Office of the Inspector General
Corporation for National and Community Service

Pre-Audit Survey Report of the Rhode Island Service Alliance: A Commission for National and Community Service

OIG Audit Report Number 00-27
December 15, 1999

Prepared by:
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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

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Pre-Audit Survey of the Rhode Island Service Alliance: A Commission for National and Community Service OIG Audit Report Number 00-27

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 Rhode Island Service Alliance. Based on the limited procedures performed, UKW concluded that the Rhode Island Service Alliance appears to have an open and competitive process to select national service subgrantees and that its controls related to fiscal administration and training and technical assistance funding appear to be adequate. However, UKW found inadequacies in the Rhode Island Service Alliance's documentation of its monitoring processes.

Inspector General
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In their report, which follows, UKW includes findings and recommendations in the areas of fiscal administration and monitoring directed to the Rhode Island Service Alliance and to CNS. However, although UKW recommends that the Corporation follow-up to determine that corrective actions are effectively put into place, the firm does not believe that a full-scope financial audit of the Rhode Island Service Alliance is necessary. Instead, UKW recommends that OIG review their A-133 audit reports and supporting work papers to determine whether additional audit work is necessary.

We have reviewed UKW's pre-audit survey 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 Rhode Island Service Alliance and to the Corporation. The Rhode Island Service Alliance's response (Appendix C) expresses their disagreement with most of the findings. The Corporation's response (Appendix D) indicates that the Corporation plans 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
Rhode Island Service Alliance:
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Inspector General
Corporation for National and Community Service

At your request, Urbach Kahn and Werlin PC performed a pre-audit survey of the Rhode Island Service Alliance: A Commission for 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 Rhode Island 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 Rhode Island 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.
- The Commission appears to have an adequate process in place for the fiscal administration of grants. However, we identified an area of improvement related to the lack of evidence of Financial Status Report review, including matching recalculation for years prior to 1999.
- 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 is made available and provided to subgrantees.

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Based on our preliminary assessments, we do not believe a full-scope financial audit of the Rhode Island Commission's programs is necessary at this time. We recommend the OIG review the Commission's A-133 audit reports and supporting auditors' workpapers and determine if additional work is necessary. The OIG should also consider limited procedures at subgrantee sites, including 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 into place to address the conditions reported herein and that the Corporation consider these conditions in its oversight and monitoring of the Rhode Island 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 applicants 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 RHODE ISLAND COMMISSION

The Rhode Island Service Alliance: A Commission for National and Community Service is headquartered in Providence, Rhode Island. 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 $1,746,916 in 1995; $2,511,875 in 1996; $2,533,862 in 1997; $3,287,550 in 1998; and $3,225,196 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 Associate Director, a Program Officer, and a Director of Training. In addition, the Commission has a consulting contract with a Certified Public Accountant to perform fiscal management reviews of subgrantee systems prior to the final grant award.

The Rhode Island Service Alliance is a nonprofit corporation exempt from federal and state income taxes as a public charity under Section 501 (c)(3) of the Internal Revenue Code. The Commission contracts with a CPA to conduct its annual OMB Circular A-133 audit. For fiscal years ending September 30, 1997 and 1998, the AmeriCorps program was considered a major program. The AmeriCorps, Learn and Serve, and Administrative Grants were considered major programs for fiscal years ending September 30, 1995 and 1996.

There were no findings, recommendations, or questioned costs identified at the Commission prior to 1998. During the 1998 audit, it was discovered that the Commission maintained a cash balance greater than $100,000 at times and that there was no formal procurement policy. The Commission changed banks to alleviate the FDIC $100,000 insurance cap and implemented a formal procurement policy.

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	$2,965,076	22	13
1998	2,964,216	23	12
1997	2,299,185	29	10
1996	2,211,825	21	7
1995	1,526,249	17	3

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. 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 Rhode Island 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 Rhode Island 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 December 15, 1999.

Our procedures were performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to, and did not, perform an audit of any financial statements, and the procedures described above are not sufficient to express an opinion on the controls at the Commission or its compliance with 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 Rhode Island Service Alliance: A Commission for National and Community Service 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 Rhode Island Commission has developed various procedures to comply with this requirement.

The Commission announces the availability of funds through various methods including advertisements in local periodicals, direct mailings to non-profit organizations maintained by the Commission in a database, as well as through three to five informational sessions held throughout the state. During 1995 and 1996, concept papers were due approximately four weeks after the Request for Proposal was issued. These concept papers discussed the framework of a potential AmeriCorps program.

The concept paper requirement was eliminated in 1997, and all applicants now submit applications. The Commission also began three-hour mandatory technical assistance sessions, during 1997, which instructed applicants on the proper way to complete the application.

All applications and concept papers are initially reviewed by members of the Peer Review Committee. This Committee consists of four to five individuals who have extensive experience in national and community service, thorough understanding of community needs, and represent a diverse group. Peer review members receive a summary of all applicants, copy of each concept paper or application, reviewer comment forms, concept paper

guidelines and AmeriCorps Program Application Guidelines. All applications go through two levels of review. The primary review consists of a thorough understanding of the concept paper with specific comments made on the reviewer comment form. The second reviewer is responsible for reviewing the concept paper, but is not responsible for documenting comments on the review form. All reviewers rank each application on a scale of one to three. One represents a definite recommendation to the Commission and three represents a definite rejection.

The Committee convenes after all applications are reviewed to determine which applicants will be recommended to the Commission. The Commission's Governing Board Committee reviews recommendations provided by the Peer Review Committee and selects which applicants will be requested to submit full Corporation applications. Another review committee will review these applications and make recommendations to the Commission's Governing Board. The Board forwards approved applications to the Corporation for funding.

Before grants are officially awarded, the Commission performs and documents its review of subgrantee financial systems and related controls, and A-133 audit reports to ensure selected subgrantees have financial systems in place to properly manage the federal grant money.

Based on the results of our testing, we believe the documentation maintained by the Commission to support the selection process is adequate.

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 believe the documentation maintained by the Commission to support the administration of grant funds is adequate. However, 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 for years prior to 1999

Commission procedures indicate that subgrantee Financial Status Reports are reviewed, and matching requirements are recalculated. However, no evidence exists to document that this review was performed prior to 1999, and the Commission's recalculation of match requirements only included inquiry of procedures used by subgrantees to report match amounts. During the 1999 program year, the Commission implemented procedures that require:

- Subgrantees request reimbursements on a fixed quarterly schedule, which corresponds with the federal fiscal year;
- Commission staff review support for cash receipts and disbursements during site visits; and
- Commission staff complete AmeriCorps Financial Status Report Review Sheets to document their review of the FSRs. During this review, Commission staff verify mathematical accuracy, accuracy of previously reported amounts, consistency of reported federal expenditures with federal fund draw-downs, and determine whether the program has met its matching requirements.

In addition, while Commission personnel review support for cash receipts and disbursements during site visits, they do not trace those transactions into the subgrantees' accounting system.

Our review of FSRs also identified one instance where the FSR was mathematically inaccurate and one instance where the FSR was missing.

Because of these conditions, errors on the FSRs may exist and remain undetected. Although all subgrantees are on a reimbursement only basis, if subgrantee FSRs are not verified to the subgrantees' accounting system, 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 the Commission continue to implement the new procedures to review subgrantee FSRs, recalculate matching requirements and document the results of this review. In addition, the Commission should implement site visit monitoring procedures that require the verification of amounts reported on subgrantees' FSRs to the subgrantees' accounting records.

Cash basis reporting for Learn and Serve grant funding

Annually, the Commission receives between five and eight percent of its funding through Learn and Serve grants. During the period under review, the Learn and Serve program was required to submit FSRs on a quarterly basis. However, Commission procedures did not require that subgrantees submit FSRs. Instead, subgrantees submitted Draw Down Requests on a fixed quarterly schedule which corresponds with the federal fiscal year. Subgrantees are required to submit a report even if they are not requesting funds. This report includes the total amount of award, total grantee match, amount requested, grantee match for the period, total funds requested to date, total amount disbursed to date and identification of expenses incurred which were not included in the approved budget.

The Commission uses these requests to compile the FSRs submitted to the Corporation. Since the Commission submits FSRs to the Corporation on a cash basis, the federal outlay portion is calculated using the PMS 272 report, Federal Cash Transactions Report, and a

journal of disbursements made by the Rhode Island Commission. The reported match amount is calculated using matches reported by individual programs on their draw down requests.

As these procedures do not appear to conform to the Corporation's requirements, we recommend that the Corporation follow up with the Commission to resolve the issue of cash basis FSRs for the Learn and Serve subgrantees.

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 ensuring corrective action when noncompliance is found.

We identified the following area 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 Members where exceptions were identified, and procedures followed to select the Members 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 Rhode Island Commission personnel.

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). 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.

Providing Technical Assistance

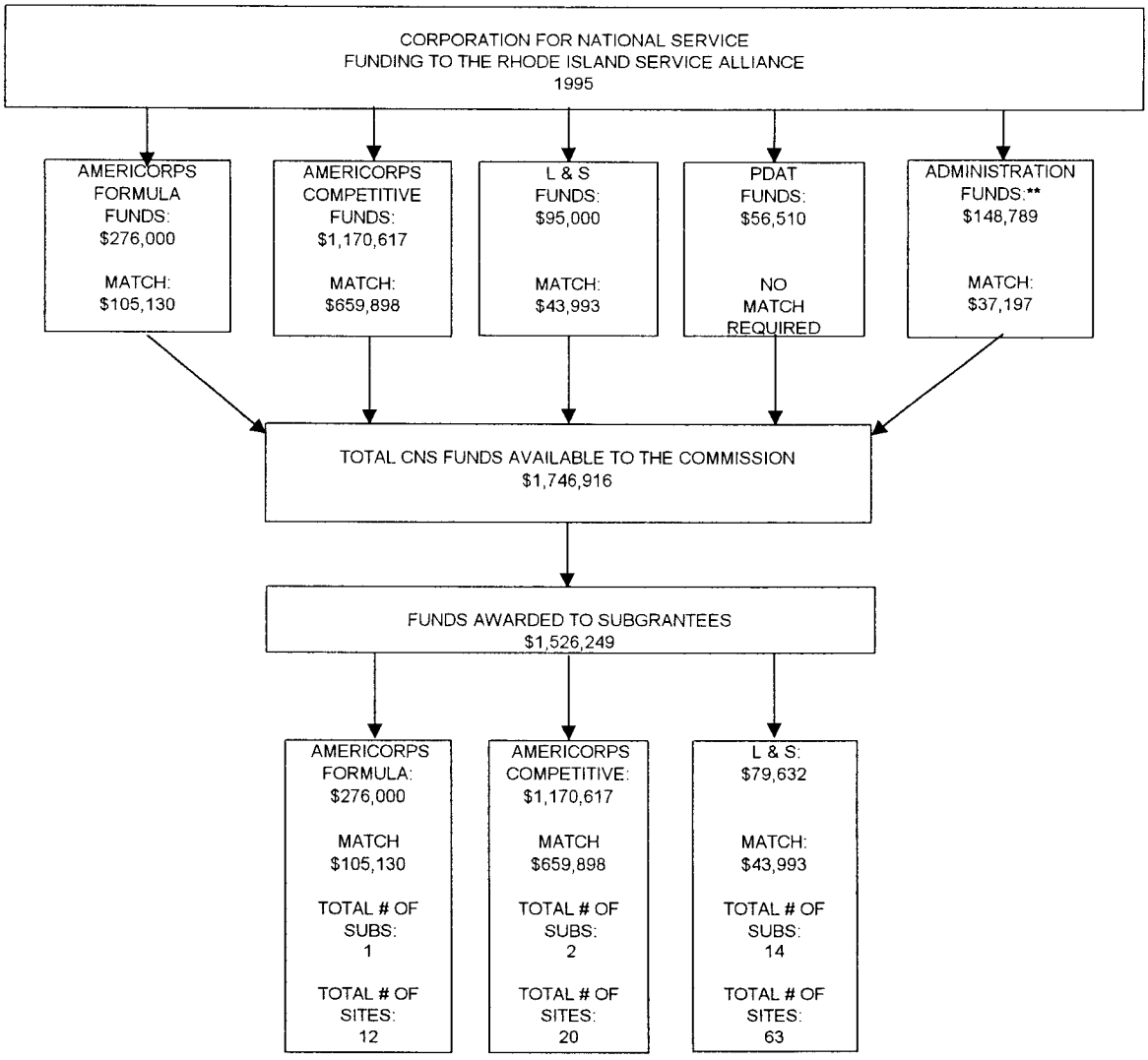
Annually, the Commission receives grant funds to provide technical assistance to its subgrantees. Procedures are in place at the Commission to (1) identify training needs of subgrantees through periodic staff meetings with the program directors and a needs assessment survey; (2) notify subgrantees of 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 Rhode Island Service Alliance: A Commission for 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
December 15, 1999

APPENDIX A –RHODE ISLAND COMMISSION FUNDING

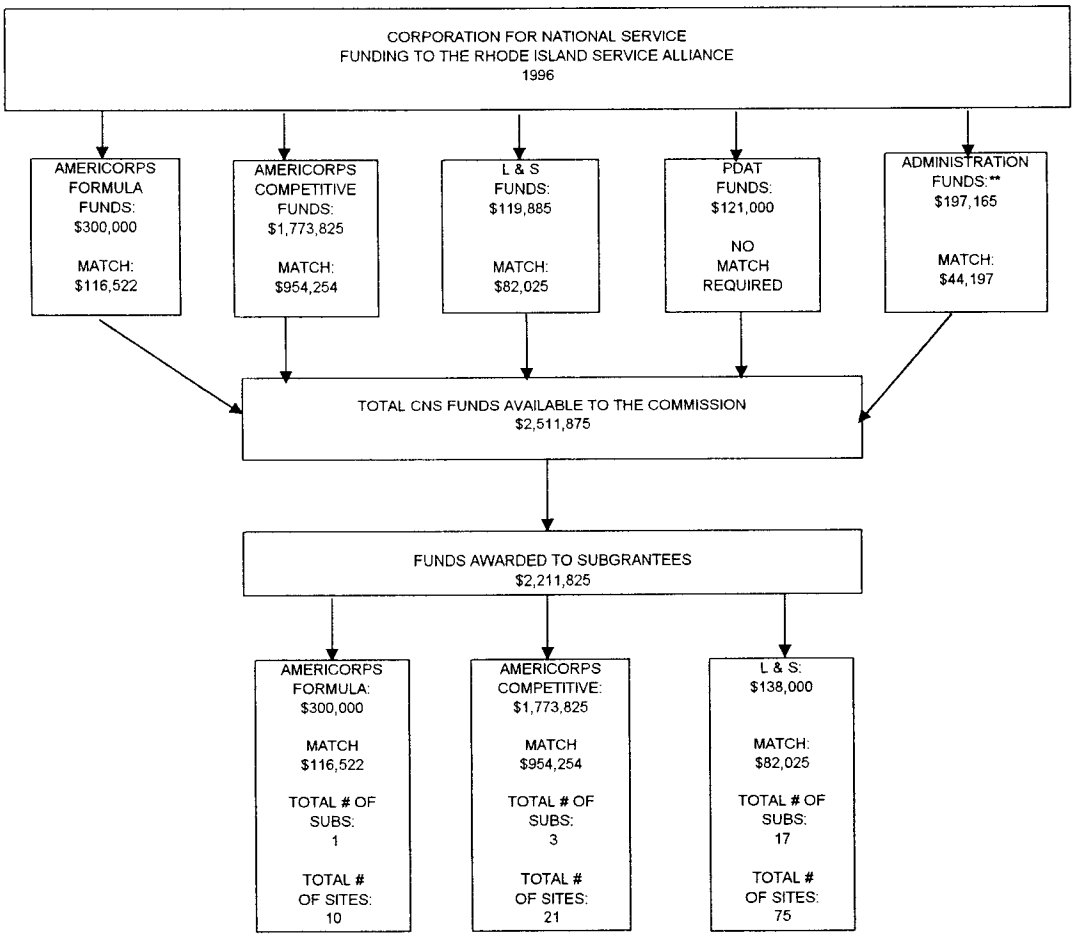


Total Carryovers for 1995 (Not included in the current year funding amounts above):

AmeriCorps: $ -
Administration: $ -

** Disability funds included in grant award

APPENDIX A –RHODE ISLAND COMMISSION FUNDING

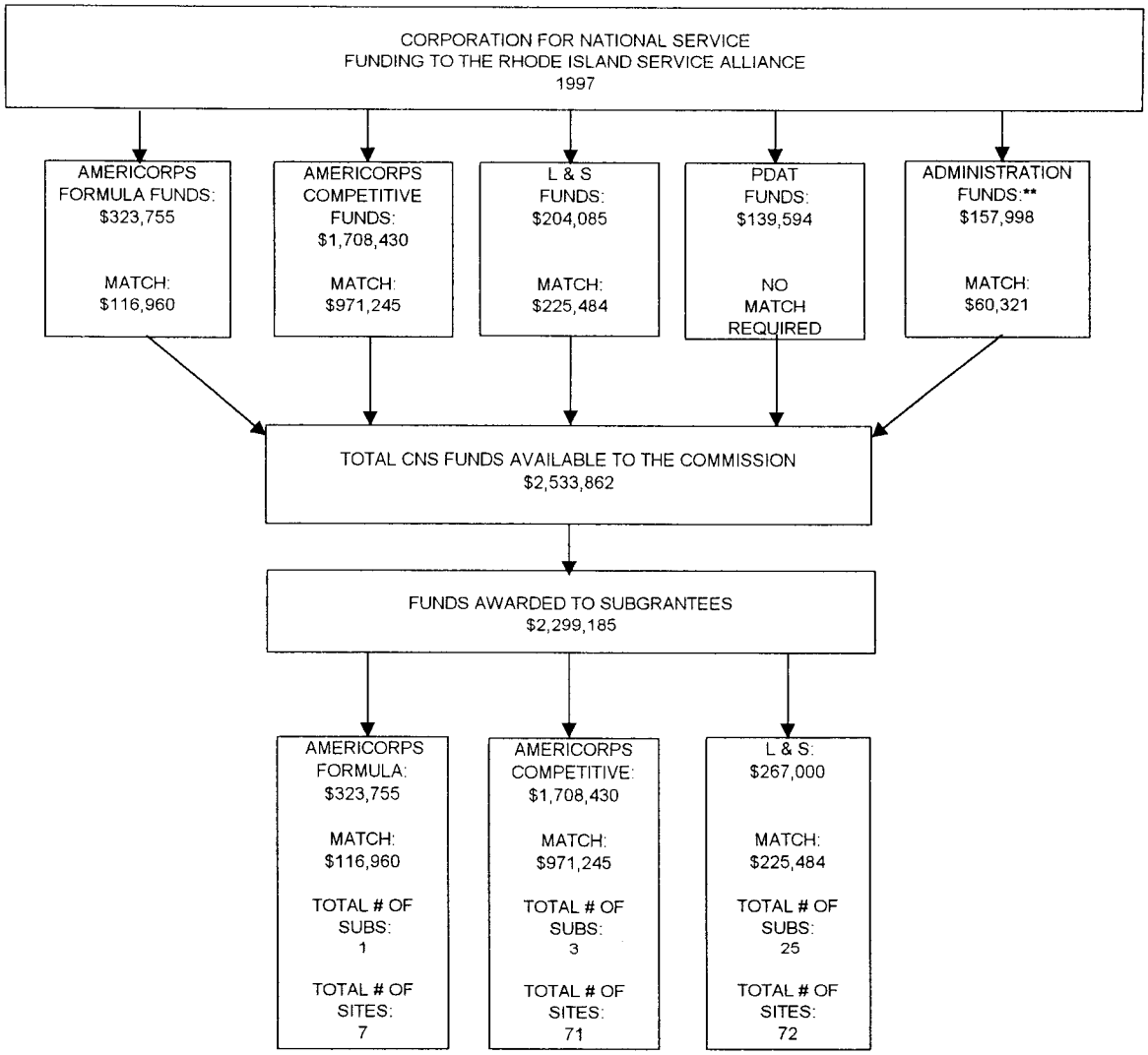


Total Carryovers for 1996 (Not included in the current year funding amounts above):

AmeriCorps:	$	169,223
Administration:	$	8,328
PDAT:	$	41,000

** Disability funds included in grant award

APPENDIX A –RHODE ISLAND COMMISSION FUNDING

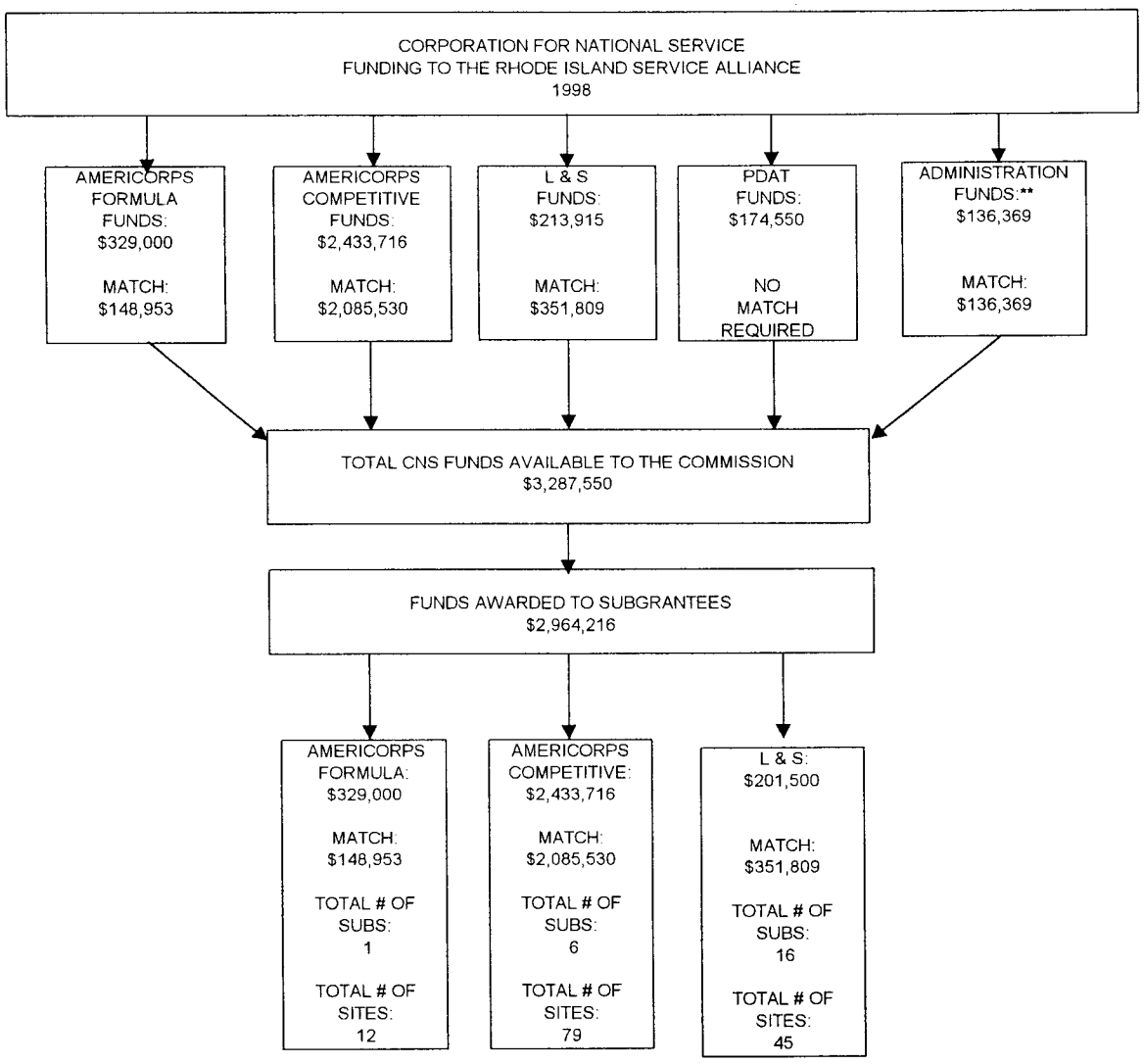


Total Carryovers for 1997 (Not included in the current year funding amounts above):

AmeriCorps:	$	158,390
Administration:		26,998
PDAT:		43,594

** Disability funds included in grant award

APPENDIX A –RHODE ISLAND COMMISSION FUNDING

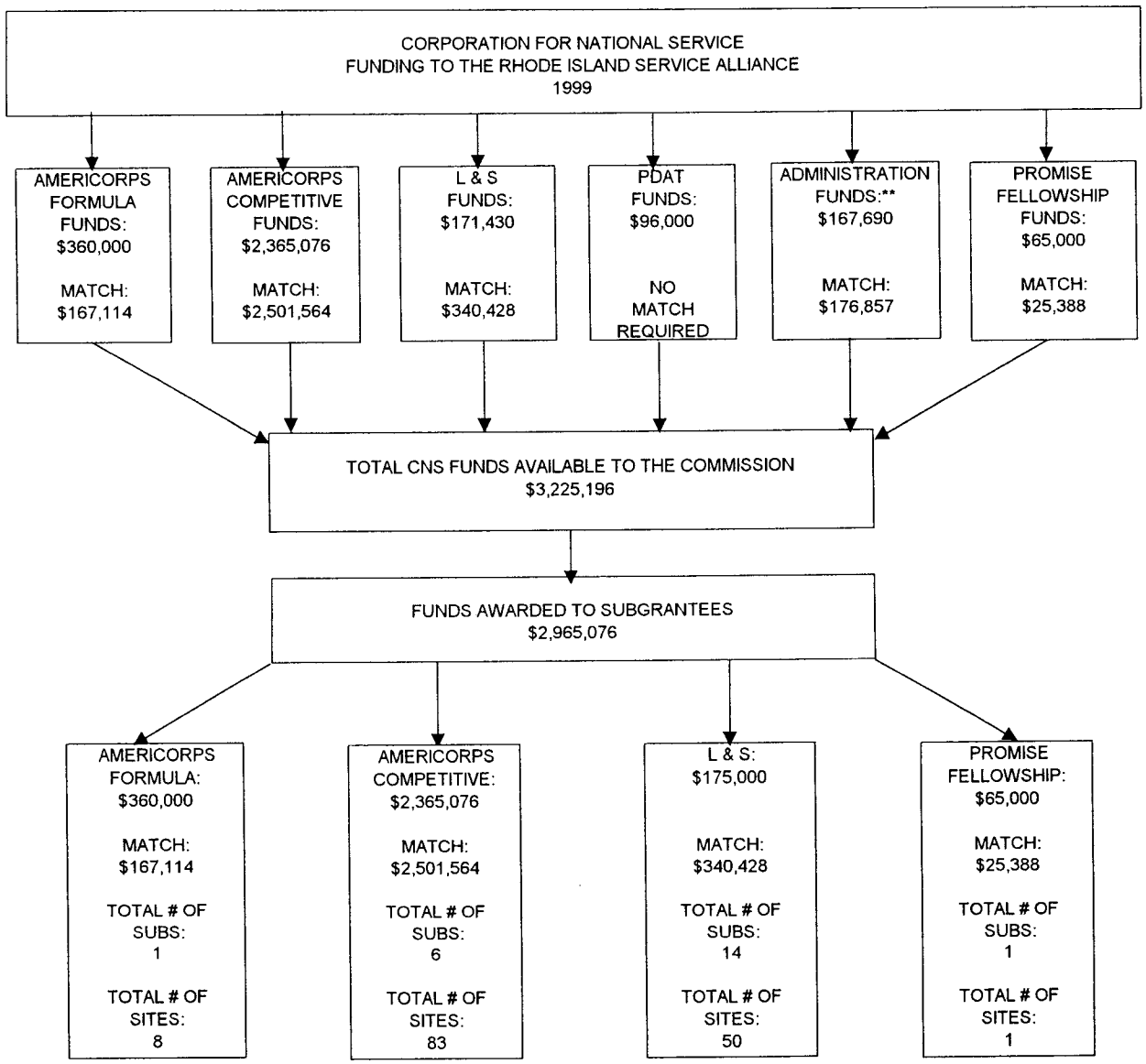


Total Carryovers for 1998 (Not included in the current year funding amounts above):

AmeriCorps:		89,547
Learn & Serve:		3,000
Admin:		3,000
Disability:		58,800
PDAT:	$	15,754

** Disability funds included in grant award

APPENDIX A – RHODE ISLAND COMMISSION FUNDING



Total Carryovers for 1999 (Not included in the current year funding amounts above):

AmeriCorps:	$ 289,010
Learn & Serve:	7,182
Admin:	26,040
Disability:	74,667

** 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 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 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 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.

RHODE ISLAND SERVICE ALLIANCE
A COMMISSION FOR NATIONAL & COMMUNITY SERVICE

May 23, 2000

Louise Jordan, Inspector General
Corporation for National Service
1201 New York Ave. NW
Washington, DC 20525

Dear Ms. Jordan:

This letter is being submitted in reply to the draft outcomes report sent to our agency based on data collected during the December 1999 pre-audit survey conducted by an audit team from Urback, Khan, Werlin & Associates. At this time, the Rhode Island Service Alliance's board and staff respectfully request that the preliminary findings cited from the pre-audit survey be reconsidered for the reasons outlined below.

Because we are requesting reconsideration, this correspondence is being submitted in lieu of a formal response to the draft findings. After you review the information presented in this letter, we are hoping to receive revised feedback from the pre-audit survey to which we can formally respond.

Issue as identified in the pre-audit survey:
Learn & Serve America reporting on cash basis
Larn & Serve America Financial Status Reporting

The Rhode Island Service Alliance reports on a cash basis. Reporting on a cash or accrual basis is a choice offered to state service commissions on the OMB-approved Financial Status Report (FSR) forms. The Rhode Island Service Alliance's choice to report on a cash basis enables us to submit information that to the Corporation for National Service (CNS) that ties into our internal financial records (specifically to our monthly cash expenditure reports for Learn & Serve developed from our trail balances). This allows us to limit our federal cash on hand. It is also appropriate because many of the subgrantees that we fund in the Learn & Serve America portfolio report on cash vs. accrual bases.

Learn & Serve America: Community-based subgrantees do not, at this time, submit FSRs to the Service Alliance. Subgrantees report expenditures and advances on quarterly draw-down

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request forms. However, the draw-down request form used by our agency was *developed from* the OMB-approved FSR form. Therefore, the information normally collected in an FSR is incorporated into the Service Alliance draw-down form but is augmented with additional information (such as a break down of expenditures to date by major Learn & Serve America grant categories).

The citation regarding cash basis reporting and Learn & Serve America was also of considerable concern to the Service Alliance board and staff because it was not discussed during the exit interview with Urback, Khan, Werlin & Associates auditors. It was our understanding, based on the protocols that the audit team described during the entrance interview, that all feedback cited in the draft report issued by the Office of the Inspector General would necessarily be discussed in the exit interview.

The Service Alliance will separate out financial status information and draw-down requests onto separate forms beginning October 1, 2000.

Issue as identified in the pre-audit survey:
Inability of the audit team to re-perform tests

The draft feedback submitted to the Service Alliance states that comments on site visit tools are vague. Site visit reports issued by the Rhode Island Service Alliance to grantees cite each and every compliance issue identified by staff during on-site reviews. As such, reports issued to grantees can be viewed as primary source documents for site visits.

Comments written on site visit tools are used with the express purpose of accurately capturing information that will be articulated in site visit reports issued to grantees. Written comments by staff are filled with jargon and abbreviations (e.g. s-l for service-learning) and fall prey to the legibility of the writer's hand; but comments *can* be interpreted by auditors with the aide of Service Alliance staff. Site visit reports are begun either on the day-of or on the day following a visit in order to ensure that compliance concerns are transcribed fully and accurately onto site visit reports to grantees.

The board and staff of the Service Alliance believe that testing conducted during on-site visits could have been re-performed by auditors seeking to do so. The draft pre-audit survey findings

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cite that AmeriCorps member names whose records were tested were not maintained in Service Alliance records. This is inaccurate – the names of members are maintained in site visit records and were reviewed during the pre-audit survey. Member test files are identified using Nth randomization which conforms to commonly accepted evaluation principles for prudent subject selection.

Notations about member file contents are cited in aggregate on-site visit tools. For example, a checkmark represents that 3 of 3 subjects (members) are compliant on a particular issue (e.g. appropriate age eligibility documentation). When test subjects are inconsistent with documentation on a particular issue (e.g. photographs on citizenship documentation are not sufficiently clear) and are accordingly out-of-compliance, the site visit tool is noted with the citation (0 of 3, 1 of 3, or 2 of 3). While individual names are not identified, a small sample size allows the easy re-performance of the test by pulling each of the three files that were tested and comparing them.

It was noted by the Service Alliance board that the re-performance of tests by external groups (e.g. auditors) – while a standard and prudent fiscal practice – is undermined by the fact that compliance issues, once identified by state service commissions, are monitored until they are addressed. Once compliance issues are corrected, re-performance is inaccurate.

It was also noted by the Service Alliance board that the citation regarding re-performance of tests conducted by the Service Alliance staff was unusual given the fact that attempts to re-perform the tests at the legal applicant sites did not occur.

Nevertheless, the Service Alliance is currently maintaining isolated, member-specific data for each test conducted on a member's file in order to reduce barriers here-to-forward relative to test re-performance by external groups.

Issue as identified in the pre-audit survey:
FSRs were not sufficiently reviewed prior to 1999

It was noted that an error was identified in a 1998 FSR of the Public Education Fund regarding its match funds. The immaterial, transposition was corrected during in the subsequent FSR

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filed by the legal applicant. This citation does not suggest that judicious and consistent FSR review did not occur prior to the development of an FSR checklist in July of 1998 by the current Executive Director.

Grantee FSRs are reviewed by the Service Alliance Executive Director. This has been part of the executive director's responsibilities since the inception of the agency in 1994. The founding executive director (ED) trained his successor in the FSR review protocols he developed in tandem with the Service Alliance's CPA. The former ED disposed of his review papers after reviewing each set of FSRs. In an effort to create better institutional memory and in the spirit of continuous improvement, the current ED developed a formal checklist that described the standard review protocols used over a number of years.

The accuracy of AmeriCorps grantee FSRs submitted to CNS provides a sound basis on which to determine that FSRs were reviewed from 1994-present in an effective manner.

Ancillary note:
We would like to take this opportunity to let you know that the audit team from Urback, Khan, Werlin, & Associates was professional, accessible and candid about the pre-audit survey process. They also made very real efforts to minimize disruptions in our day-to-day work. Overall, the pre-audit survey process has been useful in engaging the Rhode Island Service Alliance in a process of reflective, organizational learning. It has connected the staff to the history of our National Service portfolio – both fiscally and programmatically. This process has also engaged the entire staff in an on-going dialogue about the importance of building monitoring systems that tell the story of our state service commission *without* the need for an interpreter.

Please do not hesitate to contact me with any questions, comments or concerns by email at nbs@riservicealliance.org or by phone at (401) 331-2298 x 15. Thank you for reviewing this request for reconsideration.

Best regards,

Nicolé Boothman-Shepard, Executive Director

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MEMORANDUM

CORPORATION FOR NATIONAL SERVICE

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 00-27 Pre-Audit Survey of the Rhode Island Service Alliance: A Commission for National and Community Service

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We have reviewed the draft report on your pre-audit survey of the Rhode Island Service Alliance. Given the nature of the report, this response serves as our proposed management decision. We note that your preliminary assessment does not recommend a full-scope audit at this time but that the Office of Inspector General (OIG) reviews the Commission's A-133 audit reports and supporting auditors' workpapers to determine if additional work is necessary. The OIG also recommended that reviews of Member service hours and matching amounts by subgrantee should be considered. 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 Rhode Island 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 and a lack of evidence of Financial Status Report review, including matching recalculation for years prior to 1999.

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 Rhode Island, 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.