**Office of the Inspector General**
**Corporation for National and Community Service**

# Pre-Audit Survey Report of the Alaska State Community Service Commission

**OIG Audit Report Number 00-24**
**March 24, 2000**

*Prepared by:*
Urbach Kahn & Werlin, PC
1030 Fifteenth Street, N.W.
Washington, D.C. 20005

Under CNS OIG MOU # 98-046-5003
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**This report was issued to Corporation management on August 8, 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 February 5, 2001, and complete its corrective actions by August 8, 2001. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.**

CORPORATION
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**Office of Inspector General**
**Corporation for National and Community Service**

# Pre-Audit Survey of the Alaska State Community Service Commission OIG Audit Report Number 00-24

*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. In most cases, AmeriCorps programs are not 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 issue a report to the state commission and to the Corporation communicating the results and making recommendations for improvement, as appropriate.

*We engaged Urbach Kahn & Werlin, PC to perform the pre-audit survey of the Alaska State Community Service Commission. Based on the survey procedures performed, UKW concludes that the Commission appears to have an adequate pre-award selection process and adequate controls over training and technical assistance. However, UKW indicates that the Commission's fiscal administration and monitoring processes are not adequate. Consequently, UKW recommends a full-*

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

*scope audit of CNS funding from 1995 through the present. UKW also recommends that the Corporation follow up with the Commission to determine that appropriate corrective actions have been put into place.*

We have reviewed the report and work papers supporting its conclusions, and we agree with the findings and recommendations presented.

We provided a draft of this report to the Alaska Commission and to the Corporation for comment. The Alaska Commission's response (Appendix C) describes corrective actions taken in response to the survey findings. The Corporation's response (Appendix D) indicates that the Corporation plans to request semi-annual reports from the Commission on its corrective actions and that the Commission will be included in the Corporation's administrative review process.

**Office of the Inspector General**
**Corporation for National and Community Service**

**Pre-Audit Survey Report of the**
**Alaska State Community Service Commission**

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UK &W Urbach Kahn & Werlin PC
CERTIFIED PUBLIC ACCOUNTANTS

Inspector General
Corporation for National and Community Service

At your request, Urbach Kahn and Werlin PC performed a pre-audit survey of the Alaska State Community Service 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 Alaska State subgrantees, including AmeriCorps Member activities and service hours; and
- the controls over the provision of training and technical assistance.

We were also asked to report on the recommended scope of additional audit procedures to be performed at the Alaska 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 grants received from the Corporation.

- The Commission appears to have an adequate pre-award selection process to select national service subgrantees and related systems and controls appear to be functioning as designed. However, we identified areas for improvement related to the retention of specific documentation to support the selection process.
- The Commission does not have an adequate process in place for the fiscal administration of grants.
- The Commission does not have adequate controls in place to evaluate and monitor subgrantees.
- The Commission appears to have adequate controls in place to provide reasonable assurance that training and technical assistance are made available and provided to subgrantees.



1030 Fifteenth Street NW, Washington, DC 20005 (202) 296-2020 FAX (202) 223-8488
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Based on our preliminary assessments, we recommend that the OIG perform a full-scope financial audit of the funds awarded to the Alaska Commission for 1995 through the current program year. Procedures should also include verification of reported Member service hours and matching amounts by subgrantees. In addition, we recommend that the Corporation follow up with the Commission to determine that appropriate corrective actions are put in place to address the conditions reported herein and that the Corporation consider these conditions in its oversight and monitoring of the Alaska 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 between 15 and 25 voting members. Each Commission has a responsibility to develop and communicate a vision and ethic of service throughout the State.

The State Commissions provide AmeriCorps funding to approved subgrantees for service programs within their states and are responsible for monitoring these subgrantees' compliance with grant requirements. The State 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 throughout 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, as well as provide effective control and accountability for all grant and subgrant cash, real and personal property, and other assets.

## *OVERVIEW OF THE ALASKA COMMISSION*

The Alaska State Community Service Commission is currently headquartered in Anchorage, Alaska. The Commission was headquartered for a brief period of time in Alaska's capital, Juneau. The Commission was housed under the Department of Community and Regional Affairs from its inception in 1994, until June 1999, at which time the Department was dismantled. The Commission was then briefly transferred to the Department of Labor between July 1999 and November 1999, until it was subsequently transferred to the Department of Education and Early Development.

The Commission reported that it received funding from the Corporation totaling $ 1,374,588 in 1995; $ 1,324,327 in 1996; $ 1,429,101 in 1997; $ 994,183 in 1998; and $ 1,146,875 in 1999. Additional information on the Commission's funding is presented in Appendix A. The Commission currently has one full-time Executive Director and a part-time secretary. The Commission requested and obtained the use of an Internal Auditor with the Department of Community and Regional Affairs during the 1995 through 1998 program years.

As part of the State of Alaska, the Commission is included in the state's annual OMB Circular A-133 audit under the Department of Community and Regional Affairs. There have been no major questioned costs or findings identified within DCRA, which directly affect Corporation funds received by the Commission. However, it has not been considered or tested as a major program.

The Commission provided the following information regarding subgrantee A-133 audits:

| Program Year | Total Amount of Corporation Funds Subgranted | Number of Subgrantees | Number of Subgrantees Subject To A-133 Audit Requirements |
|---|---|---|---|
| 1999 | $1,044,147 | 4 | 1 |
| 1998 | $915,313 | 4 | 1 |
| 1997 | $1,280,601 | 4 | 2 |
| 1996 | $1,250,327 | 3 | 3 |
| 1995 | $1,126,000 | 3 | 1 |

Determination of the number of subgrantees subject to OMB Circular A-133 audit requirements is based on information received from the Commission and the dollar value of federal awards passed through the Commission during the program year, as well as our review of the subgrantee A-133 audit reports. Other subgrantees could be subject to an OMB Circular A-133 audit if additional federal funds were received from other sources during the program year.

## *OBJECTIVES, SCOPE AND METHODOLOGY*

We were engaged by the Office of the Inspector General for the Corporation for National and Community Service to provide a preliminary assessment of the systems and procedures in place at the Commission for administering grants and for monitoring the fiscal activity of subgrantees.

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 Alaska State subgrantees, including AmeriCorps Member activities and service hours; and
- the controls over the provision of training and technical assistance.

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

Our survey included the following procedures:

- reviewing Corporation laws, regulations, grant provisions, the *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 audit reports and current program year grant agreements for the Commission;
- obtaining information from Commission management to complete flowcharts documenting the hierarchy of Corporation grant funding for program years 1995 through 1999; and
- performing the procedures detailed in Appendix B, in connection with the Commission's internal controls, selection of subgrantees, administration of grant funds, evaluation and monitoring of grants, and technical assistance process.

As part of the procedures performed, we documented and tested certain internal controls in place at the Commission using inquiry, observation, and examination of a sample of source documents. Finally, we summarized our observations and developed the findings and recommendations presented in this report. We discussed all findings with Commission management during an exit conference on March 24, 2000.

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 are 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 and 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 Alaska Commission and the Corporation for National and Community Service. 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*

### *Selection of 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." Current Commission procedures indicate that the Alaska Commission has developed various procedures to comply with this requirement. The Commission advertises the availability of funds through the following mediums: letters are sent to all applicants maintained in a Commission database; advertisements are placed on the Commission's web-site, and in Alaska's three major newspapers. The Commission then holds public grant information meetings and technical assistance conference calls to discuss application and Corporation guidelines. Those applicants still interested are asked to submit Intent to Apply forms.

New applicants complete these forms, which provide limited information on the program, including number of potential members; program objectives; and specific information relating to the key contact person.

The Review Panel reviews each form and completes peer review and team ranking sheets. Commission personnel categorize the forms according to recommendations and evaluate each applicant's strengths and weaknesses. Approved applicants then attend a one-day technical assistance session to gain information relating to the required comprehensive AmeriCorps applications.

Commission personnel review these applications, as well as evaluate the financial systems in place at each subgrantee and results of recent audits. At the conclusion of the review, the Commission compiles their recommendations and submits them to the Corporation.

For renewal applicants, the Commission reviews quarterly progress reports, proposals for the future, as well as the budget submission for the upcoming year.

While we believe the documentation maintained by the Commission to support the selection process is adequate; we have identified the following areas for improvement.

***The Commission did not maintain signed conflict of interest forms as required.***

Section 3.6 of the *Reference Manual for Commission Executive Directors and Members* states "Commissions should strive to achieve the greatest objectivity and impartiality possible in the review and selection of grantees in the state." The section continues to state "As defined by the Act, a Commission member or review panel member is considered to have a conflict of interest if the member is currently, or was within one year of the submission of a grant application to the Commission: an officer, a director, a trustee, a full-time volunteer or an employee of an organization submitting a grant application to the State Commission."

Page 3-30 of Section 3.6 states "If a Commission member has a conflict of interest, the member must recuse himself/herself from the Commission's administration of the grant program, including such activities as any discussions or decisions by the Commission regarding the provision of funds or education awards to *any program or entity funded under the same funding category."*

The Commission was unable to provide us with conflict of interest forms signed and dated during 1995 and 1998.

Because the Commission could not provide all signed and dated conflict of interest statements, we were unable to determine whether conflict of interest statements were properly completed by all Commission and grant review panel members during the grantee selection process and whether the individual reviewer lacked a conflict of interest.

We recommend that the Commission actively check for conflicts of interest and enforce current policies and procedures requiring that signed and dated conflict of interest forms are maintained for each grant applicant on file in accordance with the Corporation requirements.

***Some documentation to support grant decisions was missing.***

The Commission was unable to locate the following information:

- Documentation supporting one rejected applicant during 1995;
- Documentation supporting verbal withdrawal of one applicant during 1998; and
- Merit ranking form used to evaluate one subgrantee during 1998.

We recommend that the Commission enforce current policies and procedures requiring the retention of documentation to support the selection or rejection of subgrantees.

***Lack of documentation supporting the assessment of subgrantee applicants' Financial Systems during the selection process***

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 comply with this requirement, 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 the Commission's expenditure reporting.

The Commission stated that all audit reports were obtained, reviewed by the internal auditor and the Executive Director, and this information was forwarded to the review panel to aid in their decision-making. However, the Commission could not provide us with documentation to support this assertion and review of the application review forms did not indicate that a review was done.

The grant application form provided by the Corporation does not specifically address the applicant's financial systems. In addition, Commission selection procedures do not require Commission personnel to request information from the applicants related to their financial systems or to otherwise assess an applicants' financial system. As a result, grant funds may be provided to an organization that does not have financial systems in place to properly account for the Corporation funds received or to ensure compliance with related requirements.

We recommend the Commission evaluate and document the adequacy of the applicants' financial systems during the selection process to ensure that applicants have systems in place to properly account for grant funds and comply with related grant requirements.

***Administration of 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). Based on the results of our testing, we identified the following areas for improvement related to the evaluation of subgrantee compliance with reporting and grant requirements.

***Lack of evidence of Financial Status Report review, including matching recalculation.***

Commission procedures indicate that subgrantee Financial Status Reports are reviewed, and matching requirements, recalculated. However, no evidence exists to document that this review was performed.

As discussed in the Overview section above, the Commission requested and obtained the use of an Internal Auditor, with the Department of Community and Regional Affairs, during the 1995 through 1998 program years, to evaluate subgrantees' compliance with fiscal requirements. Commission procedures indicate that during site visits, the Internal Auditor would verify match amounts reported on their FSRs to the subgrantees' financial system, and select a random sample of transactions and trace them to supporting documentation. However, Commission personnel could not provide us with the internal auditor's workpapers to support this review was performed.

We also identified one subgrantee that appeared to have had trouble meeting their match for 1995 through 1997. During our pre-audit survey, we identified and reviewed information regarding the Southeast Alaska Guidance Association, otherwise known SAGA. The internal auditor contacted SAGA after reviewing their 1995 audit report, which revealed SAGA's debt to the Internal Revenue Service for $35,000 in payroll taxes, penalties, and interest. On May 14, 1997, records indicate that the Department of Community and Regional Affairs filed a formal incident report with the Office of the Inspector General for the Department of Labor and the Corporation for National Service. SAGA paid the remaining balance of the principal to the IRS on June 16, 1997.

As a result of this situation, Commission personnel increased discussion with SAGA and SAGA contracted a consulting firm to strengthen their internal controls and improve their management practices of the various programs and projects they administer and operate with.

Although supporting documentation was not provided by SAGA, our review of their 1998 and 1999 FSRs indicated that SAGA reported meeting their match.

Our review also identified the following errors:

- Two of forty-six FSRs in which the previously reported amount was not carried forward accurately;
- Three FSRs which were not mathematically accurate;
- Two FSRs did not include the correct "Total Federal Funds for that period"; and

- One FSR where the amounts reported for recipient and federal outlays did not agree to the amount reported as total outlays.

We also could not determine whether Commission personnel compare FSRs to subgrantees' accounting systems or other supporting documentation during site visits, since Commission personnel could not locate the internal auditor's workpapers.

Because of these conditions, errors on the FSRs may occur and remain undetected. If subgrantee FSRs are not agreed to the subgrantees' accounting system, then there is an increased risk that subgrantees are incorrectly reporting amounts on their FSRs and the Commission lacks reasonable assurance that subgrantees are correctly reporting amounts on their FSRs.

We recommend Commission personnel develop standard procedures to review subgrantee FSRs, recalculate matching requirements and to document the results of this review. Also, the Commission should implement site visit monitoring procedures that require the reconciliation of the subgrantees' FSRs to the subgrantees' accounting records along with other supporting documentation (e.g. invoices).

***Late submission of Financial Status Reports***

AmeriCorps Provision 17 (i) states "AmeriCorps State programs and most AmeriCorps National sites that receive subgrants must submit at least four Financial Status Reports (SF 269 a) to their respective State Commission or Parent Organization." It continues to state "State Commissions and Parent Organizations are required to forward Financial Status Reports from programs and budgeted sites to the Corporation's Grants Office 30 days after the close of each calendar quarter."

Our testing identified five instances where subgrantees did not submit FSRs to the Commission in accordance with Corporation guidelines. In addition, we could not determine the timeliness of one FSR because the FSR was signed prior to the end of the period reported on the FSR.

We recommend that the Commission enforce current policies and procedures requiring the submission of FSRs in accordance with Corporation guidelines.

***The Commission uses their drawdown requests to compile FSRs submitted to the Corporation.***

The Commission compiles the AmeriCorps programs FSR for submission to the Corporation, based on the Alaska State systems record of drawdown requests. Therefore, Commission FSRs are not compiled based on the expenditures reported on the subgrantee FSRs received by the Commission. Corporation guidelines do not specify whether expenditures should be reported on the cash or accrual basis of the Commission's books, or the subgrantees' books.

Because the subgrantees' FSRs were not used to compile the Commission FSRs, we were unable to verify the expenditures submitted by the Corporation on the Commission FSR.

***Evaluating and Monitoring Grants***

As discussed above, the Commission is responsible for evaluating whether subgrantees comply with legal, reporting, financial management and grant requirements and ensuring corrective action when noncompliance is found.

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

***The evaluating and monitoring system for subgrantees needs to be improved at the Commission.***

According to OMB Circular No. A-133, *Audit of States, Local Governments, and Non-Profit Organizations,* as amended, Subpart D § 400 (d)(3) pass through entities are required to "Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved."

During our review of monitoring files for subgrantees, we determined that certain information was not included in the site visit documentation. Specifically, the names of the Member files reviewed, identification of Member files where exceptions were identified, and the procedures followed to select the Members reviewed were not included. There was no documentation that member service hours reported to the Commission were traced back to the timesheets to verify the existence of the hours reported. In addition, the Commission does not review the list of suspended or debarred vendors at the subgrantee level.

The prior Executive Director stated that these procedures were performed by the Internal Auditor. However, the Commission could not locate these records and workpapers for our review. This lack of specific documentation prevented us from determining the adequacy of the monitoring procedures performed by Alaska Commission personnel.

In addition, the prior Executive Director also indicated that the Internal Auditor's position was cut for the Department of Community and Regional Affairs and the Alaskan legislature eliminated funds for all state travel during 1998. As a result, no site visits were performed during the 1998 program year.

We recommend that the Commission revise its policies and procedures to require that specific information be included in the documentation for site visits (for example, sample sizes, exceptions, recommendations, and follow up on findings and recommendations, if any). This will allow the Corporation to assess the Commission's oversight of subgrantees when it performs its planned Commission administrative reviews.

In addition, we recommend that the Corporation for National and Community Service revise its guidance to specify minimum procedures to be performed, as well as minimum documentation requirements.

### *Review of Audit Reports*

The Executive Director asserted that the Internal Auditor and Executive Director reviewed subgrantee A-133 reports and that documentation of the review was maintained to support findings noted in the reports. However, as discussed above, Commission personnel could not locate documentation to support this review. We reviewed documentation to support the finding of one subgrantee A-133 audit report and did not identify additional findings during our review of the remaining other subgrantee A-133 reports. In response to our finding, Commission personnel stated that they will implement a checklist to document the review of all A-133 audit reports regardless of content found within the report.

## Providing Technical Assistance

Annually, the Commission receives grant funds to provide technical assistance to its subgrantees. Procedures are in place at the Commission to (1) identify training needs of subgrantees through 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.

However, the Commission could not provide us with a comparison of budget and actual PDAT expenditures for 1999. In addition, the Executive Director stated that the Alaskan legislature cut off all state travel during 1998 and therefore the Executive Director was not allowed to perform site visits to subgrantees outside of Anchorage or attend the Corporation's annual conference in Washington, DC.

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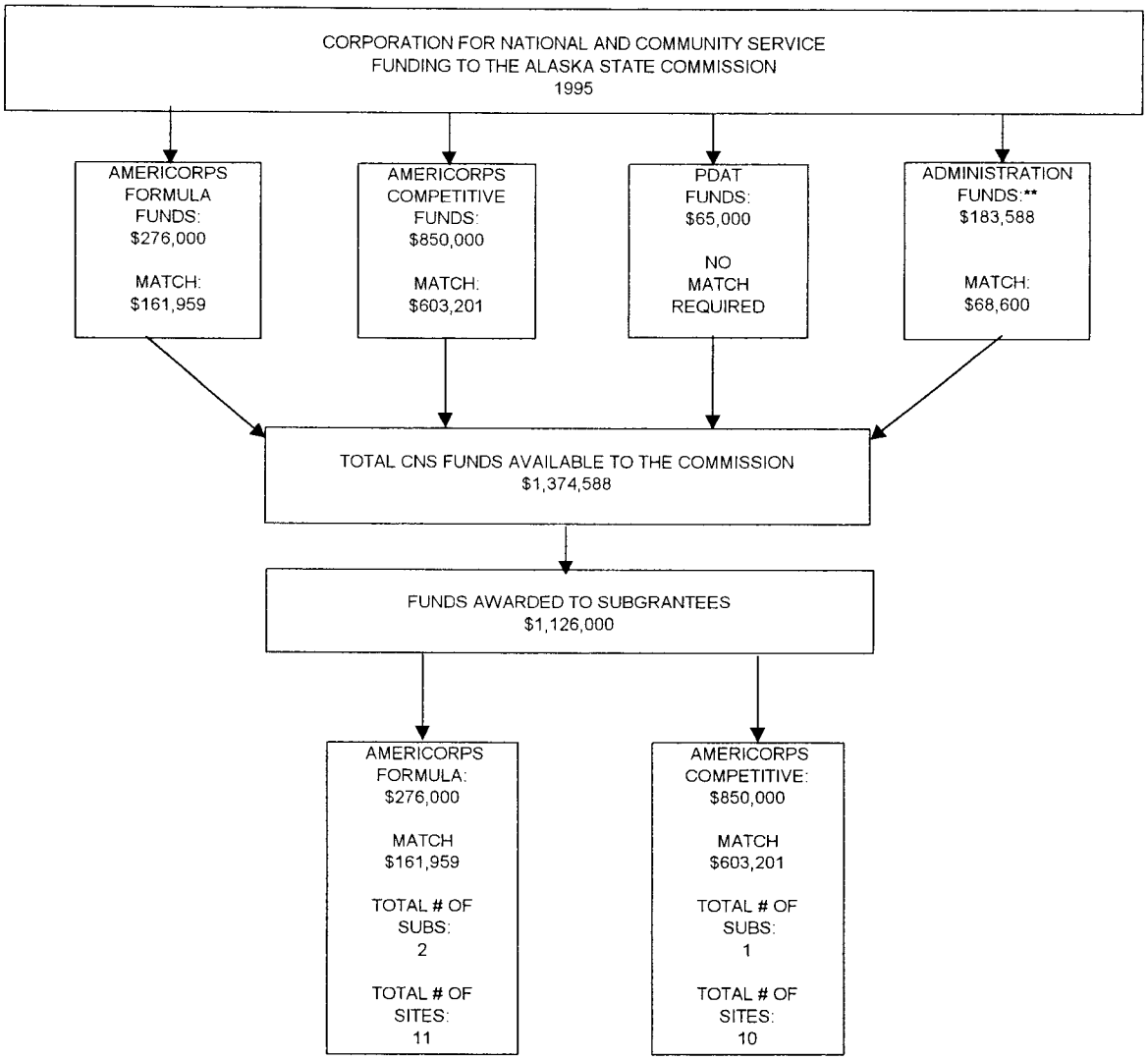
This report is intended solely for the information and use of the Office of the Inspector General, management of the Corporation for National and Community Service, the Alaska State Community Service Commission, and the United States Congress and is not intended to be and should not be used by anyone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

Urbach Kahn & Werlin PC

Washington, DC
March 24, 2000

## *APPENDIX A – ALASKA COMMISSION FUNDING*



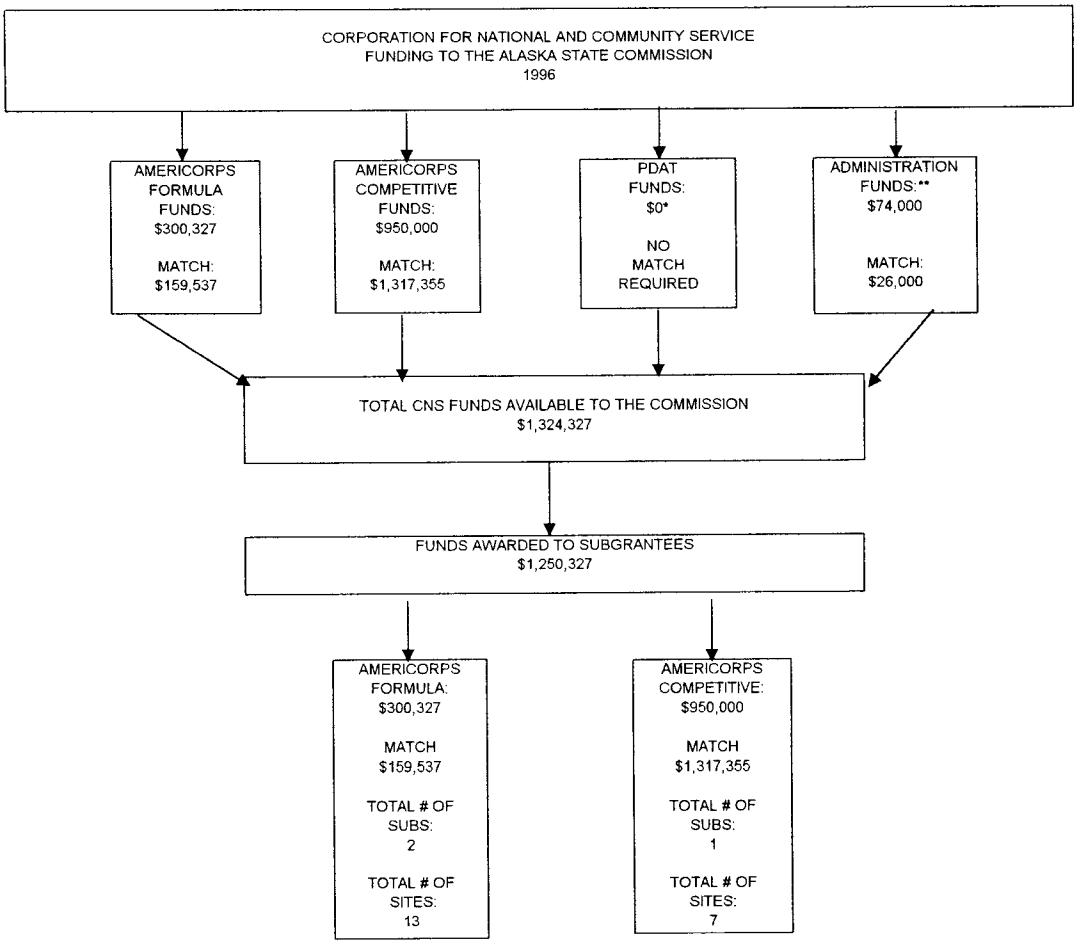

Total Carryovers for 1995 (Not included in the current year funding amounts above):

| | | |
|---|---|---|
| AmeriCorps | $ | - |
| Admin | $ | 2,910 |
| PDAT | $ | - |

** Disability funds included in grant award and $10,000 in initial PDAT funds awarded under the Administrative grant.

NOTE: The Alaskan Commission did not receive Learn and Serve funds from 1994 through the date of this report.

# APPENDIX A – ALASKA COMMISSION FUNDING

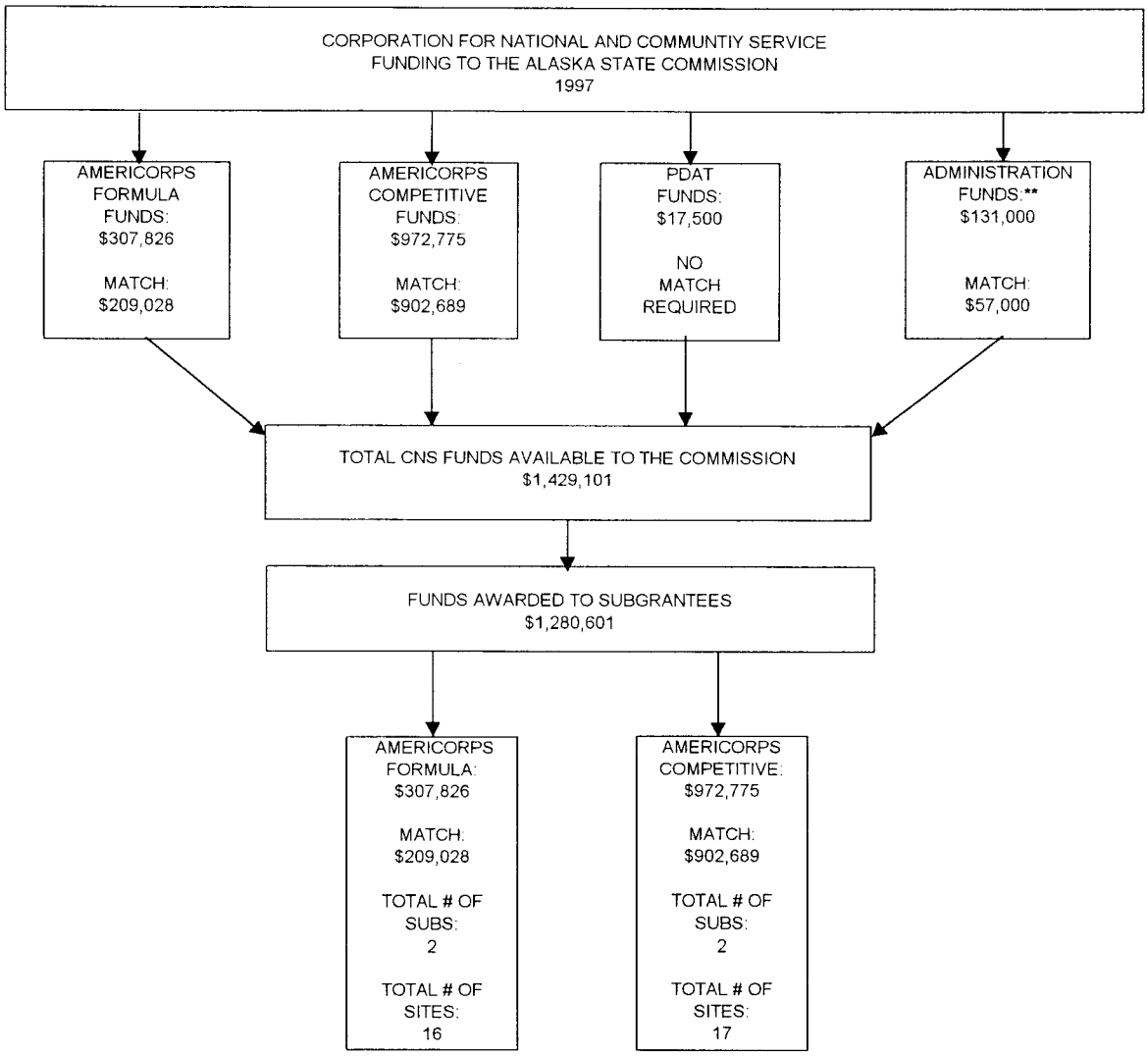



Total Carryovers for 1996 (Not included in the current year funding amounts above):

| | | |
|---|---|---|
| AmeriCorps | $ | - |
| Admin | $ | 51,000 |
| PDAT | $ | 62,500 |

* No new funds were issued, only carryover funds were used.
** Disability funds included in grant award.

## *APPENDIX A – ALASKA COMMISSION FUNDING*

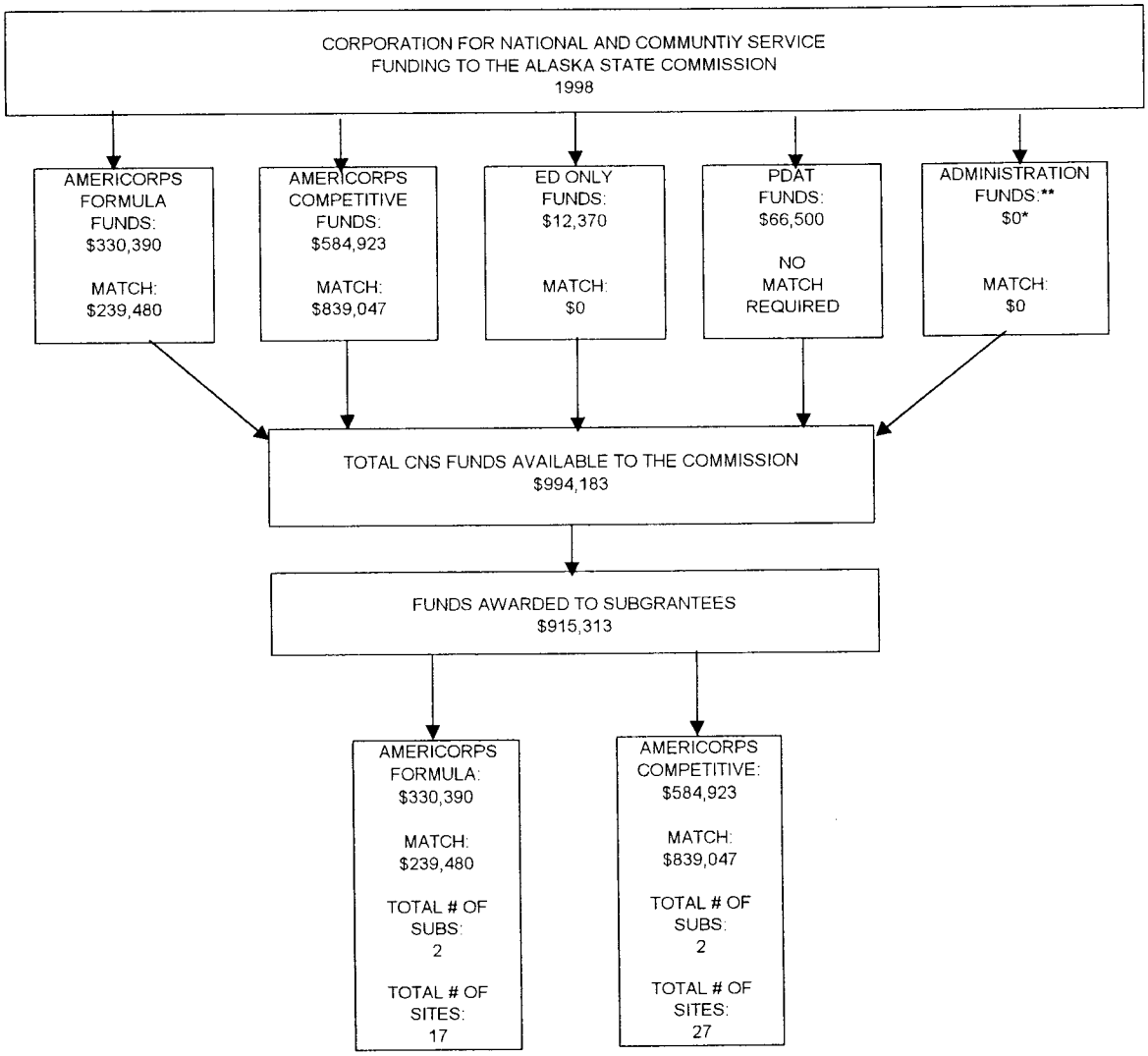



Total Carryovers for 1996 (Not included in the current year funding amounts above):

| | | |
|---|---|---|
| AmeriCorps | $ | - |
| Admin | $ | 15,290 |
| PDAT | $ | 62,500 |

** Disability funds included in grant award.

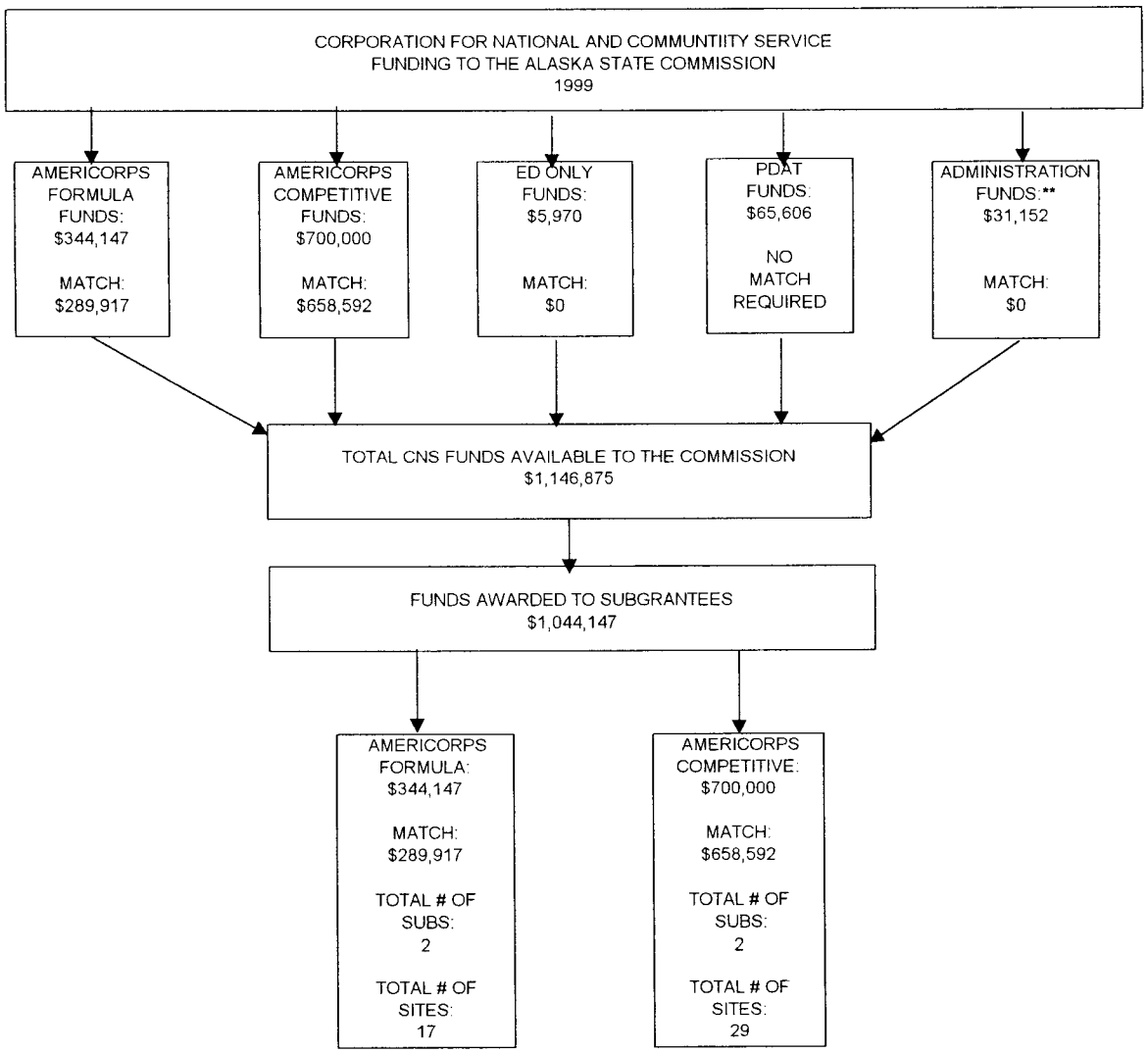
## *APPENDIX A – ALASKA COMMISSION FUNDING*




Total Carryovers for 1996 (Not included in the current year funding amounts above):

| | | |
|---|---|---|
| AmeriCorps | $ | 90,077 |
| Admin | $ | 77,394 |
| PDAT | $ | 17,500 |

* No new funds were issued, only carryover funds were used.
** Disability funds included in grant award.




Total Carryovers for 1996 (Not included in the current year funding amounts above):

| | | |
|---|---|---|
| AmeriCorps | $ | - |
| Admin | $ | 28,152 |
| PDAT | $ | 20,394 |

** Disability funds included in grant award

**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 objectives, we interviewed key Commission personnel to assess the Commission's internal controls surrounding the following items to ensure compliance with Part 6 of A-133, Internal Control of the Compliance Supplement to *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*: overall control environment; activities allowed or unallowed and allowable costs; cash management; eligibility; equipment and real property management; matching; period of availability of Corporation funds; procurement and suspension; debarment; program income; and reporting by the Commission to the Corporation.

**Selection of Subgrantees**

Our objectives were to:

- conduct a preliminary survey of the systems and controls utilized by the Commission to select national service subgrantees to be included in any application to the Corporation;

- make a preliminary assessment 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

- make a preliminary assessment as to whether the Commission's 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 ensure that conflict of interest forms for each subgrantee applicant tested were signed by all peer review members annually, and maintained by the Commission.

**Administering the Grant Funds**

Our objectives were to:

- conduct a preliminary survey 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 is 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;

- conduct a preliminary survey of financial systems and documentation maintained by the Commission to support the oversight of subgrantees and their required reporting to the Corporation (including Financial Status reports, enrollment and exit forms); and

- make a preliminary assessment as to what procedures the Commission has 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.

**Evaluating and Monitoring Grants**

Our objectives were to:

- conduct a preliminary survey 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;

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

- conduct a preliminary survey 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);

- conduct a preliminary survey of the Commission's procedures for obtaining, reviewing and following up on findings included in the subgrantee single audit reports, where applicable;

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

- conduct a preliminary survey 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 A-133 audit reports from subgrantees.

**Providing Technical Assistance**

Our objectives were to:

- conduct a preliminary survey of the systems and controls utilized by the Commissions to provide technical assistance to subgrantees and other entities in planning programs, applying for funds, and implementing and operating programs;

- make a preliminary assessment as to whether a process is in place to identify training and technical assistance needs; and

- make a preliminary assessment as to 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, which were made available to all subgrantees.

*ALASKA STATE COMMUNITY SERVICE COMMISSION*

RESPONSE TO THE PRE-AUDIT SURVEY REPORT
From the
Office of the Inspector General
OIG Audit Report #00-24

***JULY 15, 2000***

## INTRODUCTION

The Alaska State Community Service Commission is hereby responding to the Report of the Pre-Audit survey performed in March of this year by the firm of Urbach Kahn & Werlin. The two auditors conducting the fieldwork were Jennifer Prevost and Kristin Vanwagoner. They were both cordial and professional as they sought the information they needed from us during the pre-audit process. They were present in our offices from March 20th – March 24th. The week following the pre-audit survey we arranged phone conferences between the auditors and our program directors and continued to locate and fax additional information per their request.

Alaska has had three major sub-grantees operating our AmeriCorps programs: RurAL CAP, a statewide non-profit located in Anchorage. Nine-Star, a large non-profit with a focus on Literacy also located in Anchorage, and SAGA a program with an environmental and personal development focus for at-risk youth located in Juneau. The Commission just recently approved a new sub-grantee: the Network on Domestic Violence and Sexual Abuse. They are headquartered in Juneau but have shelters throughout the state for victims and their children.

Our programs are well respected in the communities they serve. We are also well supported by the state with the Lt. Governor chairing the Commission and by our location in the Department of Education & Early Development. The Deputy Commissioner of Education & Early Development serves as a member of our Commission and as chair of the Programming Committee.

We have had some difficulty with our record keeping system because of the elimination of the Department of Community and Regional Affairs (our former home). The first place of residence for the Commission after the reorganization was the Department of Labor from July through November of 1999. In November the Commission moved to the Department of Education and Early Development where we currently reside. This issue is mentioned in the Pre-Audit Survey Report overview of the Alaska Commission, but the extensive impact of the move is hardly evident from the minor attention given to the issue.

In reality, most of the areas in which the audit team found the Alaska Commission lacking were in whole or in part due to this move from department to department in 1999. Also, in the fall of 1999 the Executive Director resigned and the position remained vacant until March of 2000. This fact also compounded the record-keeping problem.

The Pre-Audit Survey Report states that the Commission has two full time staff; the Executive Director and a Secretary. At the time of the audit survey that was not quite true. The Secretary is paid through the Department of Education & Early Development and has duties other than just clerical assistance to the Executive Director.

**On June 1st we added a Project Assistant to the Commission staff. She is a professional staff person fully capable of helping with program monitoring and compliance issues. We have undertaken a major organization of our grant records and program files. We are also reviewing and revamping our policies and procedures in order to more effectively manage our AmeriCorps grants. We are giving special attention to the paper trail that can demonstrate that improved management.** We now really do have two full time staff people in addition to the services of a clerk and the financial management staff of the Department of Education and Early Development.

## RESPONSE TO FINDINGS

**The Commission did not maintain signed conflict of interest forms as required.*

Although the Commission was unable to provide specific conflict of interest forms for '95 and '98 there has been an on-going effort to maintain objectivity and impartiality in the review and selection of grants. For example, early in the Commission's history the former Executive Director recommended that one of the commission members resign because he was also a sub-grantee program director. The member and commission agreed and he did so.

Unfortunately, the Executive Director was under the impression that the Governor's office, in appointing members of the Commission, had each new member sign a conflict of interest form. However, the Alaska State Community Service Commission is not subject to that requirement in Alaska statute, so the governor's office does not perform that function. Some commission members who are state employees do have conflict of interest disclosure forms on file because they are required for their jobs in state government, but that would not have covered the whole commission. In spite of this misunderstanding early in the Commission's history we are now clear that maintaining these records is our responsibility.

**We now have on file a conflict of interest statement from each member of the Commission. Those statements will be updated annually. Grant review panel members who are not members of the Commission will be asked to complete that same form at the time they are asked to serve on the Review Panel. I've enclosed a copy of the mailing to the Commission members and the form we are using.**

**Some documentation to support grant decisions was missing.*

Three specific examples were bulleted here to demonstrate this finding. As earlier stated in this response we are fully aware of the miserable shape our files were in as of March of this year. **In our work to rectify that situation we have found one of those three missing documents. It is attached.**

**Lack of documentation supporting the assessment of subgrantee applicants' financial systems during the selection process*

From almost the very beginning of the Commission's existence we have had only three sub-grantees providing the AmeriCorps state and national grants within Alaska. With continuing programs, their financial status is (or should be) under constant scrutiny through the required reporting to the Commission and Corporation. It is not so much that financial systems weren't assessed, but that the assessment process for continuing grantees was done outside of the selection process. With the inception of our new program this spring we had a chance to look at that procedure differently. **It is clear that the information provided by an organization's audit is valuable to the reviewers – we will make that a required attachment to the grant application in the future.**

**Lack of evidence of Financial Status Report review, including matching recalculation*

**We have instituted a procedure for FSR review and are currently using it. As the Executive Director I am the person reviewing them, but due to my limited experience in accounting I am also relying on the Finance Manager to double-check that review at this time. A copy of the FSR review is attached.**

**Late submission of Financial Status Reports*

With the move to the **Web Based Reporting System** we look for this situation to improve. However, the transition may temporarily cause the problem of timely submission of reports to be worse. There is some confusion on the part of program people as to the WBRS procedures and not all of the financial officers of the program have been trained to date. **This area as well as all reporting issues will be discussed in each of the program site visits this summer and fall.**

**The Commission uses their drawdown requests to compile FSR's submitted to the Corporation.*

All FSR's are prepared on a cash basis, based on actual expenditures, not drawdown requests, from reports generated by the Alaska State Accounting System (AKSAS). Only actual disbursements made and cleared through AKSAS to the subgrantees, during the reporting period, are reported on the Commission FSR. Expenditures reported on the subgrantees' FSR are not reported as expenditures on the Commission's FSR unless the actual disbursements have been made out of AKSAS during the reporting period, as AKSAS is a cash-based system, not an accrual-based program.

**The evaluating and monitoring system for subgrantees needs to be improved at the Commission*

Program evaluation and monitoring are direct duties of the Executive Director. From the extensive notes and copies of communication between the Commission office and the programs it is clear that there was comprehensive and ongoing monitoring of our programs by the former Executive Director. I intend to continue and improve upon the evaluation and monitoring with formal site visits, plenty of day-to-day e-mail and telephone communication, and opportunities to meet especially for training and technical assistance. **To this end we have added the additional program staff person at the Commission to make this increased contact possible.**

While there will always be room for improvement in evaluation and monitoring, it is certainly not an area that we ignore. We have excellent and effective programs. We will try to maintain and improve them through consistent, helpful monitoring and evaluation.

## CONCLUSION

**The Alaska State Community Service Commission has undergone tremendous change in the last year. The move from department to department caused serious record keeping and accounting problems. We are constructively dealing with those issues and believe we are heading in the right direction. We are now located in the Department of Education & Early Development where we are substantially supported both financially and programmatically. Since I began as the Executive Director just this past March I am still in a learning mode. However, I have an excellent background as a former educator and state senator to help the members of the Commission in their efforts to achieve excellence in the area of community service and volunteerism. With the Lt. Governor of Alaska chairing the Commission and with a new program staff member on board we are positioned to make improvements in our operation and expansion of community service in Alaska.**

CORPORATION FOR NATIONAL SERVICE

**MEMORANDUM**

TO: Luise S. Jordan

THRU: Anthony Musick

FROM: Deborah R. Jospin
Bruce H. Cline

DATE: June 30, 2000

SUBJECT: Response to the Draft Audit Report 00-24 Pre-Audit Survey of the Alaska State Community Service Commission

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We have reviewed the draft report on your pre-audit survey of the Alaska 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 financial audit at the Alaska Commission for 1995 through the current program year. The draft audit report includes the following recommendation to the Corporation:

> "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 Alaska Commission."

Some of the conditions cited in the "results in brief" section of the report include concerns related to retention of specific documentation to support the selection of national service subgrantees. It was also noted that the Commission does not have an adequate process in place for the fiscal administration of grants and there are inadequate controls in place to evaluate and monitor subgrantees.

Given our limited program administration resources, we developed a plan to assess State Commission administration functions. Over a three-year period, we will be reviewing each of the state commissions. As part of our follow-up with Alaska, 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 Alaska Commission provide semi-annual reports on their actions to correct conditions cited in the OIG pre-audit survey.

JUL 7 9 2000