OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

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

OIG Audit Report Number 00-19
October 22, 1999

Prepared by:

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This report was issued to Corporation management on February 9, 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 August 7, 2000, and complete its corrective actions by February 9, 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 New Hampshire Commission on National and Community Service OIG Audit Report Number 00-19

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 New Hampshire Commission on National and Community Service. 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 New Hampshire 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 New Hampshire Commission on
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2001 M Street, N.W.
Washington, D.C. 20036

October 22, 1999

Inspector General
Corporation for National and Community Service:

At your request, KPMG performed a pre-audit survey of the New Hampshire 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 a formal method to ensure consistent communication of renewal applicants' prior evaluations to selection officials and (2) the lack of assessment of applicants' financial systems during the selection process.

- The Commission has developed and implemented procedures that are intended to provide reasonable assurance that AmeriCorps grant funds are properly administered. However, we were unable to verify the timeliness of receipt of Financial Status Reports (FSRs), invoices and progress reports because these documents are not routinely date-stamped upon receipt. In addition, no evidence of FSR review and matching requirement recalculation existed until the third quarter of the 1998-99 program year.

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- The Commission does not have adequate controls in place to evaluate and monitor subgrantees. For example, the Commission's on-site monitoring procedures 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, AmeriCorps Member timesheets, and expense documentation. In addition, the monitoring tool does not contain specific sections related to review for prohibited activities.

- 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, 1996-97 and 1998-99. We recommend a limited scope audit for program year 1997-98, since the Commission was tested as a major program under an OMB Circular A-133 audit for the 1997-98 period, with no material findings or questioned costs noted.

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 New Hampshire Commission on National and Community Service.

Background

The National and Community Service Trust Act of 1993, P.L. 103-82, which amended the National and Community Service Act of 1990, established the Corporation for National and Community Service.

The Corporation, pursuant to the authority of the Act, awards grants and cooperative agreements to State Commissions, nonprofit entities and tribes and territories to assist in the creation of full and part time national and community service programs. Through these grantees, AmeriCorps Members perform service to meet the educational, human, environmental, and public safety needs throughout the nation, especially addressing those needs related to poverty. In return for this service, eligible Members may receive a living allowance and post service educational benefits.

Currently, the Corporation awards approximately two-thirds of its *AmeriCorps State/National* funds to State Commissions. State Commissions are required to include 15 to 25 voting members. Each Commission has a responsibility to develop and communicate a vision and ethic of service throughout its State.

The Commissions provide AmeriCorps funding to approved applicants for service programs within their states and are responsible for monitoring these subgrantees' compliance with grant requirements. The Commissions are also responsible for providing training and technical assistance to AmeriCorps State and National Direct programs and to the broader network of service programs in the state. The Commissions are prohibited from directly operating national service programs.

The Corporation's regulations describe standards for financial management systems that must be maintained by State Commissions. The standards require, in part, that the State Commissions maintain internal controls that provide for accurate, current, and complete disclosure of the financial and programmatic results of financially assisted activities, and provide effective control and accountability for all grant and subgrant cash, real and personal property, and other assets.

Overview of the New Hampshire Commission

The New Hampshire Commission on National and Community Service, located in Concord, New Hampshire, has received AmeriCorps grant funds from the Corporation for National and Community Service since program year 1995-96. It operates as part of a not-for-profit organization, the New Hampshire Job Training Council. The Commission currently has four full-time staff consisting of an Executive Director, two Program Officers, and one Administrative Assistant.

As part of the New Hampshire Job Training Council, the Commission is annually subject to OMB Circular A-133 audits. The AmeriCorps grant, the smaller of the two federal grants received annually by the entity, was tested as a major program for the fiscal year ending June 30, 1998. For that fiscal year, the auditors identified no material noncompliance with grant requirements and no material weaknesses in internal control over compliance with grant requirements.

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	$1,318,627	3	3
1997-98	1,872,368	8	3
1998-99	1,613,392	6	2

* Determination is based solely on dollar value of federal awards passed through the Commission for the program year. Remaining subgrantees could be subject to an OMB Circular A-133 audit if they received additional federal grant funds from other sources. Because the Commission does not routinely obtain and review such audit reports as reported on page 9, 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 Commission for administering its AmeriCorps grants and for monitoring the fiscal activity

of subgrantees. The primary purpose of this pre-audit survey was to provide a preliminary assessment of:

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

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

Our survey included the following procedures:

- reviewing applicable laws, regulations, grant provisions, the Corporation's State Commission Reference Manual, and other information to gain an understanding of legal, statutory and programmatic requirements;

- reviewing OMB Circular A-133 reports and current program year grant agreements for the Commission;

- obtaining information from Commission management to complete flowcharts documenting the hierarchy of AmeriCorps grant funding for program years 1996-97, 1997-98 and 1998-99; and

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

As part of the procedures performed, we documented and tested internal controls in place at the Commission using inquiries, observations, and examination of a limited sample of source documents. Finally, we summarized the results of our work to develop the findings and recommendations presented in this report. We discussed all findings with Commission management during an exit conference on October 22, 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. In order to address certain of the concerns expressed in the Commission's response, we have clarified the wording of the respective Findings and Recommendations which begin on the following page.

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. Commission personnel discuss conflict of interest issues with selection officials before the commencement of the selection process. Selection officials receive an instruction package and use a standard form 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

A panel of three Commission Board members and one member of the community evaluate applicants and make approval/rejection decisions. Commission personnel provide information to these selection officials for each applicant.

If the Commission has funded an applicant in a previous year, Commission personnel verbally communicate key aspects of program evaluations to the selection officials during a pre-selection meeting. However, the content of this verbal communication can vary significantly from applicant to applicant because Commission subgrantee selection procedures do not identify what information should be communicated to selection officials for each previously funded applicant.

As a result, Commission personnel may provide certain information to the selection officials about one previously funded applicant, but 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 Commission personnel may unintentionally bias the selection officials.

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

Although Commission staff discuss conflict of interest issues with selection officials and distribute relevant guidance to them, Commission policies and procedures do not 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.

Missing Documentation Related to Application Rejections

The Commission was unable to provide us with requested documentation related to application rejections because all documentation supporting application rejection decisions and related communications to applicants were stored on a computer that experienced a hard drive failure. As a result, if a rejected applicant questions the reason for rejection, the Commission has no records to reference to support its decisions. In addition, we were unable to assess for adequacy the Commission's basis for rejecting applicants and communications to rejected applicants.

Limited Advertising of Funding Availability

According to *A Reference Manual for Commission Executive Directors and Members*, section 3.2, "the Commission is expected to widely publicize the availability of funds." Mediums that the Commission has used to advertise funding availability at different points during program years 1995-96 through 1998-99 include radio, television, newspapers, magazines, newsletters, and an internet website. However, the ability of the Commission to fully utilize all advertising mediums each year and reach all interested parties has been limited due to its level of funding resources. As a result, all interested parties may not be informed of funding availability, thereby eliminating certain potential AmeriCorps programs from the selection process. For example, in 1998-99 program year, only six organizations applied for AmeriCorps funding, as compared with 16 in program year 1997-98 and 10 in program year 1996-97.

Recommendations

We recommend the Commission 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 Commission's evaluation of previously funded applicants. This method should ensure that the same type of information is communicated for each applicant. The Commission should also consider providing this information in writing to ensure consistency of content and availability of the information to the selection officials while they are making their funding determinations.

- Include in its subgrantee selection procedures an evaluation of the adequacy of the applicants' financial systems to ensure applicants have systems in place 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 provided.

- Develop and implement procedures to periodically backup its computerized files.

- Direct additional funding to its advertising efforts if additional funding becomes available to the Commission. In addition, the Commission should explore opportunities for free advertising that various media may provide to not-for-profit organizations.

Administering Grant Funds

As part of the grant administration process, "Commissions must evaluate whether subgrantees comply with legal, reporting, financial management and grant requirements and ensure follow through on issues of non-compliance" (*A Reference Manual for Commission Executive Directors and Members*, section 4.3).

The Commission has developed and implemented procedures that are intended to provide reasonable assurance that grant funds received from the Corporation are properly administered. Procedures are in place to withhold funding payments if subgrantees do not submit Financial Status Reports (FSRs) timely; to manage cash draw downs and disbursements to subgrantees; and to 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.

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

Lack of Evidence of FSR Review, Including Matching Recalculation

Commission procedures require that subgrantee FSRs be reviewed upon receipt and that matching requirements be recalculated at that time. However, prior to the third quarter of program year 1998-99, no evidence existed to document that this review was performed. In addition, procedures are not in place requiring Commission personnel to compare the FSRs to the subgrantees' accounting systems or other supporting documentation during site visits to ensure proper reporting of costs.

Without proper documented review of subgrantee FSRs, errors on the FSRs may exist and remain undetected. Also, if subgrantees' FSRs are not agreed to the subgrantees' accounting system, there is an increased risk that subgrantees are incorrectly reporting amounts on their FSRs.

In the second half of program year 1998-99, the Commission developed procedures that require the completion of an FSR worksheet, which documents the review procedures performed over

each FSR and the related matching recalculation, for each FSR received. We noted that this procedure was effectively implemented for the two subgrantees tested in program year 1998-99.

Timeliness of Receipt of FSRs, Invoices and Progress Reports

The Commission does not routinely date-stamp FSRs, invoices and progress reports from subgrantees as they are received. The receptionist at the Commission's front desk does not date-stamp all mail received from the subgrantees. Also, on occasion, the Program Officer receives documents by hand from the subgrantees during site visits where the date-stamp is not available for use. 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.

In program year 1999-2000, the Commission began using the Web Based Reporting System which electronically records the date subgrantees submit their FSRs to the Commission. As a result, no recommendation is required related to the timeliness of receipt of FSRs.

Recommendations

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

- Continue implementation of developed procedures to review subgrantee FSRs, recalculate matching requirements and formally document what review procedures were performed.

- Include in its site visit monitoring tool procedures to agree the subgrantees' FSRs to the subgrantees' accounting systems or other supporting documentation for accuracy and allowability.

Evaluating and Monitoring Subgrantees

As noted above, the Commission is responsible for evaluating whether subgrantees comply with legal, reporting, financial management and grant requirements and ensuring follow through on issues of noncompliance. As discussed in the following paragraphs, based on the limited procedures performed, we believe the Commission does not have adequate controls in place to evaluate and monitor subgrantees.

Prior to program year 1997-98, the Commission was understaffed and did not perform periodic site visits to monitor its subgrantees' activities. During this timeframe, the Commission instead held periodic staff meetings with the program directors to address programmatic concerns and issues. Beginning in program year 1997-98, the Commission implemented procedures to perform semi-annual site visits for each subgrantee using a standard monitoring tool. After each visit, the Commission notifies subgrantees of the results of site visits, including strengths, challenges, recommendations, and any necessary follow-up requirements. During our field work, we identified two instances in program year 1997-98 in which a second site visit was not performed, but no such instances were noted for program year 1998-99.

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

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

There is no evidence to indicate Commission personnel review the subgrantees' financial systems, AmeriCorps Member timesheets, and expense documentation during site visits. As a result, control weaknesses or instances of material noncompliance related to the subgrantees' financial systems, the reporting of AmeriCorps Member hours, and the propriety of expense documentation, of which the Commission is not aware, may exist.

Review for Prohibited Activities

The Commission has no formal procedures in place to determine, on a periodic basis throughout the grant period, if AmeriCorps Members are performing prohibited activities. The Commission's site visit monitoring tool only requires monitors to document the existence of subgrantee policies to prevent prohibited activities. However, the monitoring tool does not include suggested procedures for visits to program sites or interviews of AmeriCorps Members (on a spot check basis) to identify any potential prohibited activities.

Without specific procedures in place to determine if AmeriCorps Members are performing prohibited activities, such prohibited activities could exist and remain undetected, causing noncompliance. The inclusion of procedures, in the monitoring tool, to check for prohibited activities as a part of the site visit, would provide reasonable assurance that they were performed and documented consistently during each site visit.

Review of Member Living Allowances and Hours Accumulation

The Commission does not have formal procedures in place to determine whether AmeriCorps Members' living allowances are being paid according to established guidelines. Also, the Commission does not *specifically* review the nature of the hours accumulated by AmeriCorps Members, to determine whether they represent activities which meet the educational, human, environmental, and public safety needs specified in the Act which established the AmeriCorps program. Instructions for the performance of such a review is not incorporated into the site monitoring tool. As a result, instances of material noncompliance related to the AmeriCorps program of which the Commission is not aware may exist and may not be detected or corrected.

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 require its subgrantees to submit OMB Circular A-133 or other audit reports. Therefore, the Commission does not routinely review these 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 detected or 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 that are identified by the Commission. As a result, the Commission may not properly or timely ensure the correction of noted subgrantee deficiencies. However, for the two subgrantees tested in program year 1998-99, we noted that recommendations provided in the first site visit report were addressed in the second site visit report.

Schedule of Planned and Actual Site Visit Dates

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

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 during site visits. Document the results of specific AmeriCorps Members' timesheets and expense documentation reviewed during site visits.

- Develop formal procedures, such as visits to randomly selected program sites and interview of AmeriCorps Members, to determine whether any prohibited activities are being performed. These procedures should be carried out during each subgrantee site visit and should be specifically incorporated into the Commission's monitoring tool.

- Establish specific sections in its site visit monitoring tool to determine and document whether (1) AmeriCorps Members' living allowances are being paid according to established guidelines and (2) hours accumulated by AmeriCorps Members represent activities permitted under the Act.

- Require its subgrantees to submit OMB Circular A-133 or other audit reports once the final reports are issued. 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 written policies and procedures to ensure that adequate corrective actions are taken when deficiencies are noted by the Commission.

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

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 to (1) identify training needs of subgrantees through periodic staff meetings with the program directors and a needs assessment survey; (2) notify subgrantees of training programs; and (3) provide needed training to subgrantees. Although funding is limited to address the training needs of Commission staff, they attend the training sessions provided to subgrantees. We identified no significant areas for improvement within this process.

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

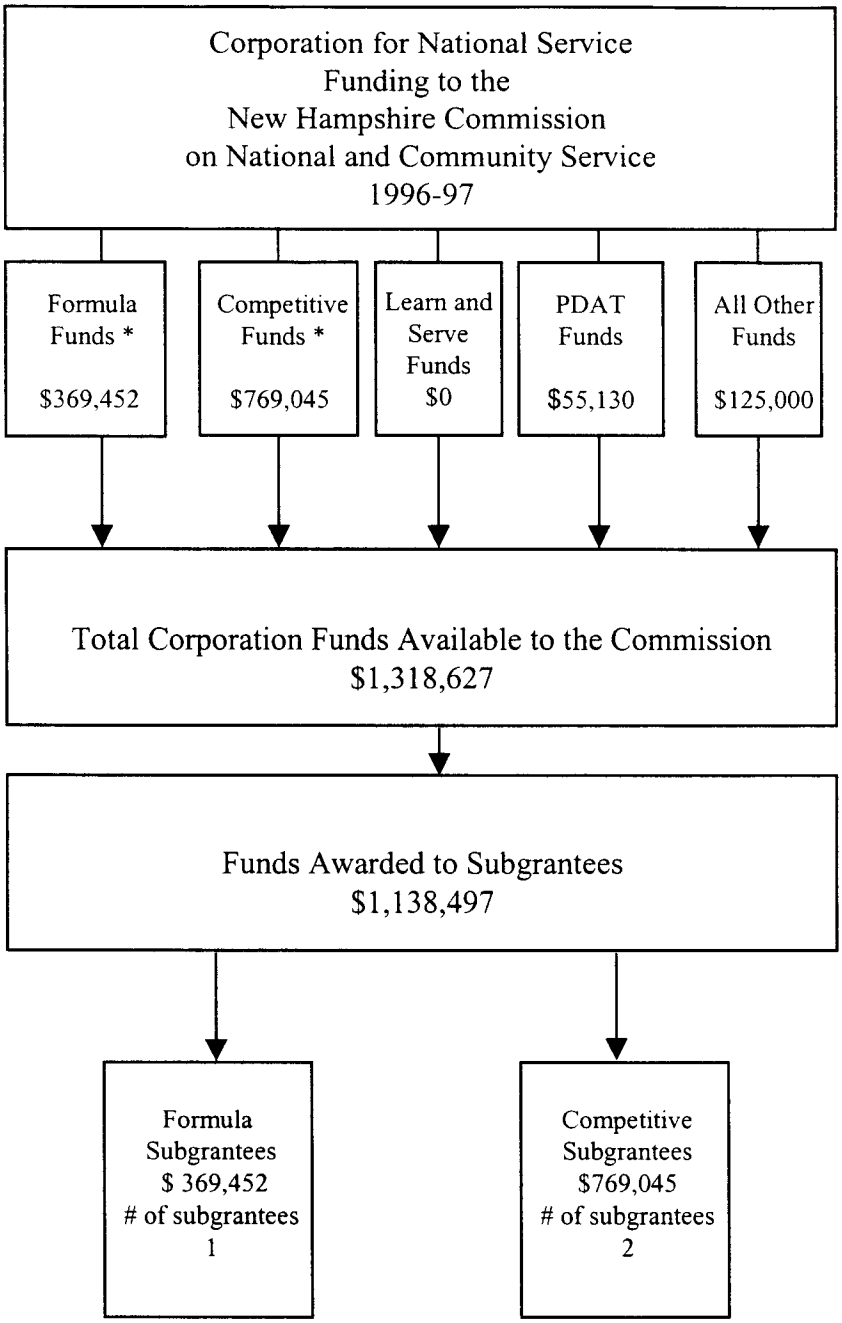
Appendix A

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	$ 307,983	$ 451,877	$ 222,939
CNS Competitive Grant Funds	758,545	1,186,009	685,345
CNS Promise Fellows Funds	0	0	115,000
CNS Educational Only Awards	0	25,270	5,000
CNS PDAT Funds	55,130	104,000	92,855
CNS Administrative Funds	125,000	105,212	146,703
CNS Carryover Funds	71,969	0	345,550
State Matching Funds	67,162	102,735	*85,000
Total Funding	$1,385,789	$1,975,103	$1,698,392

* Estimated

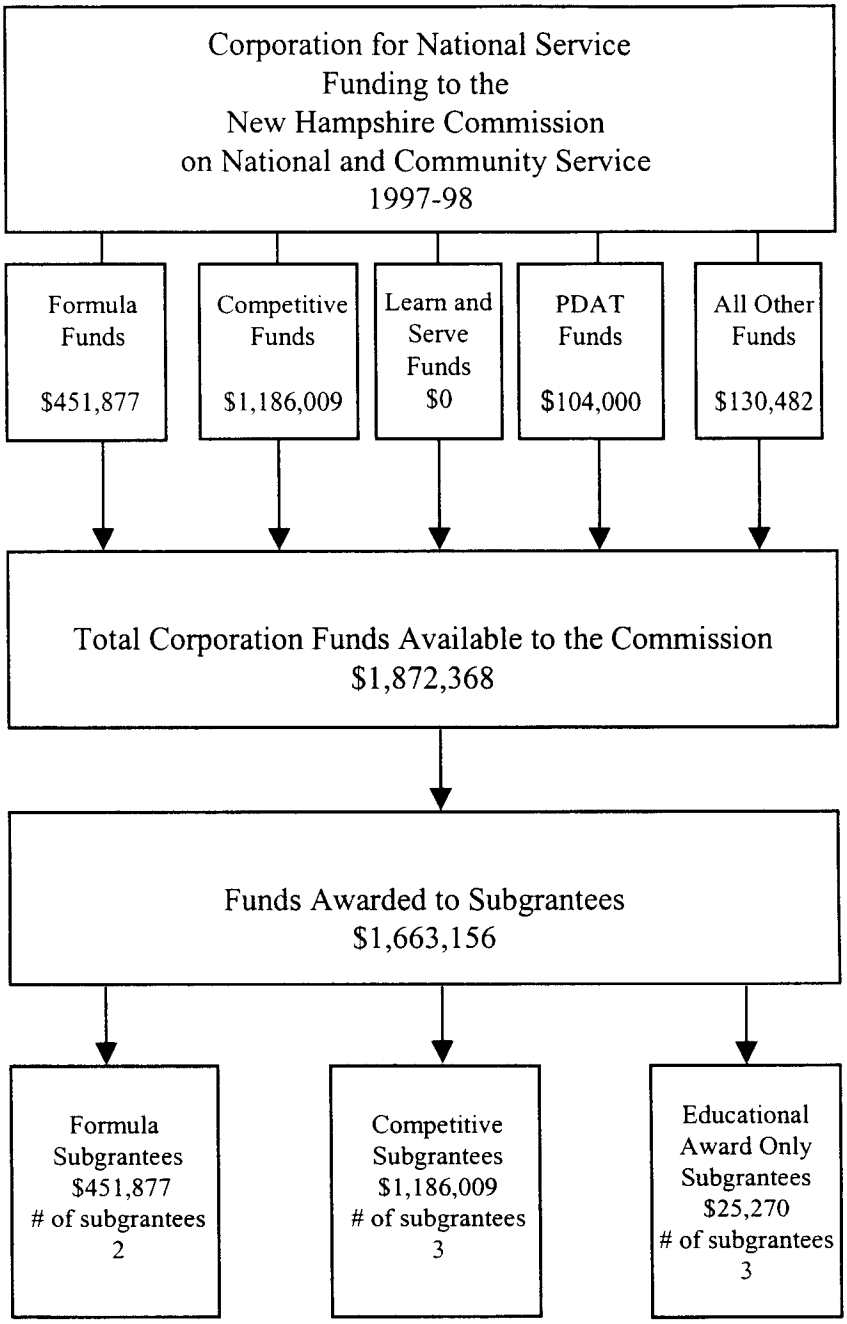
Commission Funding



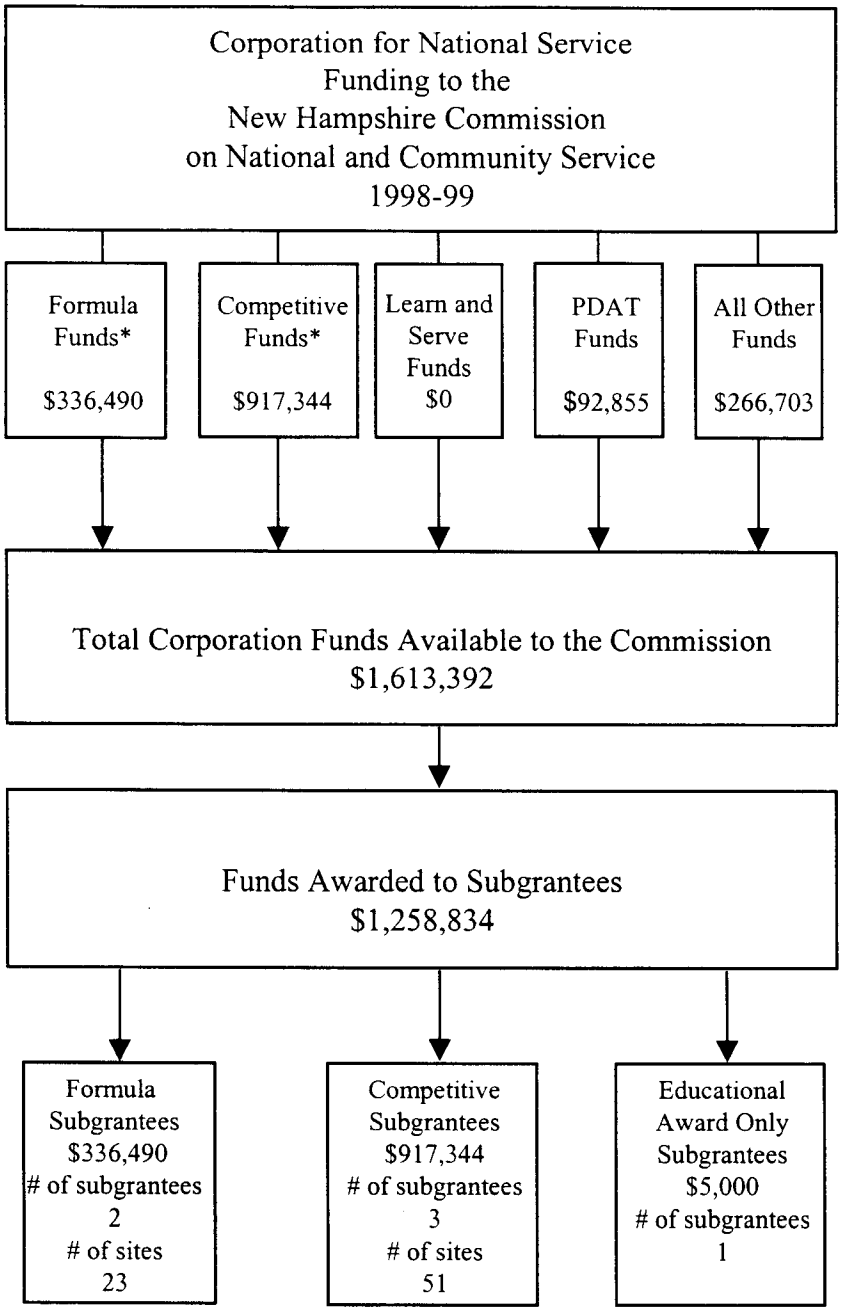
* Includes carryover amounts.

Commission Funding

Appendix A



Commission Funding



* Includes carryover amounts.

Detailed Engagement Objectives and Methodology — Appendix B

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; 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 Grants

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.

NH Commission for National & Community Service

AmeriCorps: Getting Things Done In New Hampshire

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Providian National Bank
Tyco International
Timberland Co.

January 11, 2000

Ms. Luise S. Jordan
Office of Inspector General
1201 New York Avenue, NW
Washington, DC 20525

Dear Ms. Jordan,

Enclosed please find the New Hampshire Commission for National and Community Service's response to the recent pre-audit preformed in October 1999. We appreciate the opportunity to send this response and the learning experience that your pre-audit afforded us. If you have any questions regarding the enclosed, please do not hesitate to call us.

Sincerely,

Alexis Walker
Executive Director

Enclosure

64 Old Suncook Road • Concord, NH 03301 • Fax: 603-229-3408 • Telephone: 603-229-3406 • TDD: 603-229-3417

NH Commission for National & Community Service
Response to Findings and Recommendations

Selecting Subgrantees
Although we are in concurrence with your thoughts and findings, there are some points of clarification that need to be made.

It was indicated that a panel of three commissioners and one community member evaluate the applications. This is considered a minimum number of appropriate representation. For example; the 2000 – 2001 grant application had four commissioners and two members of the community as part of the evaluation team.
The "verbal communication" from staff to the evaluation team can vary from each applicant (regarding previously funded programs) depending on what is asked of the staff from the evaluation team. However, staff will use information from site visits that are documented in site monitoring tools to provide this information. Staff is careful not to use undocumented information in the decision making process. A format, or policy of what information is to be provided and from what source is recognized as an important piece to this process and will be created.

Lack of Formal Conflict of Interest Statements
The NH Commission has had conflict of interest forms, information and processes in place to ensure commissioners are aware and understand COI. COI is part of the commissioner's handbook and is discussed before events where COI may come into play; such as evaluating grant applications. We do recognize that signed forms have not been kept up to date and a format or policy on COI for grant application evaluation needs to be created in print. The NH Commission has created an updated version of the COI and Voting policy for all commissioners to sign and a COI policy for community members on evaluation teams to sign. COI was/is part of training for application evaluation teams, however this process has not been documented in the past.

Missing Documentation related to Application Rejections
The commission will keep hard copies of any correspondence regarding the application process in appropriate files.

Limited Advertising of Funding Availability
You identify mediums the commission has used as radio, television, newspapers, magazines, newsletters, and an internet website. We have also used direct mailing, posters, job fairs and direct contact as ways to advertise for funding and recruitment. We are unclear as to why the mediums you identify are considered "limited." The commission would appreciate any suggestions on other mediums that could be used in order to be considered "not limited."

Identified as a cause and effect relationship are the number of applications received in the 1998-1999 program year. The commission does not agree that the number of applications received is directly related to the level of advertising for funding availability.

We believe there are many other factors at stake, such as; employment rate, political climate, recognition of funding source, realization of the complexity of the grants etc. The lack of applications may be a concern for more effective exposure. This could be identified as a marketing issue, but not necessarily a lack of advertising for NOFA's.

Administering Grant Funds

Timeliness of Receipt of FSRs, Invoices and Progress Reports
NH Job Training Council, as the fiscal agent, has performed the basic calculations for FSRs. If there is an inconsistency with an FSR, the NHJTC will notify this office, the FSR will be sent back for corrections. The NH Commission has created a fiscal manual which has forms that will identify match and various other fiscal measures for each program.

Evaluating and Monitoring Subgrantees

Review of Subgrantees' financial systems, AmeriCorps member timesheets, and expense Documentation during site visits.
Concerns regarding controls are now done through fiscal site visits. Due to the amount of staff available in the past and the amount of time to provide a site visit, only programmatic site visits were being conducted. Since the fiscal manual has been put in place, fiscal site visits have been conducted and documentation of those visits are/will be on file.

Regarding the review of member timesheets; timesheets are checked during programmatic site visits. What is looked for are appropriate signatures and tracking of training/education versus service hours.

Review of Prohibited Activities
The commission is not sure to what level and degree site visits should have to "hunt" for "potential" prohibited activities. Part of each site visit is to meet with members and host site staff. It is impossible to meet with all members and host site staff. By meeting with members and host site staff we expect to develop a better understanding of the activities the member is performing and whether or not they are appropriate. Members and staff receive training twice at the beginning of each year regarding prohibited activities and are reminded throughout the year about prohibited activities. Prohibited activities are found in the federal register, the program directors handbook, members handbooks and occassional memos. The commission holds program staff meetings every other month, we coordinate the InterCorps Council and conduct statewide events that provide us an opportunity to meet with staff, members and others in order to learn more about their service. We are fully aware of what constitutes a "red flag" and will deal appropriately if one occurs. It would be important to know what documentation or staff activity would satisfy this issue?

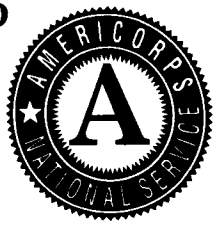
Review of Member Living Allowance and Hour Accumulation
The commission is not clear on what is meant by "authorized" activities. We are clear on displacement issues, prohibited activities and what duties should be done in the "spirit of AmeriCorps." If these are what you considered "authorized" activities, the commission's response would be the same as the "prohibited activities" response. And like the prohibited activities response would like to know what kind of activities from commission staff and what documentation would satisfy this concern.

Review of OMB Circular A-133 or Other Audit Reports from Subgrantees
The NH Commission has on file A-133 reports from programs that have received funding. We have not received A-133's from a funded program every year they have received funding. As established in our yearly fiscal review process A-133's will be received and reviewed. For the 2000 – 2001 program applications, an A-133 will be requested prior to submission to the CNS.

Schedule of Planned and Actual Site Visit Dates
We can provide dates site visits were conducted. We are not clear on how long in advance a site visit should be scheduled to meet this requirement. Obviously site visits must be planned and the commission identifies when during the program year they should be conducted. Would a **yearly** timeline of anticipated and actual site visits satisfy this issue?

Recommendations
Bullet #2- Should these procedures be more than site visits, host site visits, member visits as described previously?
Bullet #3- What is the difference between "established guidelines" and "authorized activities?" Refer to "Review of Member Living Allowance and Hour Accumulation."

Appendix D



MEMORANDUM

AmeriCorps National Service

CORPORATION FOR NATIONAL SERVICE

TO: Luise Jordan

FROM: Deb Jospin

SUBJECT: Response to the Revised Draft Audit Report 00-19, Pre-Audit Survey of the New Hampshire Commission for National and Community Service

DATE: February 4, 2000

We have reviewed your revised draft audit report that 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 New Hampshire Commission on National and Community Service."

Some of the conditions cited in the "results in brief" section of the report include concerns related to the selection of subgrantees, FSR timeliness and review, and controls to evaluate and monitor subgrantees.

Given the Corporation's limited program administration resources, we developed a plan to assess State Commission administration standards. Over a three year period, we will be reviewing each of the State Commissions. The draft administration standards were published in the Federal Register for comment on December 22, 1999. Based on the final set of standards, we plan to review 12 commissions this year. When scheduling these reviews, we will consider the conditions cited in any OIG pre-audit surveys that have been issued as we finalize our plans. As part of our review, we will determine whether State Commissions have put appropriate corrective actions in place for conditions noted in any pre-audit survey that your office has issued.

In addition to these scheduled reviews, we will also request that Commissions provide semi-annual reports on their actions to correct conditions cited in the OIG pre-audit surveys.

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

Getting Things Done.
AmeriCorps, National Service
Learn and Serve America
National Senior Service Corps

On a related note, the appropriate action officials for the State Commission pre-audit surveys are Bruce Cline, the Director of the Office of Grants Management, and myself. If your office would address correspondence on pre-audit surveys to these parties, with copies to Tony Musick, Wendy Zenker, and Peg Rosenberry, it would be appreciated.

cc: Wendy Zenker
Gary Kowalczyk
Tony Musick
Bruce Cline
Peg Rosenberry