Office of the Inspector General
Corporation for National and Community Service

Pre-Audit Survey Report of the New Jersey Commission on National and Community Service

OIG Audit Report Number 00-26
January 11, 2000

Prepared by:
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1030 Fifteenth Street, N.W.
Washington, D.C. 20005

Under CNS OIG MOU # 98-046-5003
With the Department of Labor
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Task Order B9G9X103

This report was issued to Corporation management on June 23, 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 December 20, 2000, and complete its corrective actions by June 23, 2001. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of Inspector General
Corporation for National and Community Service

CORPORATION
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Pre-Audit Survey of the New Jersey Commission on National and Community Service OIG Audit Report Number 00-26

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 Urbach Kahn & Werlin PC to perform the pre-audit survey of the New Jersey Commission on National and Community Service. UKW's report, which follows, concludes that the Commission appears to have an open and competitive process to select national service subgrantees, and that it's controls over training and technical assistance funding are adequate. On the other hand, UKW found inadequacies in the Commission's monitoring processes including review of subgrantee A-133 audits and site visit documentation. UKW also reports that, commencing with the 1999 program year, the New Jersey Commission established adequate controls over grant fiscal administration. As a result of their work, UKW recommends an audit of CNS funding to the Commission for all program years.

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

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 New Jersey Commission and to the Corporation. In it's response (Appendix C), the Commission agrees with most of the findings and cites planned corrective actions. The Corporation's response (Appendix D) indicates that the Corporation plans to request semi-annual reports from the Commission on its actions to correct the conditions reported and to follow-up on the corrective actions when the Commission is reviewed during the Corporation's administrative review process.

Office of the Inspector General
Corporation for National and Community Service

Pre-Audit Survey Report of the New Jersey Commission on National and Community Service

Table of Contents

Pre-Audit Survey Report

Results in Brief 1

Background 2

Overview of the New Jersey Commission 3

Objectives, Scope and Methodology 3

Findings and Recommendations 5

Appendices

Appendix A – New Jersey Commission Funding – 1995 through 1999 10

Appendix B – Detailed Engagement Objectives and Methodology 15

Appendix C – New Jersey Commission Response 18

Appendix D – Corporation Response 21

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 New Jersey 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 New Jersey 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 New Jersey 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 open and competitive process to select national service subgrantees, and related systems and controls appear to be functioning as designed.
- Commencing in the 1999 program year, the Commission appears to have adequate controls 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.

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Based on our preliminary assessments, we recommend that the OIG perform a program specific financial audit of the funds awarded to the New Jersey Commission for 1995 through the current program year. Procedures should also include verification of reported Member service hours, as well as verification of information provided to the Corporation by subgrantees in Progress Reports.

In addition, 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 Jersey 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 NEW JERSEY COMMISSION

The New Jersey Commission on National and Community Service is headquartered in Trenton, New Jersey. The Commission has been providing national and community service programs in its current form since 1995. The Commission reported that it received funding from the Corporation totaling $5,815,581 in 1995; $5,869,016 in 1996; $5,275,540 in 1997; $4,794,822 in 1998; and $5,145,509 in 1999. Additional information on the Commission's funding is presented in Appendix A.

The Commission currently has four full-time staff consisting of an Executive Director, an AmeriCorps Program Officer, a Fiscal Assistant, and an Administrative staff person. The Commission's AmeriCorps Program Officer monitors subgrantee program and fiscal activities.

As part of the State of New Jersey, the Commission is included in the state's annual OMB Circular A-133 audit. There have been no questioned costs or findings identified at the Commission to date. However, it has not been considered or tested as a major program.

The Commission provided the following information regarding subgrantee audits:

Program Year	Total Amount of Corporation Funds Subgranted	Number of Subgrantees	Number of Subgrantees Subject To A-133 Audit Requirements
1999	$4,269,723	12	*
1998	3,922,524	12	*
1997	4,774,522	10	*
1996	5,431,106	11	*
1995	5,492,050	9	*

* The Commission was unable to provide us with this information because, as discussed in greater detail in the monitoring section of this report, the Commission does not maintain records to document subgrantees compliance with OMB Circular A-133 requirements.

OBJECTIVES, SCOPE AND METHODOLOGY

We were engaged by the Office of the Inspector General for the Corporation for National and Community Service to provide an 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 New Jersey 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 New Jersey 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 January 11, 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 New Jersey 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." The New Jersey Commission has developed various procedures to comply with this responsibility.

The New Jersey Commission has established a contract with the Bureau of Development and Discretionary Grants to select subgrantees. After the initial Request for Proposal is distributed, the Commission forwards a list of potential grant evaluators to the Bureau. The Bureau uses this list to select the individuals who will evaluate potential subgrantees. This panel consists of three individuals: one from the office through which the grant will be administered, one from a different office within the Department of Education, and one reader external to the Department of Education who is knowledgeable in the content area.

Proposals are evaluated on the basis of quality, comprehensiveness, completeness, accuracy and appropriateness of responses given to questions included in the Proposal Instructions and Selection Criteria section of the Request for Proposal. To be eligible for funding, a proposal must receive a ranking above a pre-determined amount.

Once the Bureau has selected subgrantees for funding, the proposals are then reviewed by the New Jersey Commission, as well as by the Corporation for National and Community Service.

Renewal applicants are required to demonstrate that they have accomplished significant progress towards the implementation of their comprehensive multi-year plan and whether the proposed budget appears reasonable to achieve the goals of the program.

Based on the result of our testing, the Commission appears to maintain adequate documentation to support the selection process, however, we identified the following area for improvement.

Lack of 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 Commission expenditure reporting.

During our testing, we determined that selection officials do not consider the adequacy of the applicants' financial systems during the Commission's subgrantee selection process. 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 applicant's financial system because the Commission believes the majority of subgrantees are covered under state audits. 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 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).

The Commission presently appears to have an adequate process in place for the fiscal administration of grants. Subgrantees in the State of New Jersey are required to submit State Expenditure Reports along with Financial Status Reports. SERs require subgrantees account for all funds expended during the period. Currently, the Commission uses the SERs as reconciling tools, during its review of the FSRs. All variances are investigated to determine reconciling amounts. Commission personnel also examine matching percentages during this review. Once Commission personnel verify all information on FSRs submitted by subgrantees, a consolidated FSR is prepared. The Office of Budget and Accounting then breaks down this FSR by category to ensure costs incurred appear reasonable. The FSR is then sent to the Commission for approval before it is sent to the Corporation.

During our testing, Commission personnel informed us that the Commission resubmitted FSRs to the Corporation for the 1994 through 1997 program years. The Executive Director stated that prior to 1997, the person responsible for preparing the FSRs submitted to the Corporation, was not comparing subgrantee to the FSRs. As a result, incorrect FSRs were submitted by subgrantees, resulting in the Commission submitting inaccurate FSRs to the Corporation.

Inability to determine timeliness of receipt of FSR

The Commission does not routinely date-stamp FSR reports from subgrantees as they are received. Thus, the Commission cannot routinely verify whether these documents are submitted timely in compliance with the grant agreement. As a result, subgrantee FSRs may not be submitted in accordance with Corporation requirements; however, the Commission

has no basis to verify the FSRs' receipt date.

During December 1999, 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 at this time related to recording the date of the receipt of FSRs.

Evaluation and Monitoring of Subgrantees

As discussed above, the Commission is responsible for evaluating whether subgrantees comply with legal, reporting, financial management and grant requirements and to ensure it follows through on issues of noncompliance.

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

Documentation of subgrantees site visits needs to be improved.

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." In addition, § 400 (d)(4) requires that pass through entities "ensure that subrecipients expending $300,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year."

The Commission's procedures require annual site visits. 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 noted, and procedures followed to select Member files reviewed were not included. In addition, comments included on the checklists were general in nature. Therefore, we were unable to reperform or otherwise review the monitoring procedures performed by New Jersey Commission personnel.

We recommend that the Commission revise written policies and procedures requiring specific information be included in the documentation for site visits (for example, sample sizes, exceptions, recommendations, and follow up on findings and recommendations). 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.

Lack of documentation of review of OMB Circular A-133 Reports or other audit reports from subgrantees

As discussed in the previous finding, OMB Circular No. A-133, *Audit of States, Local Governments, and Non-Profit Organizations,* as amended, Subpart D § 400 (d)(3) requires that pass through entities "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." In addition, § 400(d)(4) requires that pass through entities "ensure that subrecipients expending $300,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year."

Commission procedures require AmeriCorps subgrantees retain copies of their A-133 audit reports on site. However, the fiscal monitoring checklist only requires Commission personnel inquire about the existence of the most current audit report. The Commission does not maintain documentation to support the results of the audits or discussion of any findings and recommendations and the Commission was unable to provide us with information on which subgrantees fall under OMB Circular A-133 requirements and whether they had, in fact, audits as required.

Therefore, we are unable to determine if auditors have identified control weaknesses or instances of noncompliance related to the AmeriCorps program. In its failure to review and consider audit results, the Commission ignores information helpful in carrying out its oversight and monitoring responsibilities.

Therefore, we recommend the Commission establish policies and procedures requiring that its staff identify subgrantees required to have audits under Circular A-133, review subgrantee A-133 audit reports and that the results of the review be documented.

Providing Technical Assistance

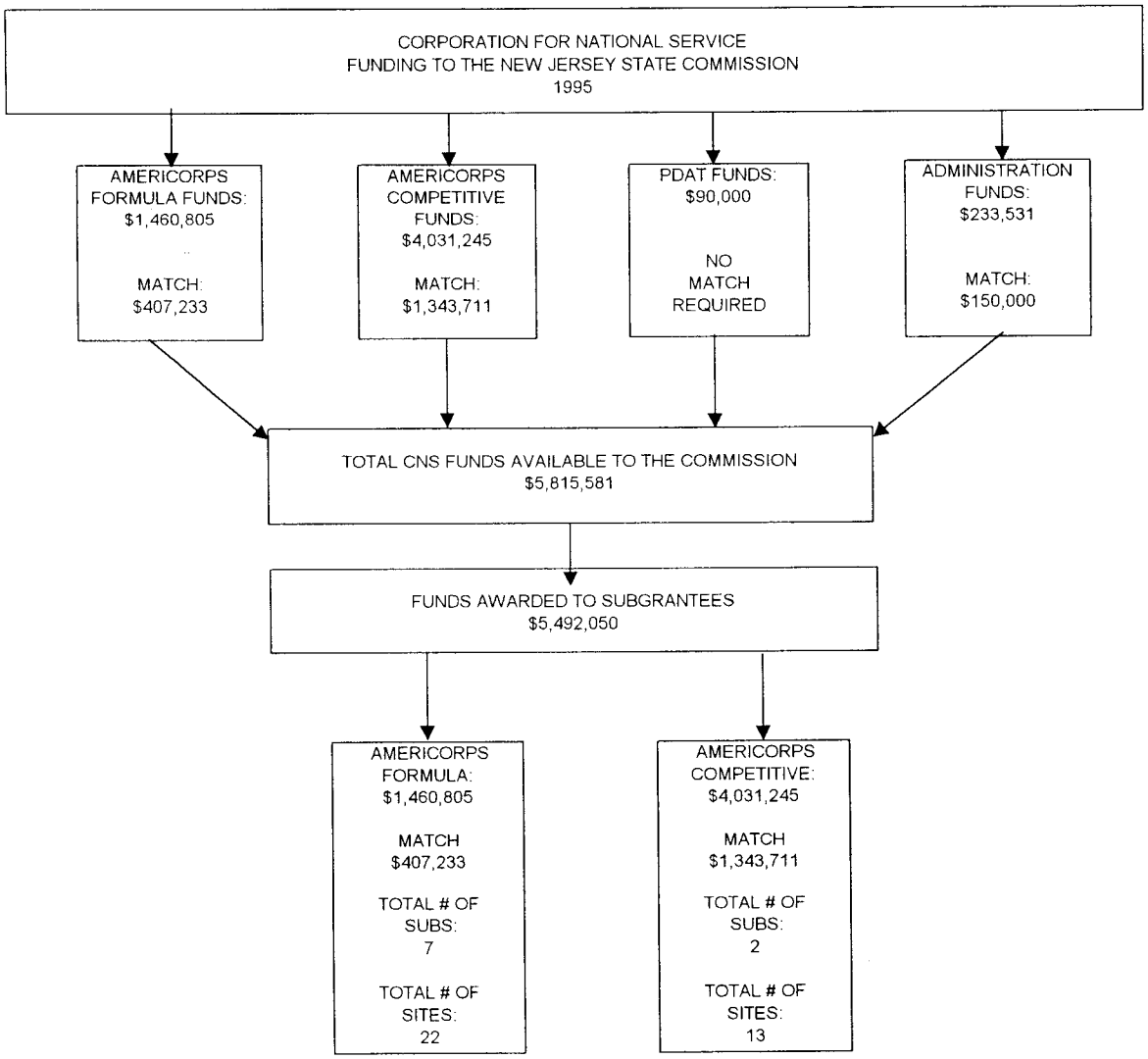
Annually, the Commission receives grant funds to provide technical assistance to its subgrantees. Procedures are in place at the Commission to (1) identify training needs of subgrantees through periodic staff meetings with the program directors and a needs assessment survey; (2) notify subgrantees of training programs; and (3) provide needed training to subgrantees. We identified no significant areas for improvement within this process.

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

Urbach Kahn & Werlin PC

Washington, DC
January 11, 2000

APPENDIX A – NEW JERSEY COMMISSION FUNDING



*** No carryovers for 1995

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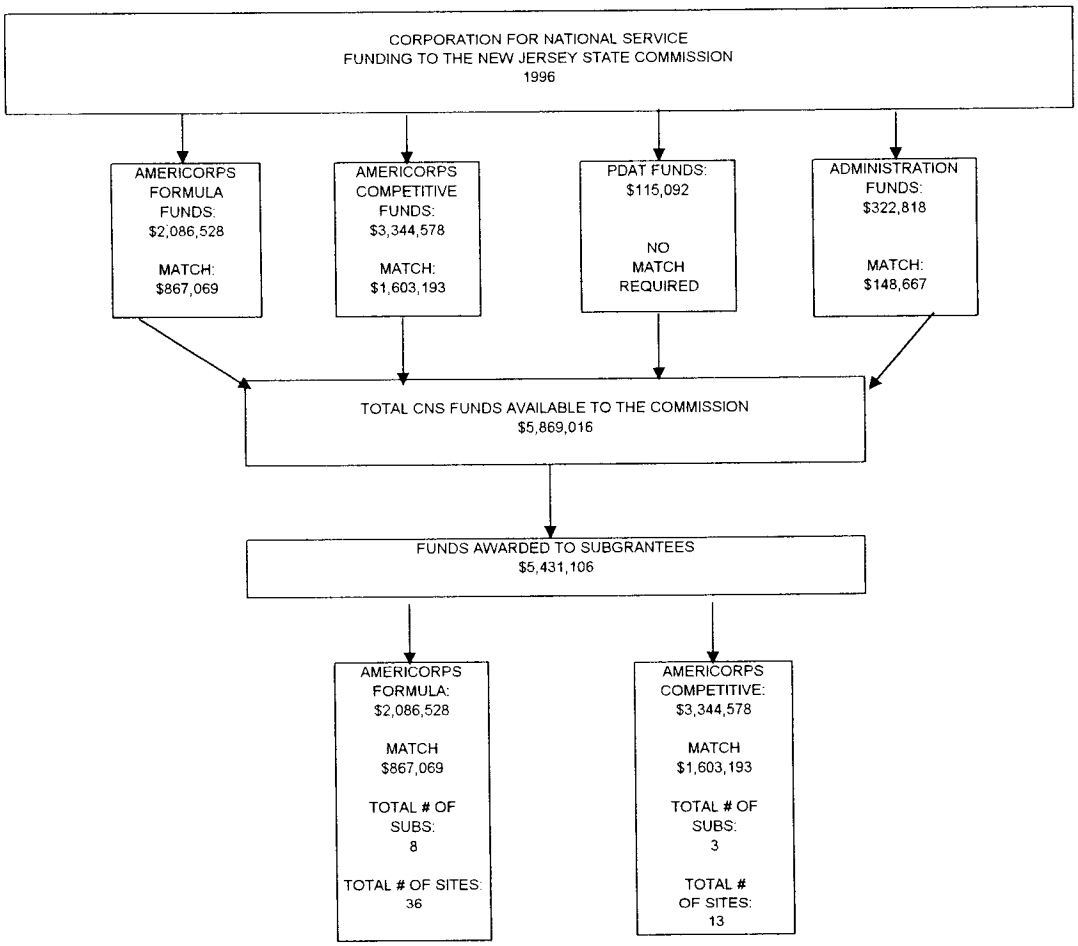
APPENDIX A – NEW JERSEY COMMISSION FUNDING



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

PDAT	$	2,500
AmeriCorps	$	154,671
Admin	$	70,875

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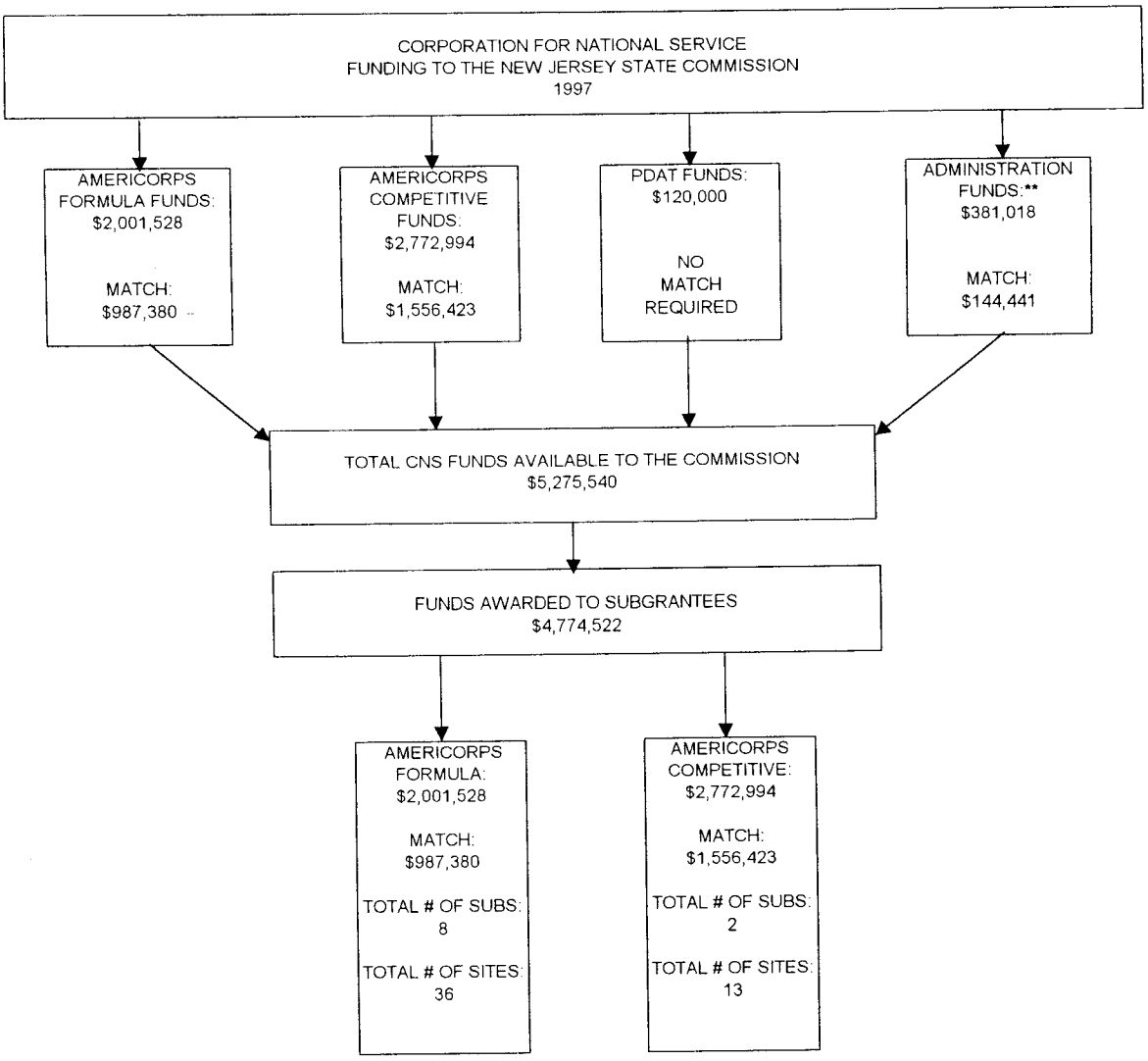
APPENDIX A – NEW JERSEY COMMISSION FUNDING



Total Carryovers for 1997 (Not included in the current year funding amounts above):

Admin & PDAT $ 74,424

** Disability funds included in grant award

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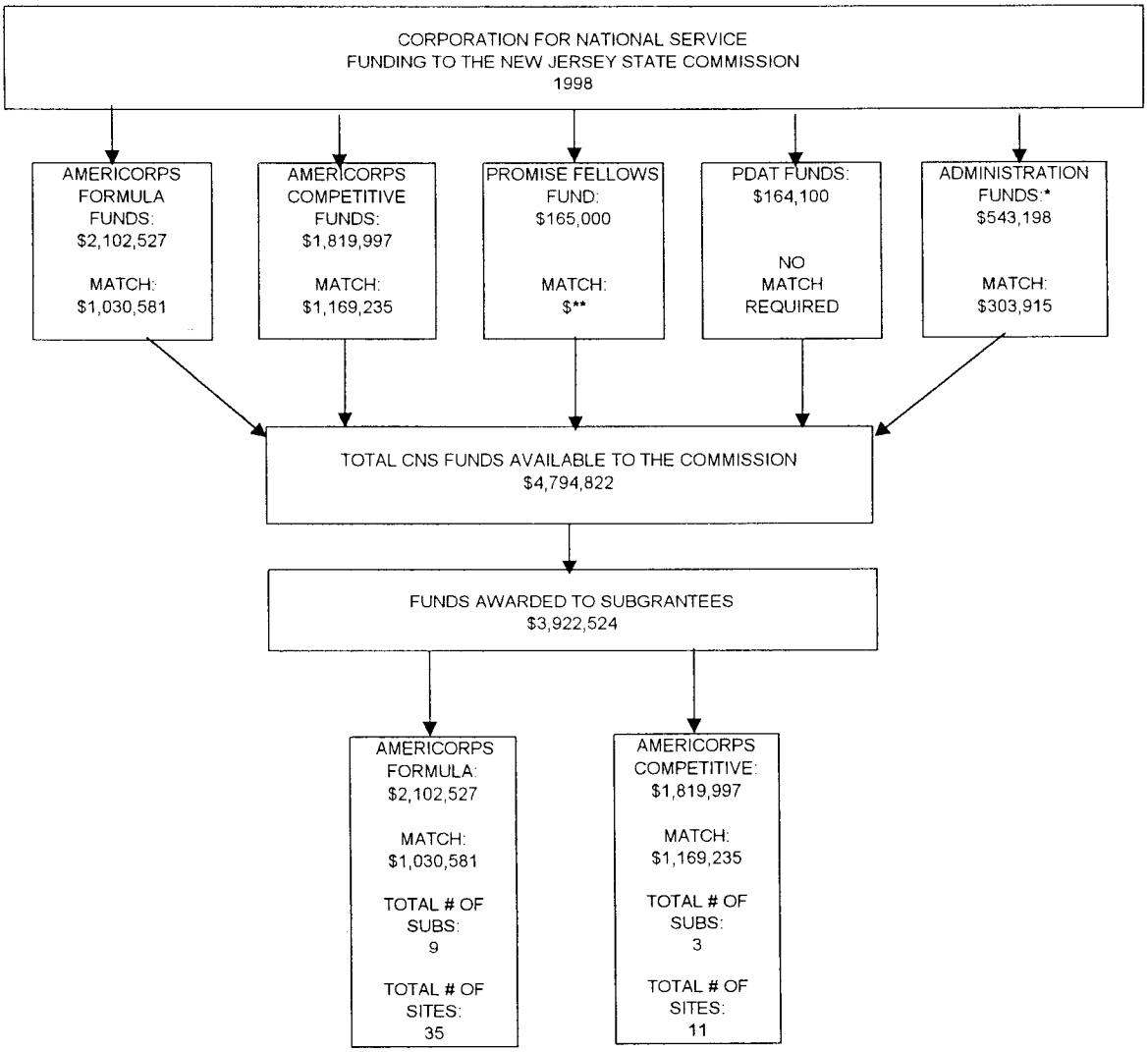
APPENDIX A – NEW JERSEY COMMISSION FUNDING



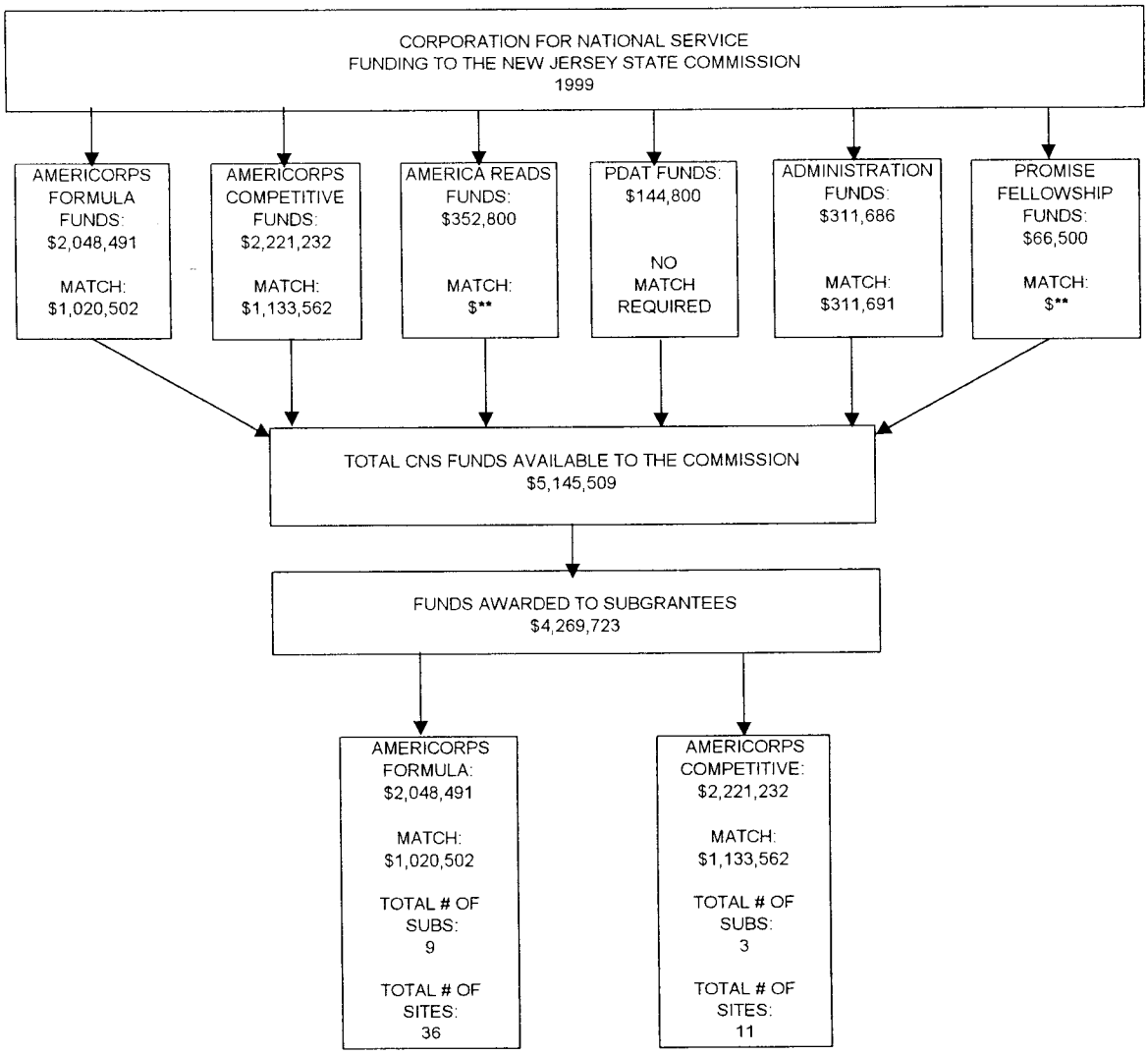
Total Carryovers for 1998 (Not included in the current year funding amounts above):

PDAT:	$	16,292
AmeriCorps:	$	463,691
Disability:	$	89,604

* Disability included in grant award

** According to the Executive Director, the Commission was allocated funds during 1998, however, the program did not start until January 2000

APPENDIX A – NEW JERSEY COMMISSION FUNDING



* No carryovers for 1999
** According to the Executive Director, the Commission was allocated funds during 1999, however, the program did not begin until January 2000

UK &W

Internal Controls

Our objective was to make a preliminary survey 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 determine the adequacy of the Commission's internal controls surrounding the following 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 assessed 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 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.

Administration of 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 oversight of subgrantees and 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 determine the accuracy of submitted Financial Status Reports. We also determined whether the Commission has implemented the Web Based Reporting System.

Evaluation and Monitoring of Subgrantees

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 accurately 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 determine 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 adequate 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.

State of New Jersey

DEPARTMENT OF EDUCATION
PO Box 500
TRENTON, NJ 08625-0500

CHRISTINE TODD WHITMAN
Governor

DAVID C. HESPE
Commissioner

May 19, 2000

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

Ms. Jordan:

SUBJECT: Draft Report on the OIG's Pre-Audit Survey of the New Jersey Commission on National and Community Service

The New Jersey Department of Education (DOE) has received and reviewed the findings and recommendations of the above-mentioned pre-audit survey. Our responses are as follows:

Finding Number 1

Selection of Subgrantess - Lack of assessment of subgrantee applicant's financial systems during selection process.

Recommendation Number 1

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

Departmental Response

We do not agree with the recommendation that each applicant's financial system should be evaluated and documented. However, following the selection of the subgrantees to be awarded grant funds and also subject to the availability of resources, we will consider performing pre-award surveys of those agencies that have not been previously funded by the New Jersey Department of Education to ensure adequate financial systems are in place.

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Ms. Luise S. Jordan
Page 2
May 19, 2000

Finding Number 2

Administration of Grant Funds - Inability to determine timeliness of receipt of FSR.

Recommendation Number 2

No recommendation.

Departmental Response

Since no recommendation is noted relating to recording the date of the receipt of FSRs, no further action by the Commission is warranted.

Finding Number 3

Evaluation and Monitoring of Subgrantees – Documentation of subgrantees site visits needs to be improved.

Recommendation Number 3

The Commission should revise written policies and procedures requiring specific information to be included in the documentation for site visits.

Departmental Response

We agree with the finding. Commission management has notified their staff of revisions to policies and procedures requiring specific information to be included in the documentation for site visits (see Attachment A).

Finding Number 4

Evaluation and Monitoring of Subgrantees – Lack of documentation of review of OMB Circular A-133 Reports or other audit reports from subgrantees.

Recommendation Number 4

The Commission should establish policies and procedures requiring that its staff identify subgrantees required to have audits under Circular A-133, review subgrantee A-133 audit reports and that the results of the review should be documented.

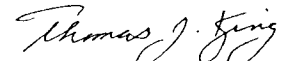
Ms. Luise S. Jordan
Page 3
May 19, 2000

Departmental Response

We agree with the finding. The Commission has implemented procedures whereby subgrantees required to have audits under Circular A-133 are identified, subgrantee audit reports are reviewed during monitorings and the results of these reviews are documented.

We trust that our responses satisfy the concerns raised in the report. Should you have any questions or need additional information, please contact me at (609) 984-5593.

Sincerely,



Thomas J. King, Director
Office of Compliance

TJK/Americorps Response
c: David C. Hespe
John Sherry
Steve Blaustein
Rowena Madden
Barbara Breeden
Susan Martz
Marti DeYoung

CORPORATION
FOR NATIONAL
SERVICE

MEMORANDUM

TO: Luise S. Jordan

THRU: Anthony Musick

FROM: Deborah R. Jospin
Bruce H. Cline

DATE: May 11, 2000

SUBJECT: Response to the Draft Audit Report 00-26 Pre-Audit Survey of the New Jersey Commission on National and Community Service

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We have reviewed the draft report on your pre-audit survey of the New Jersey Commission on National and Community Service. Given the nature of the report, this response serves as our proposed management decision. We note that your preliminary assessment recommends a program specific financial audit at the Commission for 1995 through the current program year. The draft audit report includes a recommendation to the Corporation. We are providing the following response to that recommendation. The Inspector General recommended:

> "Additionally, we (the Inspector General) recommend that the Corporation follow up with the Commission to determine that appropriate corrective actions are put into place to address the conditions reported herein, and that the Corporation consider these conditions in its oversight and monitoring of the New Jersey Commission."

Some of the conditions cited in the "results in brief" section of the report include concerns related to the lack of adequate 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 New Jersey, 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 New Jersey Commission provide semi-annual reports on their actions to correct conditions cited in the OIG pre-audit survey.

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