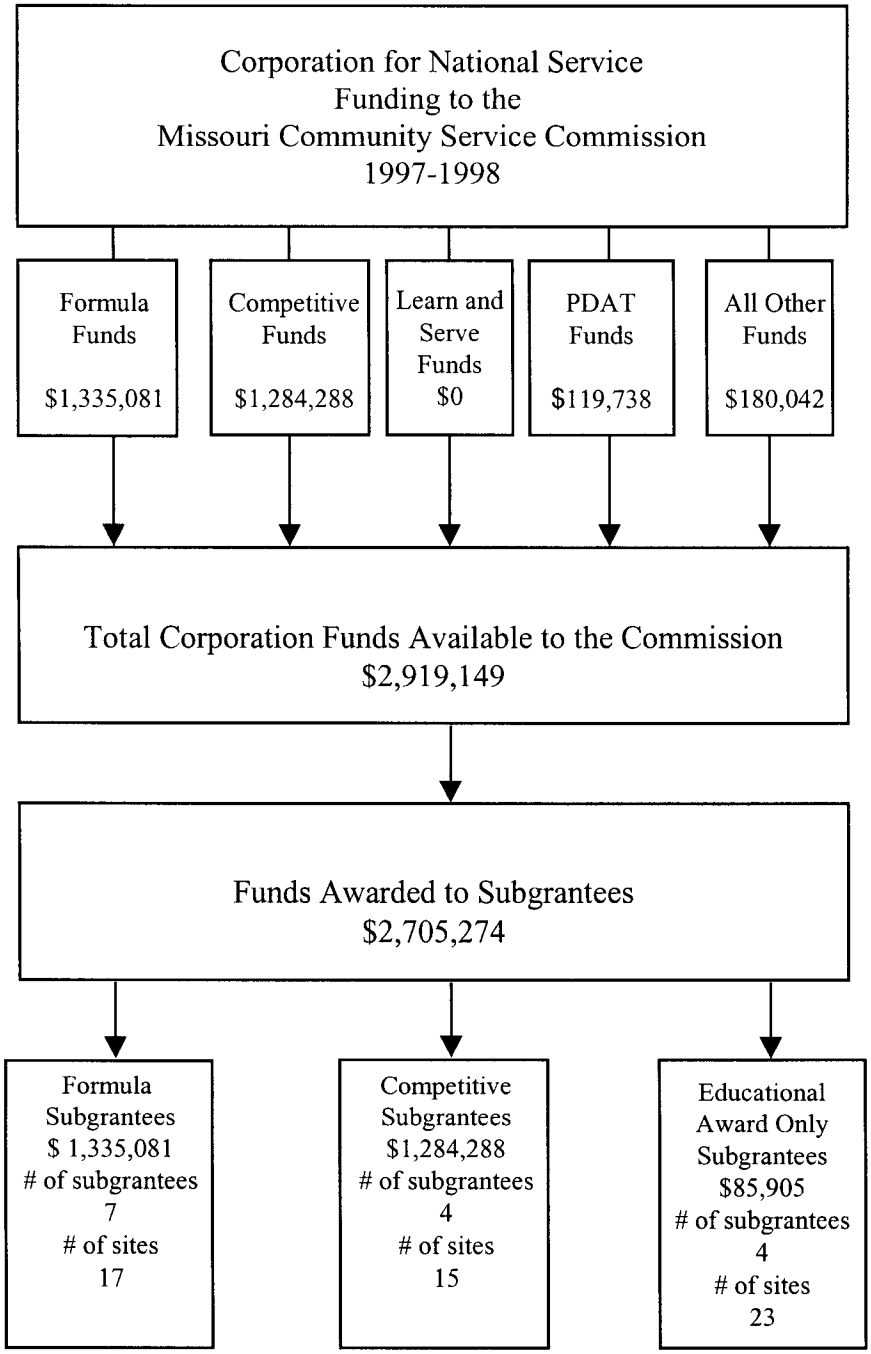
The table below and the flowcharts on the following pages depict the Commission's funding over the past three program years. We were unable to agree the funding amounts to the Commission's FSRs for (a) 1998-99 because the final FSR for the program year had not been completed at the time of field work and (b) previous program years because those FSRs had been prepared on a cumulative, not program year, basis.

Funding Source and Type	1996-97	1997-98	1998-99
CNS Formula Grant Funds	$ 1,366,488	$ 1,335,081	$908,312
CNS Competitive Grant Funds	1,184,573	1,284,288	941,864
CNS Promise Fellows Funds	-	-	27,290
CNS Educational Only Awards	-	85,905	-
CNS PDAT Funds	72,373	119,738	60,740
CNS Administrative Funds	92,047	94,137	59,716
State Matching Funds	62,392	93,063	* 196,753
Total Funding	$2,777,873	$3,012,212	$2,194,675

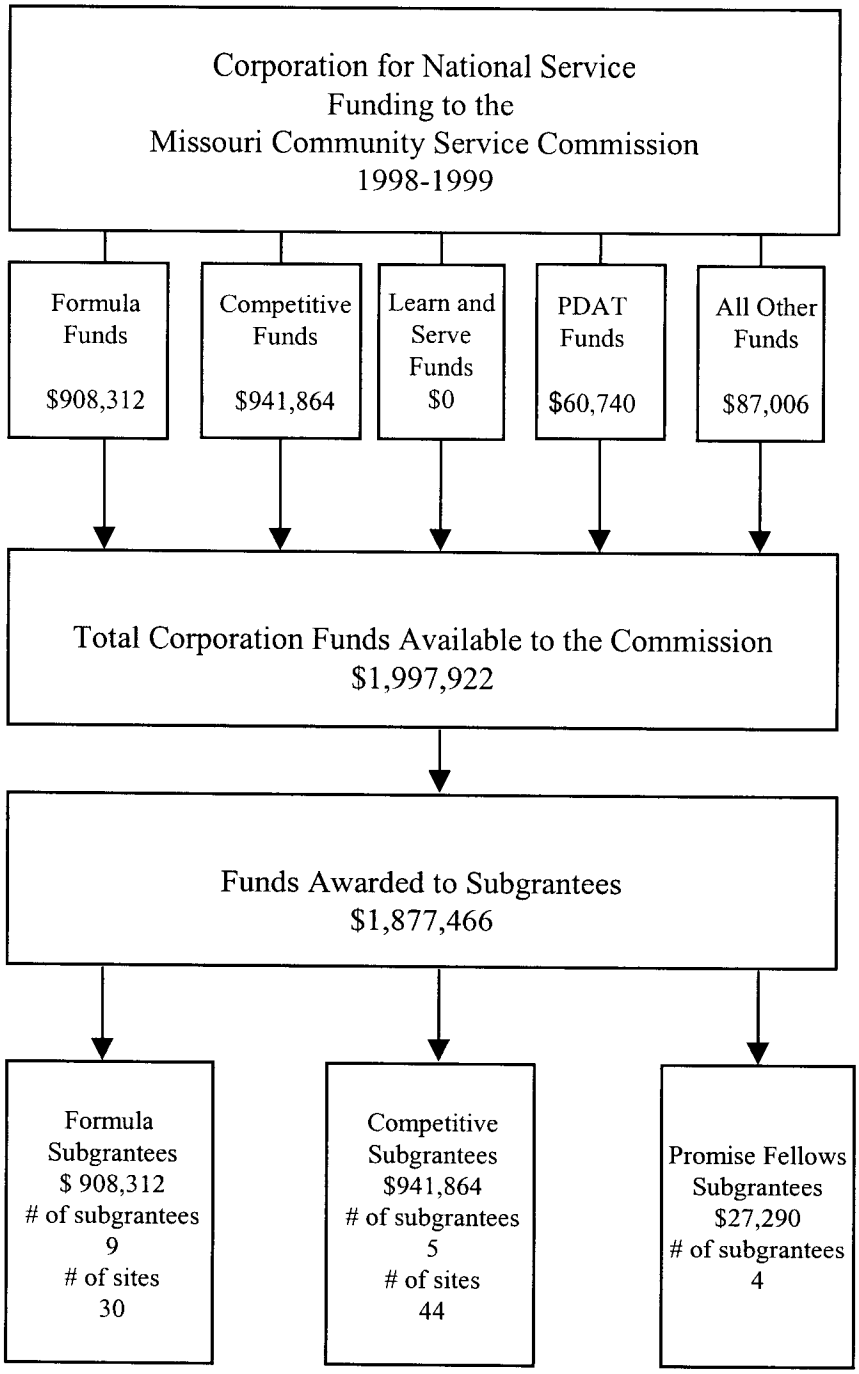
* Estimated

Commission Funding




Corporation for National Service
Funding to the
Missouri Community Service Commission
1997-1998
Formula Funds
$1,335,081
Competitive Funds
$1,284,288
Learn and Serve Funds
$0
PDAT Funds
$119,738
All Other Funds
$180,042
Total Corporation Funds Available to the Commission
$2,919,149
Funds Awarded to Subgrantees
$2,705,274
Formula Subgrantees
$ 1,335,081
# of subgrantees
7
# of sites
17
Competitive Subgrantees
$1,284,288
# of subgrantees
4
# of sites
15
Educational Award Only Subgrantees
$85,905
# of subgrantees
4
# of sites
23

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; matching; period of availability of Corporation funds; procurement, suspension and debarment; subrecipient monitoring; 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 selection officials 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).

Evaluating and Monitoring Subgrantees

Our objectives were to:

- make a preliminary assessment of the adequacy 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;

- 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.

MISSOURI
DEPARTMENT OF ECONOMIC DEVELOPMENT

Mel Carnahan
Governor

Joseph L. Driskill
Director

March 10, 2000

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

Re: Missouri Community Service Commission
Response to Survey Findings

Dear Mr. Jordan:

Thank you for the opportunity to respond to the findings and recommendations contained within this report. I would also like to take this opportunity to recognize and applaud the outstanding efforts of KPMG in performing the fieldwork for this pre-audit survey. In large part due to their open and cooperative methods, this office was able to begin implementation of necessary corrective action and continuous improvement measures immediately following the actual fieldwork in November 1999.

The following is our response to each of the findings contained within the report.

Finding #1: Selection officials do not consider the adequacy of the applicants' financial systems during the Commission's subgrantee selection process.

Response: Substantially agree.
Action: A financial management survey was developed and has been disseminated to all new applicants for the 2000-2001 application process. Commission staff will use survey responses initially to assess the ability of the organization to comply with federal regulations. Policies and procedures will be developed to allow staff to use this survey as a tool to assess "risk" as discussed in Findings #7-8 and #11 below.

Finding #2: Lack of Formal Conflict of Interest Statements

Response: Substantially agree.

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Action: Sample conflict of interest forms received from the Corporation for National Service in November 1999 were implemented by the Commission prior to the 2000 proposal review process. These conflict of interest forms will be used for all future AmeriCorps proposal reviews.

Finding #3: Lack of Review of Matching and Earmarking Requirements
Finding #4: Timeliness of Receipt of Financial Status Reports
Finding #5: Missing FSRs, Supporting Documentation for Expenditures and Programmatic Progress Reports

Response: Substantially agree.
Action: The Commission has been aware of these issues for some time. Web-based reporting is being implemented and will allow for closer monitoring of these issues. Policies and procedures will be revised to both strengthen the Commission's monitoring of subgrantee documentation and reporting requirements, and to require all subgrantee reimbursements to be withheld if any reports, responses or other information are past due.

Finding #6: Noncompliance with the Suspension and Debarment Compliance Requirement

Response: Substantially agree.
Action: Both Missouri and Federal suspension and debarment lists have been identified. The Commission has initiated procedures that ensure, at each stage of the grant application process, all organizations will be checked against both the Missouri and Federal suspension and debarment lists. The internal grant review will be revised to include a notation that the applicant does or does not appear on either of these lists as of the date indicated by the staff member performing that portion of the assessment.

Finding #7: Review of Subgrantees' Financial Systems and Expense Documentation During Site Visits
Finding #8: Maintenance of Supporting Documentation and Documentation of Records Obtained and Reviewed During Site Visits

Response: Substantially agree.
Action: The Commission's "Records Review Checklist" used by staff during monitoring visits is currently being revised to require more accurate and specific review of the subgrantees' financial and personnel systems, as well as to document action taken by the subgrantee in response to findings from previous Commission monitoring visits. Risk assessment procedures as discussed in response to Findings #1 and #11 will be used to determine the depth of the documentation review required for each subgrantee for each program year.

Appendix C

Finding #9: Review of OMB Circular A-133 or Other Audit Reports from Subgrantees

Response: Agree only to the extent that the Commission's written procedures are not clearly defined regarding collection and review of audit reports from subgrantee organizations. Copies of A-133 audit reports for all subgrantees from which they were required are currently on file with the Commission and are maintained for the appropriate period of time. The audit report for the subgrantee at issue in this finding had not been finalized at the time of the survey and was not received in this office until after December 31, 1999.

Action: The collection of audit reports is clearly identified as a component of the Records Review Site Visit. However, in recognition of varying audit schedules for subgrantee organizations, a more regular or semi-annual review designed to coincide with programmatic progress reporting will be included in staff policies and procedures.

Finding #10: Written Policies and Procedures Related to Follow-up on Deficiencies Noted at Subgrantees

Response: Substantially agree.

Action: Follow up action has been or is being taken on all site visits and other noted deficiencies noted since June 1999. As an interim tracking mechanism, the Commission's 6-week calendar now includes reminders of due dates for responses to noted deficiencies, report due dates and other required documentation. These efforts have allowed staff to address past-due reports and responses in a more immediate manner. More permanent policies and procedures will be developed and implemented and will include provisions for withholding subgrantee reimbursements or the suspension of the grant for failure to comply with any grant requirement (reports, responses, compliance issues or other materials).

Finding #11: Schedule of Planned and Actual Site Visit Dates

Response: Substantially agree.

Action: With the assistance and input of staff, the Executive Director and current subgrantees, a fair and manageable site visit schedule will be developed. This will include an ongoing assessment of risk for each subgrantee that will determine the frequency and depth of monitoring required. Policies and procedures will be revised to define specific steps to strengthen the entire process from risk assessment through follow-up.

Appendix C

Additional staff requested through State budget processes will also considerably alleviate the limitations of this Commission in achieving 100% compliance for all subgrantees. The Missouri Community Service Commission will work closely with the Corporation for National Service in the coming months to implement all necessary improvement measures.

If you have any questions regarding this response, please feel free to contact Mark Rehagen, Director of Financial Systems at 573-751-4996, or Curtis Hendricks, Executive Director of the Community Service Commission at 573-751-7488. Thank you.

Very truly yours,

David D. Mitchem
Deputy Director

c: Mark Rehagen
Curtis Hendricks

Appendix D

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 00-17, *Pre-Audit Survey of the Missouri Community Service Commission*

We have reviewed the draft report on your pre-audit survey of the Missouri Community Service Commission. 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 Commission for program years 1995-96 through 1998-99, with a focus on grant administration and subgrantee monitoring. 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 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 Missouri Community Service Commission."

Some of the conditions cited in the "results in brief" section of the report include concerns related to the lack of assessment of applicants' financial systems during the selection process and the lack of formal conflict of interest statements. Additional concerns relate to effective monitoring of adherence to policies and procedures and the Commission's on-site monitoring procedures.

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 review of Missouri, 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 Missouri Commission provide semi-annual reports on their actions to correct conditions cited in the OIG pre-audit survey.

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