OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

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

OIG Audit Report Number 00-18
November 5, 1999

Prepared by:

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This report was issued to Corporation management on March 24, 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 24, 2000 and complete its corrective actions by March 24, 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 Virginia Commission on National and Community Service OIG Audit Report Number 00-18

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.

Under contract to OIG, KPMG LLP performed the pre-audit survey of the Virginia Commission on National and Community Service. Their report, which follows, indicates that the Virginia Commission has established effective controls over pre-award and grant selection procedures, fiscal administration, monitoring of subgrantees, AmeriCorps Member activities and service hour reporting, and the use of training and technical assistance funds. We have reviewed the report and work papers supporting its conclusions, and we agree with the findings and recommendations presented.

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

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2001 M Street, N.W.
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November 5, 1999

Inspector General
Corporation for National and Community Service:

At your request, KPMG performed a pre-audit survey of the Virginia Commission on National and Community Service. The primary purpose of this survey was to provide a preliminary assessment of:

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

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

Results in Brief

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

- The Commission administers an open, competitive process to select national service subgrantees. However, we identified areas for improvement related to (1) the lack of documentation supporting communication to rejected applicants and (2) the signing of annual conflict of interest forms by all Commission members.

- The Commission has an adequate process in place for fiscal administration of grants.

- The Commission has controls in place to evaluate and monitor subgrantees. However, the Commission's monitoring procedures do not require documenting which Member timesheets and program expenses were reviewed during site visits.

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

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

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Although few findings resulted from this pre-audit survey, the Commission's AmeriCorps grants have never been tested as part of an Office of Management and Budget (OMB) Circular A-133 audit. Therefore, based on our preliminary assessment, we recommend the performance of a limited scope audit at the Commission for program years 1995-96 through 1998-99.

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 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.

Overview of the Virginia Commission

The Virginia Commission on National and Community Service, located in Richmond, Virginia, has received AmeriCorps grant funds from the Corporation for National and Community Service since program year 1994-95. It operates as part of the Virginia Department of Social Services. The Commission currently has four full-time and two part-time staff consisting of an Executive Director, two Program Officers, one Program Assistant, one Training and Development Coordinator, and one Administrative Assistant.

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

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

Program Year	Total Corporation Funding	Number of Subgrantees	Number of Sub-grantees Subject to A-133 Audit Requirements*
1996-97	$1,870,419	6	3
1997-98	2,447,789	7	5
1998-99	2,383,300	7	5

* Determination is based solely on (1) dollar value of federal awards passed through the Commission for the program year and (2) the subgrantee's status as a part of a state or local government subject to annual OMB Circular A-133 audits. Remaining subgrantees could be subject to an OMB Circular A-133 audit if they received additional federal grant funds from other sources.

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

Objectives, Scope, and Methodology

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

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

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

Our survey included the following procedures:

- reviewing applicable laws, regulations, grant provisions, the Corporation's *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 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 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. Neither the Commission nor the Corporation responded in writing to our findings and recommendations within the 30-day comment period.

Findings and Recommendations

Selecting Subgrantees

According to *A Reference Manual for Commission Executive Directors and Members*, section 3.2, "Commissions are expected to develop a fair and impartial process for reviewing and selecting applicants for potential funding." The Commission has developed and implemented various procedures to meet this responsibility. For example, the Commission advertises funding availability through various media, including newspapers and newsletters. Application reviewers use a standardized score sheet, which includes assessment of the applicant's financial systems and organizational capacity, to evaluate each applicant, and their recommendations are summarized into a standard form that is sent to the Commission members for final approval. However, we identified the following areas for improvement within the selection process.

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 to annually certify in writing that they have no conflicts of interest.

Commission members make the final funding decisions in the selection process. Although the Commission has policies and procedures in place requiring Commission members to annually sign conflict of interest statements certifying that they have no conflicts, not all Commission members sign these forms on an annual basis. If Commission members have conflicts of interest but do not report them, the fairness of the selection process may be impaired.

Communications with Rejected Applicants

For one of two rejected applicants tested, the Commission was unable to provide us with documentation supporting the communication of the rejection to the applicant. As a result, if this rejected applicant questions the reason for rejection, the Commission has no records to reference to support the communication made.

Recommendations

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

- Enforce current policies and procedures requiring that all Commission members sign conflict of interest forms annually. The Commission should designate an employee to be responsible for ensuring that all conflict of interest forms are submitted timely each year.

- Enforce current policies and procedures requiring the maintenance of documentation supporting the communication to applicants of selection decisions.

Administering Grant Funds

As part of the grant administration process, "Commissions must evaluate whether subgrantees comply with legal, reporting, financial management and grant requirements and ensure follow through on issues of non-compliance" (*A Reference Manual for Commission Executive Directors and Members*, section 4.3). The Commission has developed and implemented procedures 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 Commission's organizational structure appears adequate and personnel appear to have adequate skills and experience to manage Corporation grant funds. We identified no significant areas for improvement within this process as a result of the limited procedures performed.

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 developed and implemented various procedures to evaluate and monitor subgrantees. Annually, the Commission performs at least three site visits for each subgrantee using a program review instrument (i.e., checklist) that addresses subgrantee reporting, Member documentation, financial compliance, policies and procedures, and program effectiveness. Commission personnel notify the subgrantees of the results of these site visits, including strengths, challenges, recommendations, and any necessary follow-up requirements. However, we identified the following areas for improvement related to the evaluation and monitoring of subgrantees.

Documentation of Subgrantees' AmeriCorps Member Timesheets and Expense Items Examined during Site Visits

Although Commission personnel review the subgrantees' AmeriCorps Member timesheets and expense documentation for proper support and approval during site visits, they do not document on the program review instrument which Member timesheets and expense items were reviewed. In addition, the sample sizes used and the rationale behind these samples are not documented. As a result, a reviewer (e.g., supervisor) of the site visit documentation is not able to (1) assess if the sample size selected was adequate and (2) review the same documentation if a question arose about the results of the test.

Follow-up on Deficiencies Noted at Subgrantees

The Commission does not communicate or follow-up on deficiencies discovered during site visits timely and does not clearly document the results of such follow-up. As a result, subgrantees may not correct identified deficiencies in a timely manner.

Recommendations

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

- Revise its current program review instrument to require documentation of (a) the subgrantees' Member timesheets and expense items reviewed during site visits and (b) the rationale behind the sample size selection. The Commission's program review instrument should be expanded to include space for such documentation.

- Enforce current policies and procedures to ensure timely communication of and follow-up on deficiencies identified during site visits and clear documentation of the results of this follow-up.

Providing Technical Assistance

Annually, the Commission receives grant funds to provide technical assistance to its subgrantees. Procedures are in place at the Commission to (1) identify training needs of subgrantees through progress reports and site visits; (2) notify subgrantees of training programs; and (3) provide needed training to subgrantees, which Commission staff also attend. We identified no significant areas for improvement within this process as a result of the limited procedures performed.

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

KPMG LLP

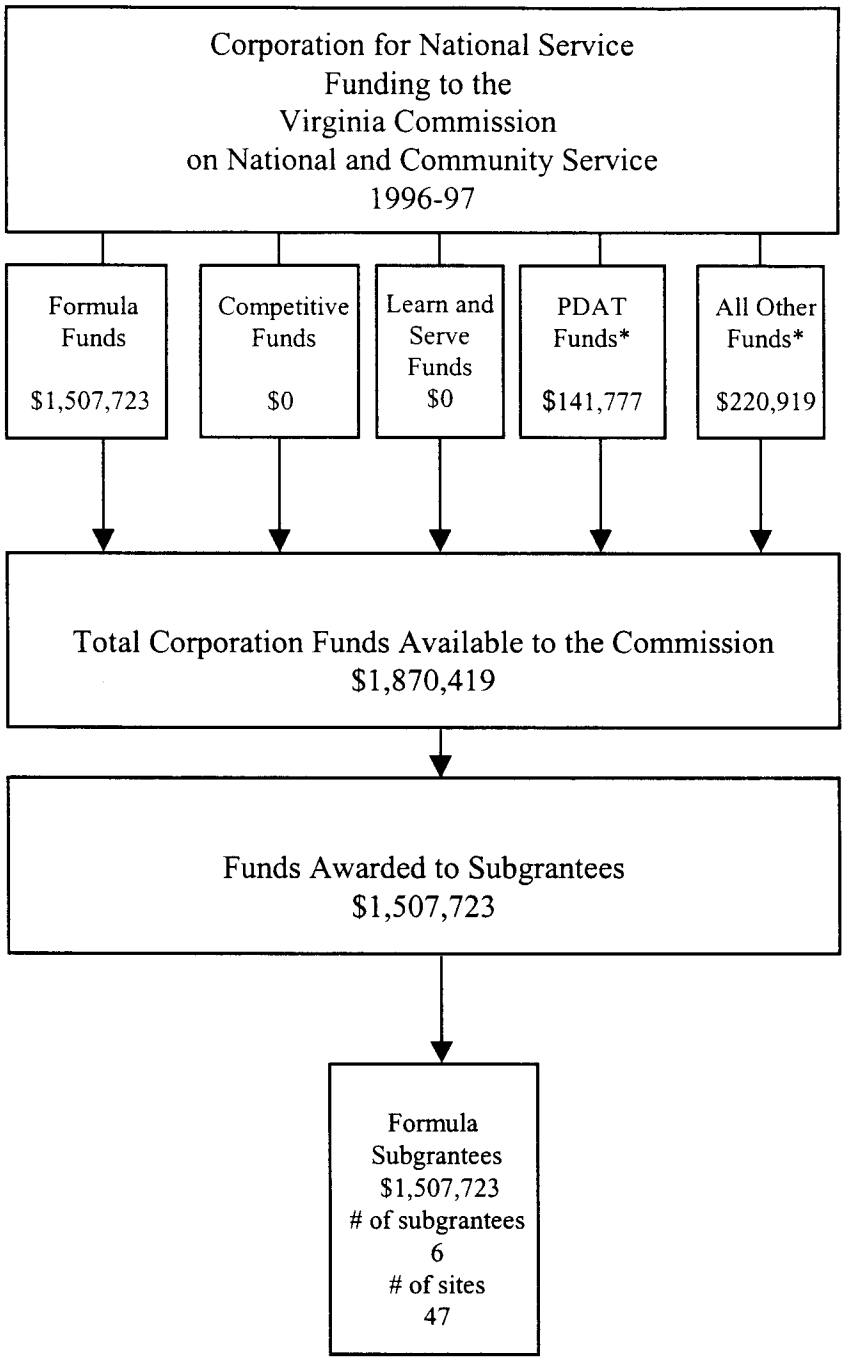
Commission Funding

Appendix A

The table below and the flowcharts on the following pages depict the Commission's funding over the past three program years. 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.

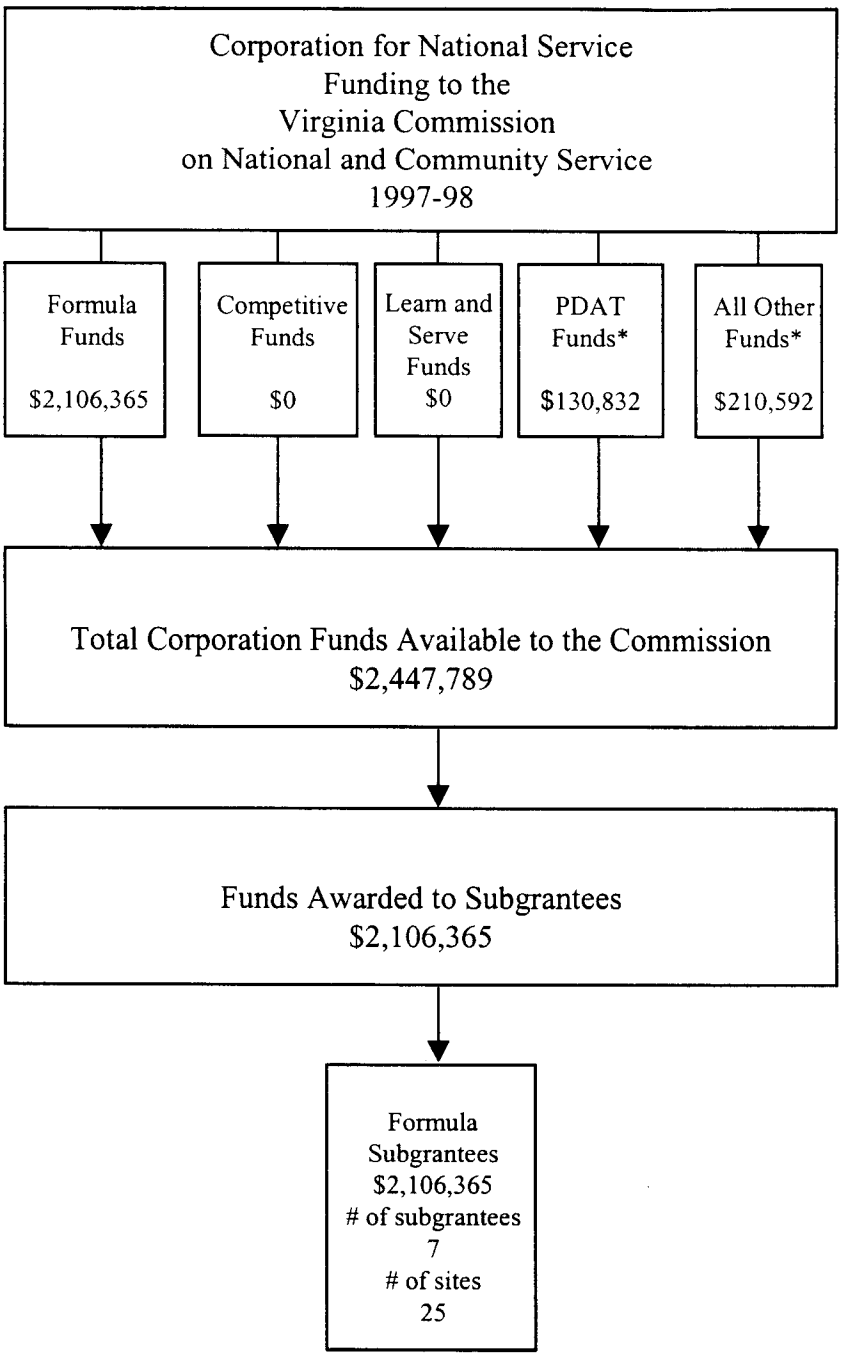
Funding Source and Type	1996-97	1997-98	1998-99
CNS Formula Grant Funds	$1,507,723	$2,106,365	$2,050,793
CNS PDAT Funds	54,550	86,581	24,887
CNS Administrative Funds	146,347	159,096	119,675
CNS Carryover Funds	161,799	95,747	187,945
State Matching Funds	146,347	159,096	119,675
Total Funding	$2,016,766	$2,606,885	$2,502,975

Commission Funding



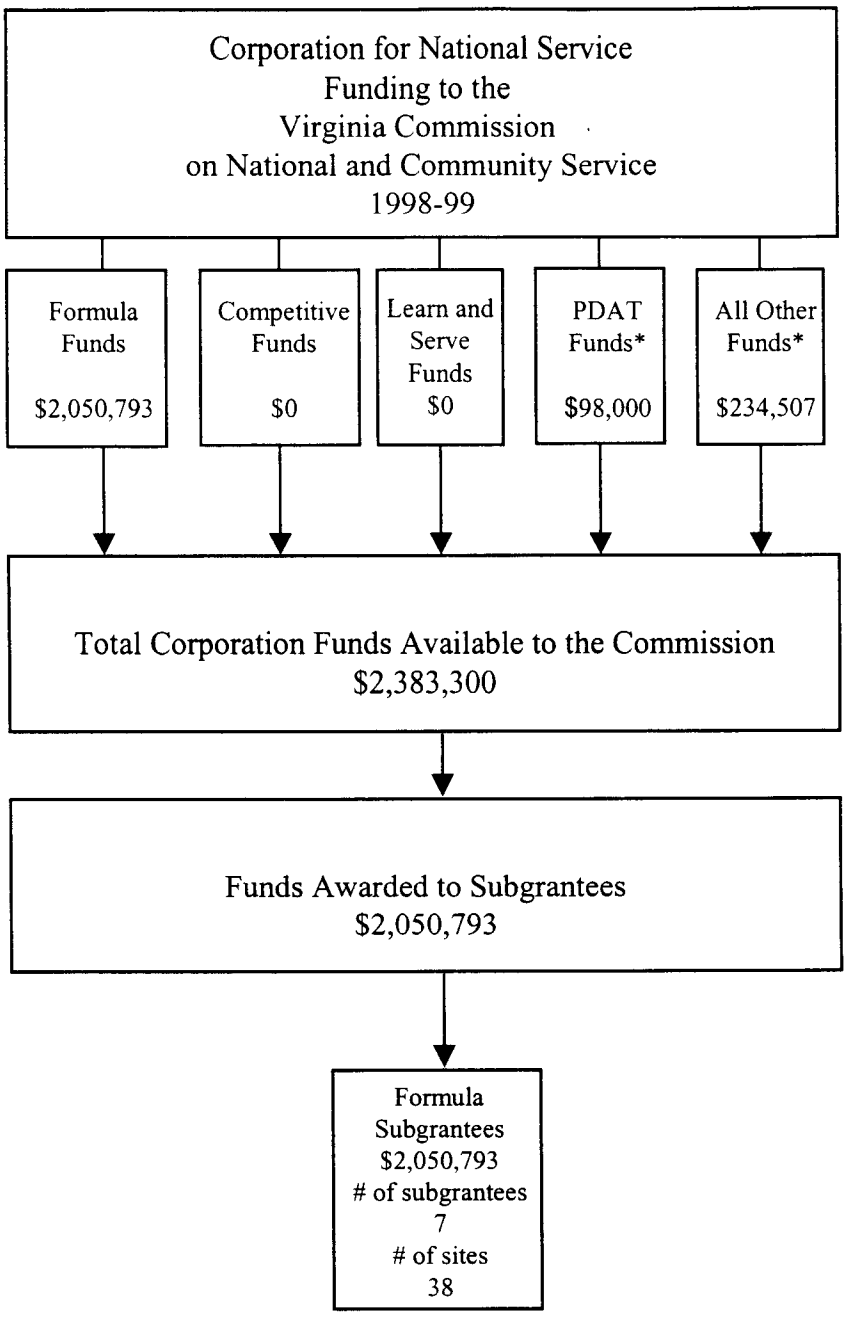
* Includes carryover amounts.

Commission Funding



* Includes carryover amounts.

Commission Funding



* Includes carryover amounts.

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; 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 were signed by application reviewers and Commission members 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 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 Commission to implement a comprehensive, non-duplicative evaluation and monitoring process for their subgrantees;

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

- make a preliminary assessment of the adequacy of the Commission's procedures used to assess subgrantee compliance with Corporation regulations (e.g., those governing eligibility of Members, service hour reporting, prohibited activities, payment of living allowances to Members and allowability of costs incurred and claimed under the grants by subgrantees (including reported match));

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

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

- make a preliminary assessment of the adequacy of the procedures in place to evaluate whether subgrantees are achieving their intended purpose.

In order to achieve the above objectives, we documented the procedures performed by the Commission to evaluate and monitor individual subgrantees. In addition, we judgmentally selected subgrantees and obtained the Commission's documentation for site visits. We reviewed

the documentation to preliminarily assess the adequacy of the procedures performed by the Commission to assess financial and programmatic compliance and related controls at the sites. We also determined whether the Commission received and reviewed OMB Circular A-133 audit reports from subgrantees.

Providing Technical Assistance

Our objectives were to:

- make a preliminary assessment of the adequacy of the systems and controls utilized by the Commission to provide technical assistance to subgrantees and other entities in planning programs, applying for funds, and implementing and operating programs;

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

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

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