Office of the Inspector General
Corporation for National and Community Service

Pre-Audit Survey Report of the Idaho Commission for National and Community Service

OIG Audit Report Number 00-28
January 7, 2000

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This report was issued to Corporation management on July 7, 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 January 3, 2001, and complete its corrective actions by July 7, 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 Idaho Commission for National and Community Service OIG Audit Report Number 00-28

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 Idaho Commission for National and Community Service. Based on the limited procedures performed, UKW concluded that the Commission administers an open, competitive process to select national service subgrantees and has developed adequate control policies and procedures to administer Corporation grant funds, and to provide subgrantees with training and technical assistance. However, UKW concluded that the Commission lacks adequate controls to evaluate and monitor its subgrantees. UKW cites inadequacies in the Commission's documentation of site visits and the lack of Commission review of subgrantee audit reports as the basis for this conclusion.

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

UKW's report includes recommendations for improvement in the Commission's fiscal administration and monitoring processes and recommends a full scope financial audit of the funds awarded to the Idaho Commission for 1995 through the present. In addition, UKW recommends that the Corporation follow up to determine that appropriate corrective actions have been put into place to address the conditions reported.

CNS OIG reviewed the report and work papers supporting its conclusions. We agree with the findings and recommendations presented therein.

The Idaho Commission's response to this report (Appendix C) argues against a full-scope financial audit of CNS funding and disputes certain of the survey findings. For other findings, the Commission describes 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 Idaho Commission for National and Community Service

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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 Idaho 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 Idaho 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 Idaho 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 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.
- 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 full-scope financial audit of the funds awarded to the Idaho 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 Idaho 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 IDAHO COMMISSION

The Idaho Commission for National and Community Service is headquartered in Boise, Idaho. 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 $430,728 in 1995; $449,790 in 1996; $548,393 in 1997; $932,343 in 1998; and $967,750 in 1999. Additional information on the Commission's funding is presented in Appendix A.

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

As part of the State of Idaho, the Commission is included in the state's annual OMB Circular A-133 audit. The Idaho Commission was a component of the State Board of Education during the 1995 fiscal year, and was moved to the Department of Corrections in 1996, where it is currently located. There were no questioned costs or findings identified at the Commission during 1996, 1997 or 1998. During 1995, three findings were identified for the Department of Education related to improper drawdown technique, lack of adequate monitoring of drawdowns made to subgrantees to ensure that excessive drawdowns were not made, and lack of procedures to ensure that subgrantees submit interest on federal funds in excess of $100. However, Corporation-funded programs were not considered or tested as major programs.

During 1998, the State of Idaho Legislative Services Office issued a separate Internal Control Report identifying one finding at the Department of Corrections. They determined that federal grant costs were not always approved or fully supported as required by federal regulations. Certain examples cited include: some purchase orders lacked an approval signature prior to the establishment of the encumbrance and payment, and time recorded by employees on timesheets did not always agree with amounts charged to grants.

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	$644,023	4	*
1998	$732,818	5	3
1997	$346,855	2	2
1996	$270,024	2	2
1995	$276,000	2	2

* Current year audits had not been completed as of January 7, 2000.

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 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 Idaho 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 Idaho 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 7, 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 Idaho 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 Idaho Commission has developed various procedures to comply with this requirement. The Commission announces the availability of funds through direct mailings and newspaper advertisements. Potential subgrantees attend a public grant information meeting to gain an understanding of the availability of funds, as well as to receive an application.

Prior to 1997, Commission members determined which applicants were to be funded and their funding levels for the formula funds and made recommendations for funding to the Corporation. In 1997, the Commission established a Peer Review Panel, which consists of diverse volunteer members who are professionals with knowledge of the community and/or with granting experience.

Each reviewer receives an informational package, which consists of an Overview of the review process, merit ranking review form, applications for each applicant, and guidelines regarding conflict of interests. Commission personnel conduct an orientation meeting for all reviewers regarding the AmeriCorps program and national service, background on the Commission, and Idaho State priorities.

New applications are evaluated on the following: objectives and goals of the program; ways the program will strengthen the community, develop its members, and monitor and evaluate its continual improvement; programs; organizational capacities; as well as cost-effectiveness

and sustainability.

Renewal subgrantees are evaluated on progress made to date and the next year's program plan. Commission personnel also review progress and site visit reports to determine that these programs are meeting goals and no instances of non-compliance or unsupported expenses have been reported.

Once all applications are reviewed, the reviewers submit a ranking list to the Commission who then determines which applicants will be recommended to the Corporation for funding.

Our testing indicated that the Commission maintains adequate documentation to support the selection process.

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 to be reviewed, and matching requirements, recalculated. However, there is no documentation to evidence that this review was performed. In addition, Commission personnel do not compare the FSRs to the subgrantees' accounting records or other supporting documentation during site visits. Our testing also identified one AmeriCorps Financial Status Report with amounts that were not properly carried forward from the prior one submitted to the Commission.

Because of these conditions, errors on the FSRs may occur and remain undetected. Although all subgrantees are on a reimbursement only basis, if subgrantee FSRs are not verified 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 the Commission develop standard procedures to review subgrantee FSRs, recalculate matching requirements and formally document the results of this review. In addition, 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 FSRs

AmeriCorps Provision 17 states, "AmeriCorps State programs and most AmeriCorps National sites that receive subgrants must submit at least four Financial Status Reports (SF 269a) 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."

However, in our sample of 44 AmeriCorps FSRs, we identified 40 instances where we were unable to determine the timeliness of FSRs submitted to the Idaho Commission or to the Corporation in accordance with Corporation guidance. Our testing also identified three instances where the FSRs submitted by subgrantees were not dated. Therefore, we could not determine whether the subgrantees submitted FSRs in accordance with Corporation guidance.

We recommend the Commission enforce current policies and procedures requiring the submission of FSRs in accordance with Corporation guidelines. During 1999, the Commission began using the Web-Based Reporting System which electronically records the date subgrantees submit their FSRs to the Commission. While the new Web-Based Reporting System should alleviate the timeliness and accuracy issues, we recommend that the Commission reemphasize the requirement that all FSRs submitted by subgrantees, as well as FSRs submitted by the Commission to the Corporation, be dated, maintained by the Commission, and available for review.

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 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." 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 performs site visit reviews of its subgrantees. However, 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 the Members reviewed were not included. Commission personnel also do not verify reported Member service hours to timesheets or other supporting documentation during their site visits. In addition, we determined that the Commission did not document any findings or recommendations identified during the site visits.

Comments included on the site visit checklists were general in nature. Moreover, the site visit reports we reviewed focused on programmatic rather than fiscal matters, and we were unable to perform or otherwise review the monitoring procedures performed by Idaho Commission personnel.

We recommend that the Commission revise its written policies and procedures and require 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."

However, prior to our review, the Commission did not request copies of subgrantee A-133 audit reports on an annual basis because they were unaware of the requirement for the annual yearly review. Commission personnel stated that A-133 reports were obtained and reviewed during the selection process. However, no evidence exists to support that this review was performed.

We recommend that the Corporation formalize its policies and procedures for the review of A-133 reports, including procedures to determine which subgrantees fall under the audit requirements and follow up to determine that audits were performed, and findings, if any, resolved.

Providing Technical Assistance

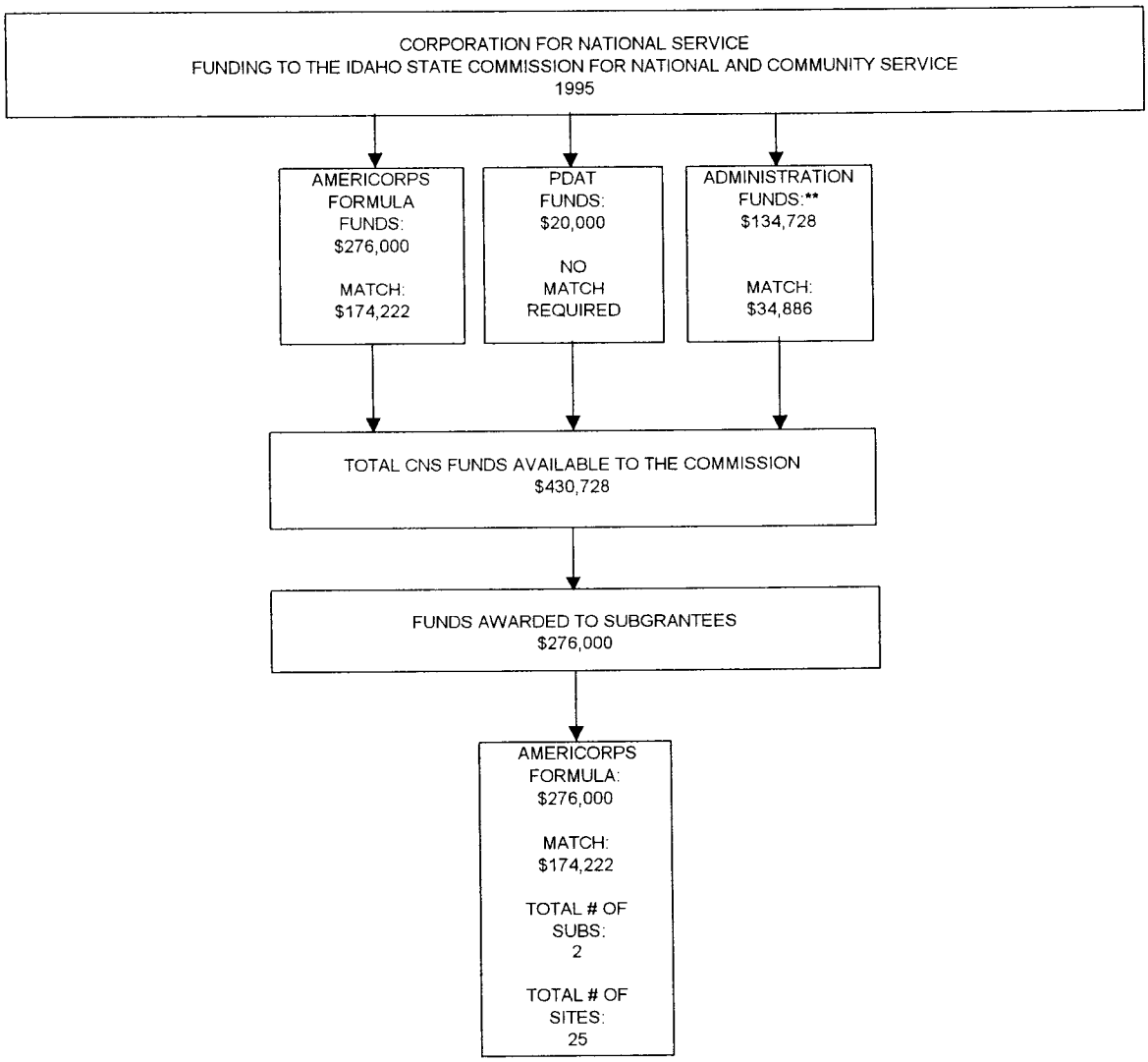
Annually, the Commission receives grant funds to provide technical assistance to its subgrantees. Procedures are in place at the Commission to (1) identify training needs of subgrantees through periodic staff meetings with the program directors and a needs assessment survey; (2) notify subgrantees of 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 Idaho 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
January 7, 2000

APPENDIX A – IDAHO COMMISSION FUNDING



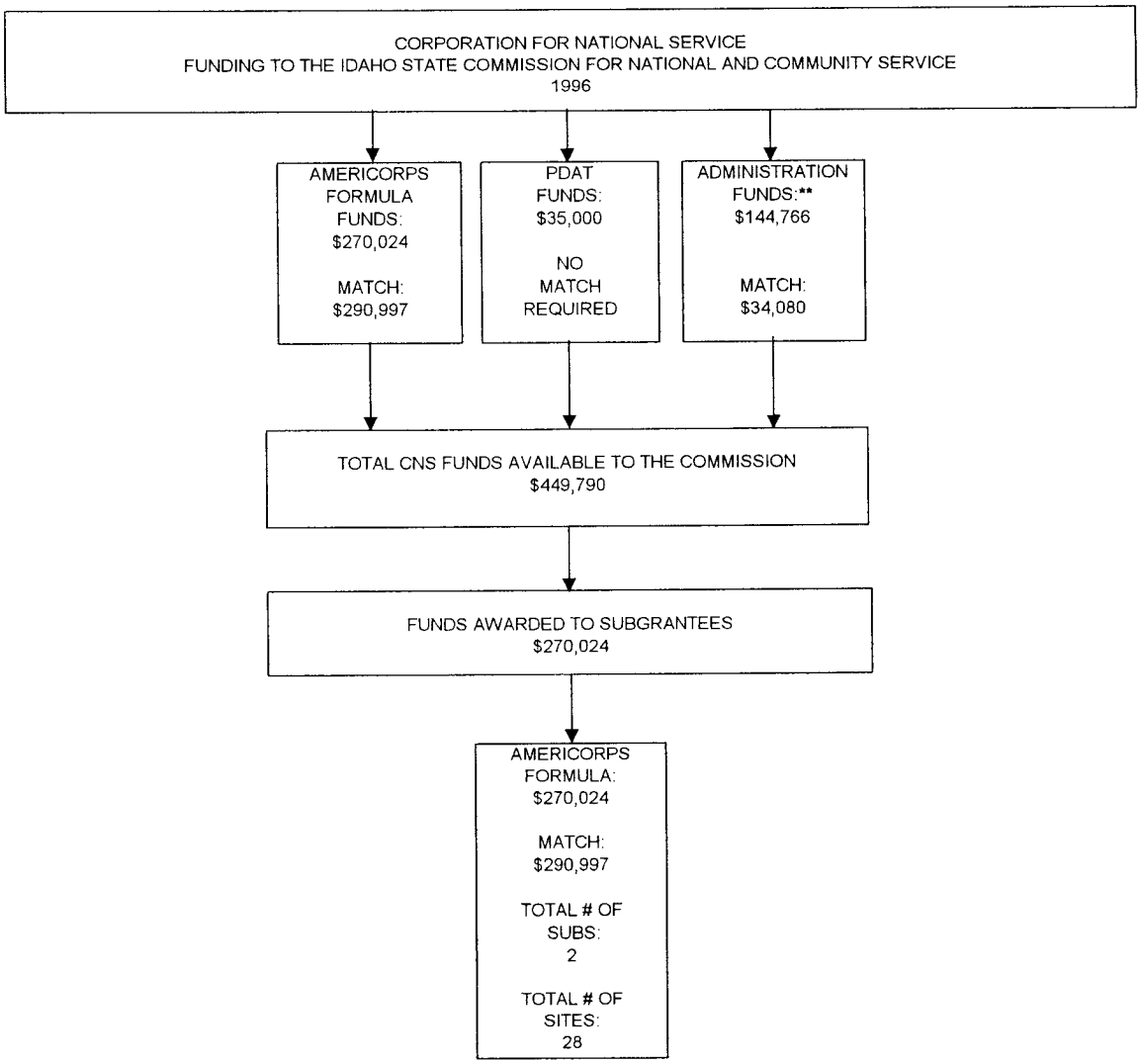
Total Carryovers for 1995 (not included in the current year findings above)

Administration:	$	100,383
PDAT		6,000

** Disability Funds Included

UK &W

APPENDIX A – IDAHO COMMISSION FUNDING

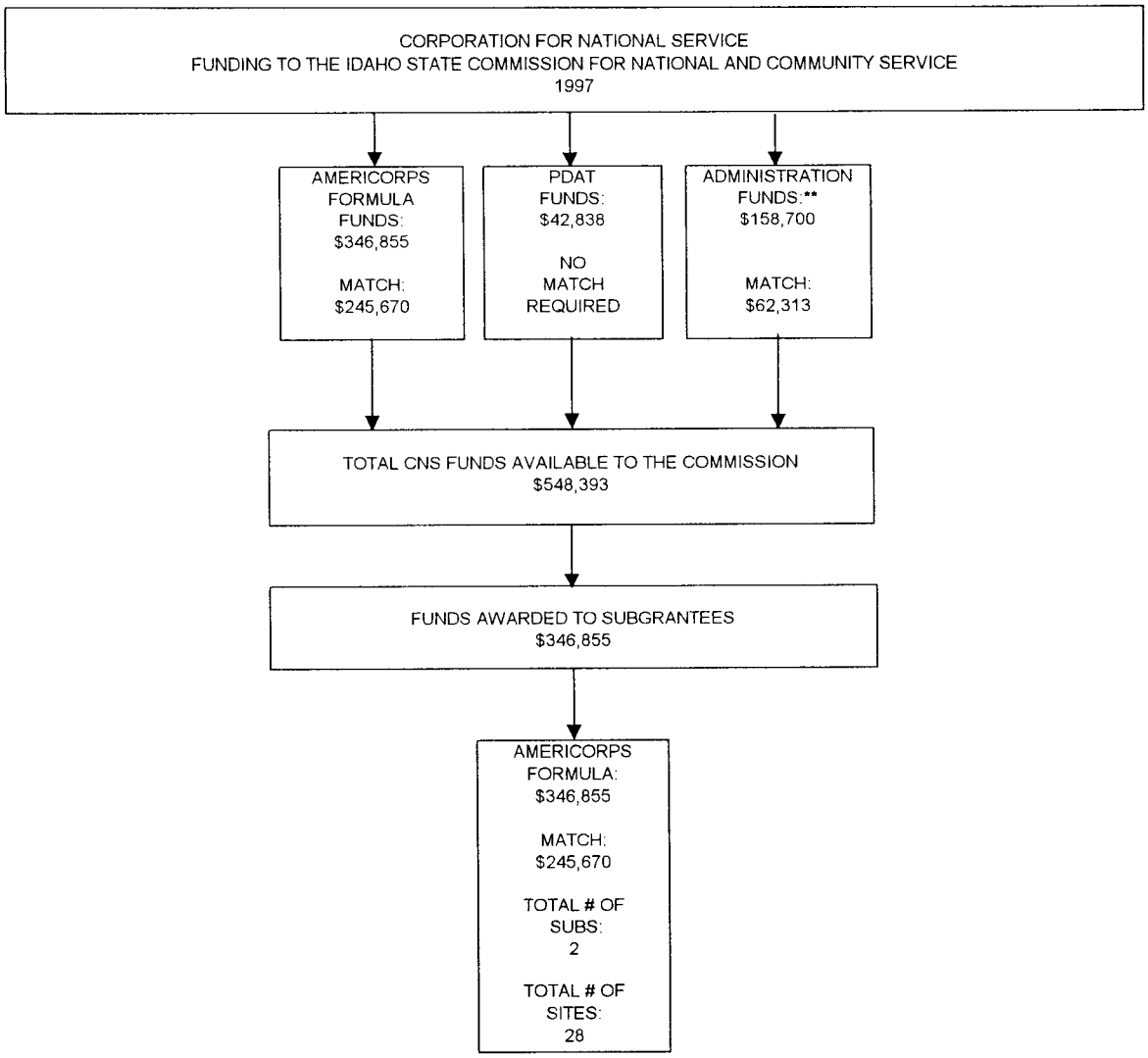


Total Carryovers for 1996 (not included in the current year findings above)

Administration:	$	27,700
PDAT		6,000
AmeriCorps		32,043

** Disability funds included

APPENDIX A – IDAHO COMMISSION FUNDING

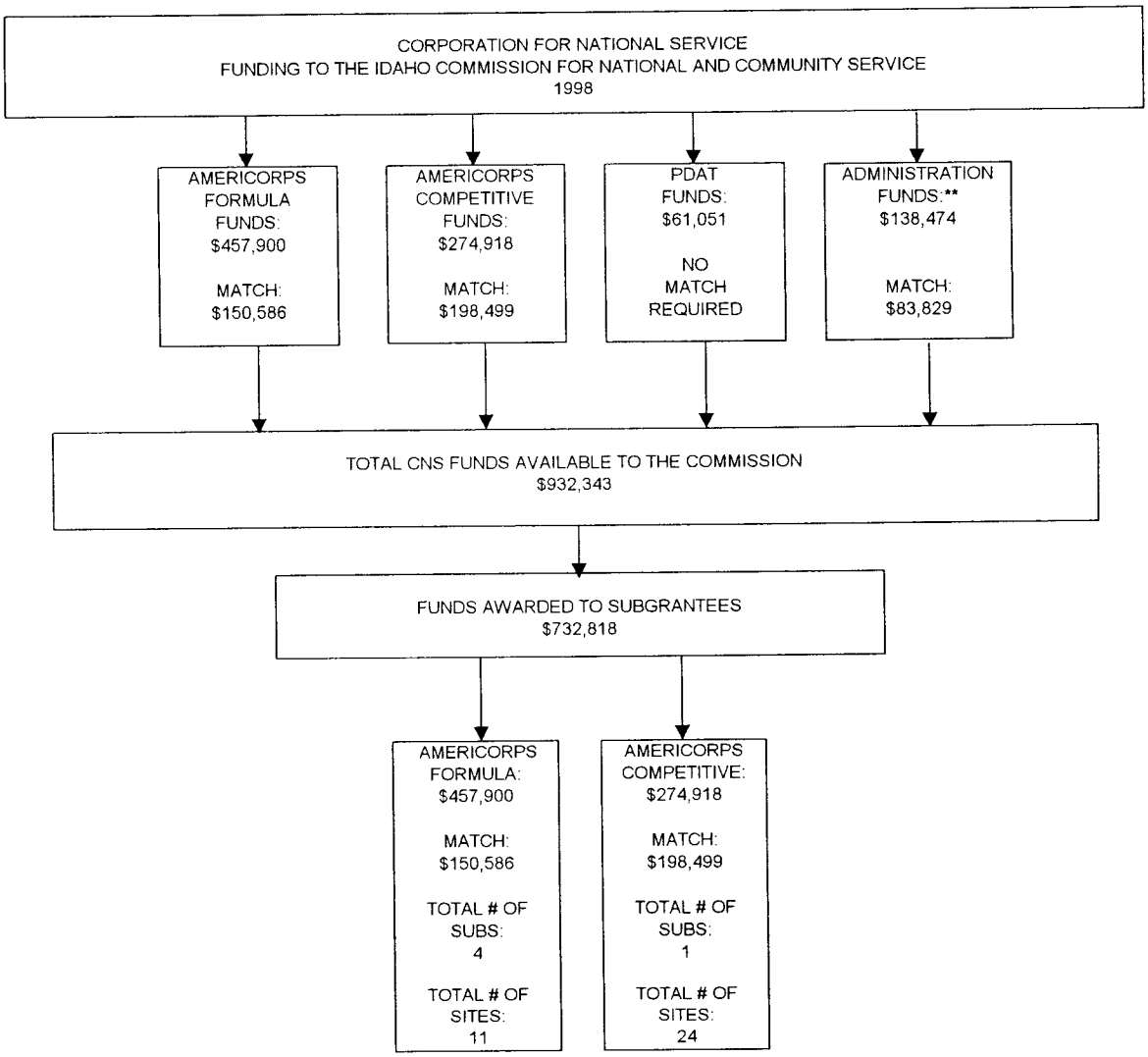


Total Carryovers for 1997 (not included in the current year findings above)

Administration:	$	18,284
PDAT		1,000
AmeriCorps		32,043

** Disability funds included

APPENDIX A – IDAHO COMMISSION FUNDING

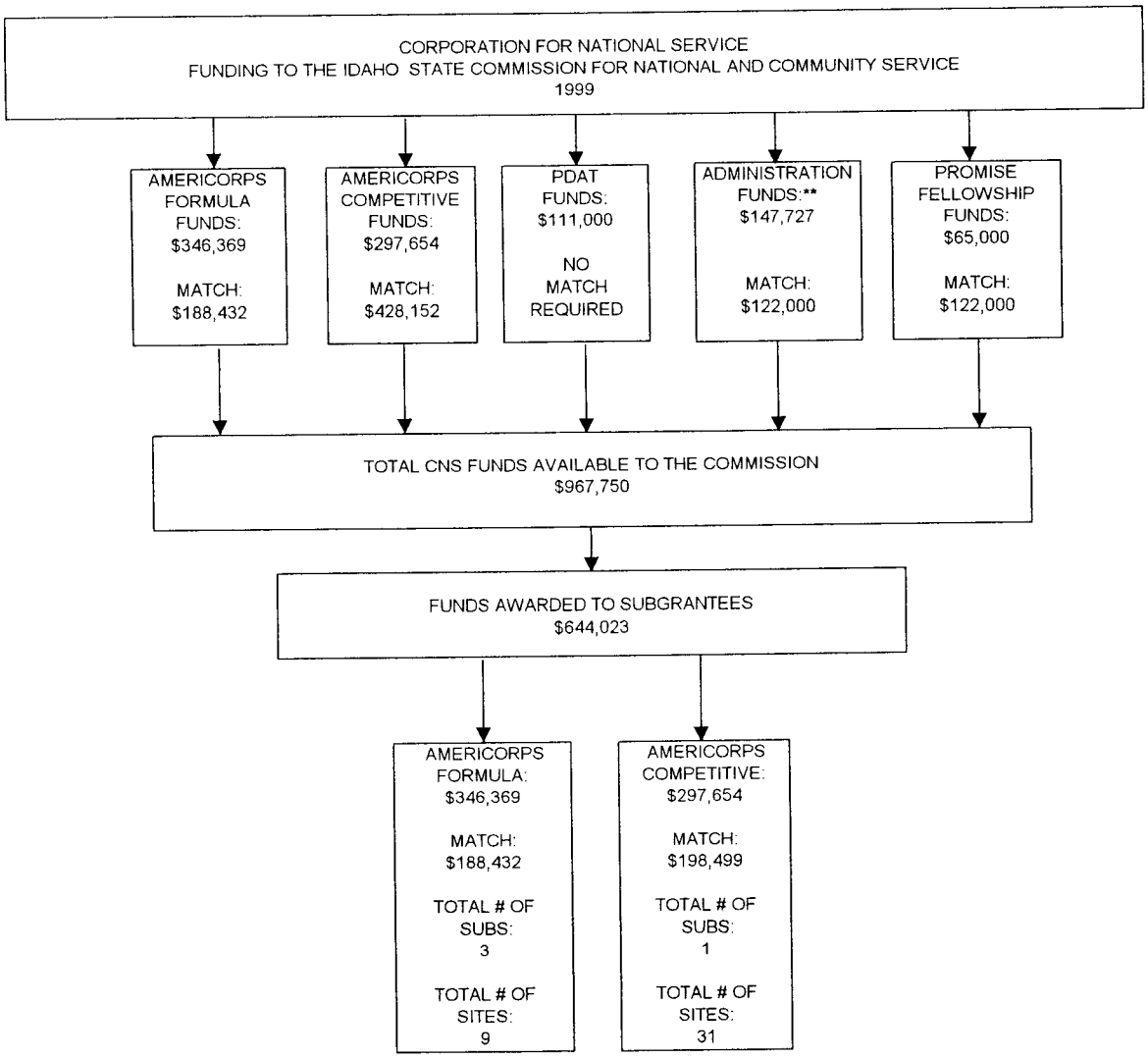


Total Carryovers for 1998 (not included in the current year findings above)

Administration:	$	33,433
PDAT		8,949
AmeriCorps		161,041

** Disability funds included

APPENDIX A – IDAHO COMMISSION FUNDING



Total Carryovers for 1999 (not included in the current year findings above)

Administration:	$	5,000
PDAT		161,041
AmeriCorps		3,000

** Disability funds included

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 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 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 preliminarily assess 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 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 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.

May 26, 2000

Luise Jordan, Inspector General
Corporation for National Service
1201 New York Avenue, NW
Washington, DC 20525

Dear Ms. Jordan,

Please accept this letter in response to the Pre-Audit Survey Report of the Idaho Commission for National and Community Service (ICNCS or The Commission). The Commission values and actively seeks innovative ideas for effective administration and continuous improvement feedback of all of its operating procedures. We welcome outside assessments.

Upon review of the Draft Report of the Audit Survey of the Idaho Commission for National and Community Service by Urbach, Kahn, Werlin (UKW), we have found inaccurate statements, inconsistencies and points that need clarification. These items follow:

RESULTS IN BRIEF:

- *The Commission appears to have an adequate process in place for the fiscal administration of grants.*

Given this assessment, it is not consistent with the recommendation that the Office of Inspector General (OIG) perform a full-scope financial audit of the funds awarded to ICNCS for 1995 through the current program year.

OVERVIEW OF THE IDAHO COMMISSION:

- *During 1998, the State of Idaho Legislative Services Office issued a separate Internal Control Report identifying one finding at the Department of Corrections. They determined that federal grant costs were not always approved or fully supported as required by federal cost principles.*

The Idaho Department of Corrections (IDOC) responded to the finding and the issue was resolved to the satisfaction of the Office of Legislative Audits. A copy of the follow-up report is available upon request.

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FINDINGS AND RECOMMENDATIONS:

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

ICNCS, in partnership with our fiscal agent, the IDOC does indeed review all financial status reports (FSR's) that are received on a quarterly, now semi-annual basis from each sub-grantee. Match is also recalculated.

All financial status reports that are received are reviewed for accuracy, including match recalculation, by both ICNCS staff and the fiscal office of IDOC. ICNCS requires back-up documentation with the submission of each FSR. In addition, an expense report is requested with each reimbursement draw-down request that is made by a sub-grantee. All of this information is kept in a single binder with sections for each sub-grantee. Notations are made directly on the FSR form if an inconsistency or miscalculation is made. When a problem is identified, the sub-grantee is contacted and asked to resubmit the FSR with corrections, promptly. In the past, the format of back-up documentation varied by agency but with the creation of WBRS, uniformity of information now exists.

The Commission has developed site-monitoring tools that include a basic review of fiscal information as required by the Corporation for National Service. According to Supervisor of the Office of Legislative Audits, it is the primary role of the Commission to monitor the programmatic side of AmeriCorps sub-grantees with basic reviews of fiscal records and systems. He also specified that a monitoring site visit is not meant to duplicate an audit. ICNCS relies on the independent A-133 audits that are performed on the majority of our sub-grantees. It is our understanding that per OMB Circular A-102 for states and A-110 for non-profits, the Commission technically does not have to perform site checks or on-site reviews to verify FSR or other system issues. ICNCS adheres to the uniform standard OMB provisions for state administration along with statutory and regulatory AmeriCorps directives to administer its grants and sub-grants.

The report states that UKW's testing identified one AmeriCorps Financial Status Report with amounts that were not properly carried forward from the prior one submitted to the Commission. I am unable to address this issue due to the fact that it was not discussed during the exit interview and the Commission lacks any written documentation from UKW relating to this matter.

- *LATE SUBMISSION OF FSR's*

ICNCS maintains a database that records receipt of sub-grantee FSR's. Prior to the implementation of WBRS, the policy was that FSR's were due on the 15th of the month following the end of the reporting period. This allowed a two week period for the sub-grantees to compile the necessary information and also allowed ICNCS and the fiscal office of IDOC to review the reports, identify potential problems, have grantees make corrections, if necessary and to draft the aggregate reports. With the implementation of WBRS, the FSR's and Periodic Expense Reports are automatically "date stamped" and a record of all modifications is also stated directly at the bottom of the report As consistent with our record

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keeping practices, the Commission will continue to maintain dated FSR's for the all of its grants and sub-grants on file and available for review.

- *THE EVALUATING AND MONITORING SYSTEM FOR SUB-GRANTEES NEEDS TO BE IMPROVED AT THE COMMISSION*

The Pre-Audit Survey Report indicates that information about the review of member files was not included in site visit documentation. During UKW's review of the Commission, auditors reviewed copies of two member files from each of the samples requested. Copies of these files were collected as part of program monitoring activities. These files are thoroughly reviewed to ensure all required information is documented. Member timesheets are also included, and checked for accuracy by Commission staff. ICNCS has collected these files, despite member privacy issues. We will continue to review this information but will only make note of the files that are reviewed rather than making copies of each file.

During program monitoring site visits, Commission staff has always reviewed fiscal aspects of each sub-grantee. Ledgers were reviewed for allowable expenses and specific expenditures were spot-checked and followed though the system to verify accuracy. Because sampling, testing and documentation are the primary responsibility of auditors, ICNCS staff conducts its fiscal review at a different level to avoid duplication of efforts.

Unfortunately, UKW did not review any current year programs. Monitoring procedures have been enhanced and written follow-up documentation is part of each file. ICNCS has already implemented some of the procedures recommended by Urbach Kahn and Werlin (UKW) during their January 2000 review. With the help of a legislative auditor, who sits on our Commission, we are in the process of drafting and updating monitoring tool and other procedures to ensure strong administration of our programs.

The report also states, " The site visit reports we reviewed focused on programmatic rather than fiscal matters...". According to the Idaho State Legislative Audits office, the vast majority of fiscal oversight is reviewed in the A-133 or alternative financial audits and these reports should be the main source of information about fiscal compliance. ICNCS shared its updated site-monitoring tool with the UKW team and it indeed does include fiscal monitoring questions.

- *LACK OF DOCUMENTATION OF REVIEW OF OMB CIRCULAR A-133 REPORTS OR OTHER AUDIT REPORTS FROM SUB-GRANTEES:*

As stated in the Draft Pre-Audit report, The Idaho Commission for National and Community Service did not consistently collect A-133 audit reports from its grantees prior to the 1999 program year. However, upon receipt of the Pre-Audit Survey that the Commission completed for UKW, it became apparent that the Commission needed to collect and review these documents annually. Immediately, ICNCS requested copies of all A-133 audit reports from each grantee dating back to 1995. Each report was reviewed and documented prior to the arrival of the UKW team. No material findings were reported in relation to AmeriCorps grants.

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The Commission developed a procedure for collecting and documenting the A-133 audits upon the suggestion of UKW. However, further investigation with the State of Idaho's Legislative Services, Idaho has a central State system for collecting and reviewing A-133 audits from State agencies and governmental institutions. Legislative Audits supervisor, Larry Kirk concurs that is important that ICNCS continue to review basic financial information during site visits but that a monitoring site visit is not meant to be an audit. That is the reason for A-133 and alternative audits.

To avoid duplication and reduction of paperwork, the Commission will rely on the Office of Legislative Audits to maintain custodianship and primary review of the A-133 financial reports. Upon request, the Office of Legislative Audits will provide a copy of their review of A-133 reports for all State and governmental agencies and the Commission will continue to request alternative audits from non-governmental agencies.

The report indicates that no evidence exists to support of the review of A-133 or other audit reports for qualified agencies. During their review, the UKW team was provided with memos documenting the review of all appropriate A-133's and other single audits of sub-grantees from 1995-98. In fact, copies of those same memos were requested again and faxed to UKW on March 29, 2000. Audit reports for 1999 were not available during the January 2000 pre-audit review.

The Idaho Commission for National and Community Service works hard to operate effectively and efficiently and seeks continuous improvement. I think that it is important to report some of the positive feedback that was received by ICNCS staff from the UKW Auditors. Lead Auditor Jennifer Prevost indicated that the Idaho Commission office is well organized and commended the Commission on its filing system and grant review process.

The Idaho Commission for National and Community Service has a reputation for implementing successful AmeriCorps programs and enabling thousands of individuals to engage in meaningful service through AmeriCorps programs. We will continue to strive for excellence and bring service to a higher level in Idaho and throughout the country.

Sincerely,

Kelly Houston

Kelly Houston
Executive Director

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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 00-28 Pre-Audit Survey of the Idaho Commission for National and Community Service

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We have reviewed the draft report on your pre-audit survey of the Idaho Commission. Given the nature of the report, this response serves as our proposed management decision. We note that your preliminary assessment recommend a full-scope financial audit at the Commission for 1995 through the current program year 1999-2000. 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 Idaho 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 Idaho, 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 Commission provide semi-annual reports on their actions to correct conditions cited in the OIG pre-audit survey.

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