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

# Pre-Audit Survey Report of the Wisconsin National and Community Service Board

**OIG Audit Report Number 00-29**
**December 8, 1999**

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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**

CORPORATION
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# Pre-Audit Survey of the Wisconsin National and Community Service Board OIG Audit Report Number 00-29

*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 Wisconsin National and Community Service Board. UKW concludes that the Board appears to have an open and competitive process to select national service subgrantees, appears to have an adequate process for the fiscal administration of grants, and has adequate controls over the provision of training and technical assistance. However, UKW also concludes that the Board does not have adequate controls in place to evaluate and monitor subgrantees. The report includes recommendations for improvements in the Board's subgrantee selection, grants administration and monitoring processes.*

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*The report also includes recommendations for follow-up on corrective actions by the Corporation for National Service and revision of the Corporation's guidance on subgrantee monitoring to specify minimum procedures to be performed and minimum documentation requirements. As a result of their work, UKW recommends a full-scope financial audit of CNS funding to the Board from 1995 to the present.*

We have reviewed the report and work papers supporting its conclusions, and we agree with the findings and recommendations presented. We provided a draft of this report to the Board and to the Corporation. In it's response (Appendix C), the Board disagreed with many of the findings and in some cases provided additional documentation in support of its position. UKW's evaluation of the Wisconsin Board's response is included as Appendix E.

The Corporation's response (Appendix D) indicates that the Corporation plans to request semi-annual reports from the Board on its actions to correct the conditions reported and to follow-up on the corrective actions when the Board is reviewed during the Corporation's administrative review process.

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**Corporation for National and Community Service**

**Pre-Audit Survey Report of the**
**Wisconsin National and Community Service Board**

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At your request, Urbach Kahn and Werlin PC performed a pre-audit survey of the Wisconsin National and Community Service Board. 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 Board;
- the effectiveness of monitoring Wisconsin 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 Wisconsin Board.

***RESULTS IN BRIEF***

Based on the results of the limited procedures performed, we have made the following preliminary assessments regarding the Board's systems for administering grants received from the Corporation.

- The Board appears to have an open and competitive process to select national service subgrantees, and related systems and controls appear to be functioning as designed. However, we identified an area of improvement related to the lack of assessment of subgrantee applicants' financial systems during the selection process.
- The Board appears to have an adequate process in place for the fiscal administration of grants. However, we identified an area of improvement related to the review of Financial Status Reports and recalculation of matching amounts.
- The Board does not have adequate controls in place to evaluate and monitor subgrantees.
- The Board 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 Wisconsin Board for 1995 through the current program year. Procedures should also include verification of reported Member service hours and matching amounts by subgrantees. In addition, we recommend that the Corporation follow up with the Board to determine that appropriate corrective actions are put in place to address the conditions reported herein and that the Corporation consider these conditions in its oversight and monitoring of the Wisconsin Board.

***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 WISCONSIN BOARD*

The Wisconsin National and Community Service Board is headquartered in Madison, Wisconsin. The Board has been providing national and community service programs in its current form since 1995. The Board reported that it received funding from the Corporation totaling $1,472,668 in 1995; $2,065,958 in 1996; $1,664,631 in 1997; $1,873,423 in 1998, and $2,194,934 in 1999. Additional information on the Board's funding is presented in Appendix A.

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

During 1998, the Board established a contract with the Cooperative Educational Service Agency to administer and evaluate Learn and Serve subgrantees. There are 12 CESA districts located throughout the state of Wisconsin and the Commission has selected CESAs No. 2 & No. 4 to act as liaisons between subgrantees and the Commission.

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

| Program Year | Total Amount of Corporation Funds Subgranted | Number of Subgrantees | Number of Subgrantees Subject To A-133 Audit Requirements |
|---|---|---|---|
| 1999 | $1,921,185 | 19 | 19 |
| 1998 | 1,654,928 | 7 | 5 |
| 1997 | 1,442,532 | 24 | 6 |
| 1996 | 1,815,873 | 27 | 6 |
| 1995 | 1,128,492 | 24 | 7 |

## *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 Board 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 Board;
- the effectiveness of monitoring of Wisconsin 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 Wisconsin Board.

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 Board;
- obtaining information from Board 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 Board 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 Board management during an exit conference on December 8, 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 Board 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 Board'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 Wisconsin Board and the Corporation for National and Community Service. The Board's and the Corporation's responses to our findings and recommendations are included as Appendix C and Appendix D, respectively.

In its response, the Board disagrees with a number of the report's findings and conclusions and provided UKW with additional documentation to resolve certain issues raised in the draft report. In order to address certain concerns expressed in the Board's response, we have revised certain Findings and Recommendations. UKW's detailed assessment of the response is included as Appendix E.

## *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 Wisconsin Commission has developed various procedures to comply with this requirement. The Commission advertises the availability of funds through many resources, including legal notices in the Wisconsin State Journal, press releases in the major papers as well as through direct mailings. A peer review panel of volunteers review grant applications with the aid of application scoresheets and provide feedback to Commission Board Members as to which subgrantees they believe are the best applicants.

However, we have identified the following areas for improvement.

***The Board did not maintain signed conflict of interest forms as required for renewal applicants.***

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

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

During our testing, we determined the Board does not require that peer reviewers sign conflict of interest forms for renewal applicants.

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

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

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

The Board was also unable to provide us with certain documentation to support the selection process. Specifically, in a sample of six subgrantees (consisting of two new, two rejected and two renewal applicants), we identified the following deficiencies:

- One instance where a rejection letter was not maintained by the Board; and
- Two instances where renewal packages did not include documentation supporting that site visits or progress reports were reviewed during the renewal process.

Therefore, we were unable to determine whether the Board followed Corporation guidelines.

We recommend that the Board maintain appropriate documentation to support the rejection or renewal of subgrantee applicants.

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

According to *A Reference Manual for Commission Executive Directors and Members,* Section 4.2, Commissions are responsible for maintaining "appropriate financial management systems to disburse funds and track Commission and program expenditures according to legal and grant requirements." In order to comply with this requirement, the Commission must be able to ensure that subgrantees have systems in place to accurately track expenditures, since this information forms the basis of a majority of Commission expenditure reporting.

During our testing, we determined that selection officials did not evaluate and document the adequacy of approved applicants' financial systems during the Board's subgrantee selection process. The grant application form provided by the Corporation does not specifically address the applicant's financial systems. In addition, Board selection procedures do not require Board personnel to request information from approved applicants related to their financial systems or to otherwise assess an applicant's financial system. As a result, grant funds may be provided to an organization that does not have financial systems in place to properly account for the Corporation funds received or to ensure compliance with related requirements.

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

***Administration of Grant Funds***

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

Board procedures indicate that subgrantee Financial Status Reports are to be reviewed, and matching requirements, recalculated. However, no evidence exists to document that this review was performed. In addition, during our testing of 36 FSRs, we identified two instances where previously reported amounts were not carried forward properly.

Moreover, the Board's current policies and procedures do not require personnel to compare the FSRs to the subgrantees' accounting records or other supporting documentation during site visits.

Because of these conditions, errors on the FSRs may exist and remain undetected. Although subgrantees are on a reimbursement only basis, if subgrantee FSRs are not agreed to the subgrantees' accounting system, then there is an increased risk that subgrantees are incorrectly reporting amounts on their FSRs and the Board lacks the reasonable assurance that subgrantees are correctly reporting amounts on their FSRs.

We recommend the Board adhere to its policies to review subgrantee FSRs, recalculate matching requirements and document the results of this review. In addition, the Board 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 (a) (1) states "State Commissions and Parent Organizations are required to forward Financial Status Reports from programs and budgeted sites to the Corporation thirty days after the close of every first and third calendar quarter following the award. Reports are due to the Corporation by October 31 and April 30 from all grantees."

However, in our sample of 36 FSRs, our testing identified three instances where subgrantees did not submit their FSRs in accordance with Corporation guidelines.

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

### *Inability to determine timeliness of receipt of FSRs*

The Board does not routinely date-stamp FSRs from subgrantees as they are received. Thus, the Board can not routinely verify if these documents are submitted timely in compliance with the grant agreement. As a result, subgrantee FSRs may not be submitted timely; however, the Board has no basis to verify the FSRs' receipt date.

On October 1, 1999, the Board began using the Web Based Reporting System which electronically records the date subgrantees submit their FSRs to the Board. As a result, no recommendation is required at this time related to recording the date of the receipt of the FSRs.

### *The Board did not maintain all required FSRs.*

AmeriCorps Provision #17 states "Commissions and Parent Organizations are required to submit quarterly Financial Status Reports and three Progress Reports to the Corporation. Commissions and Parent Organizations must submit these reports by the following dates and include three copies along with the original". It continues to state "AmeriCorps State programs and most AmeriCorps National sites that receive subgrants must submit at least four Financial Status Reports to their respective Commission or Parent Organization. In general, if a site has a Corporation-approved budget then the submission of an FSR for that site/sub-Grantee is required. Commissions/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. These reports should be forwarded to the Grants Office. Annual Financial Reports shall be submitted within 90 days of completion and will compare actual expenditures to budgeted amounts using the line item categories in the grant budget form."

We identified two instances out of 36 tested where FSRs were not maintained in the Board subgrantee files. This lack of documentation precluded us from determining whether all subgrantees submitted required FSRs to the Wisconsin Board in accordance with Corporation guidelines.

We recommend that the Board maintain copies of, and support for, all FSRs it submits to the Corporation and maintain appropriate copies of subgrantee FSRs and supporting information.

***Evaluation and Monitoring of Subgrantees***

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

The Board's AmeriCorps Program Officer monitors both program and fiscal activities for all AmeriCorps funds. As discussed in the Overview, the Board subgrants all of the Learn and Serve funds to the Cooperative Educational Service Agency. Districts No. 2 and No. 4 allocate funds to districts and act as oversight, perform site visits and monitor both program and fiscal activities to those districts. Since Learn and Serve funds represent less than ten percent of the total awards received, the Board monitors CESA through oral discussion to ensure the adequacy of their monitoring procedures. In response to our pre-audit survey discussions involving the maintenance of documentation, the Board has established a procedure to maintain documentation to support these oral discussions.

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 Board.***

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 documentation supporting site visits performed on two subgrantees, during the 1995 through 1998 program years, we determined that certain documentation was not consistently maintained. Specifically, the Commission was unable to provide documentation to support the following for one subgrantee selected for testing:

- Site visits performed during the 1995 and 1997 program years;
- Feedback reports and responses received from the subgrantee during the 1995 and 1997 program years; and
- Progress reports submitted during the 1995 program year.

Therefore we were unable to reperform or otherwise review the monitoring procedures performed by Wisconsin Board personnel during the 1995 and 1997 program years related to one subgrantee selected for testing.

We recommend that the Commission enforce current policies and procedures to require that specific information be included in the documentation for site visits (for example, site visit reports, feedback reports and responses received from subgrantees). This will allow the Corporation to assess the Board 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."

As discussed in the Overview Section, the Board does not maintain documentation supporting subgrantee A-133 audit reports. Instead the Board relies on the State of Wisconsin's Department of Administration to review and follow up on subgrantee A-133 audit reports. Therefore, we were unable to determine if the Board routinely reviews these reports to determine if auditors have identified control weaknesses or instances of noncompliance related to Corporation funded programs.

Moreover, in its failure to review and consider audit results, the Board ignores information helpful in carrying out its oversight and monitoring responsibilities. Therefore, we recommend the Board establish policies and procedures requiring its staff 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 Board receives grant funds to provide technical assistance to its subgrantees. Procedures are in place at the Board 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.

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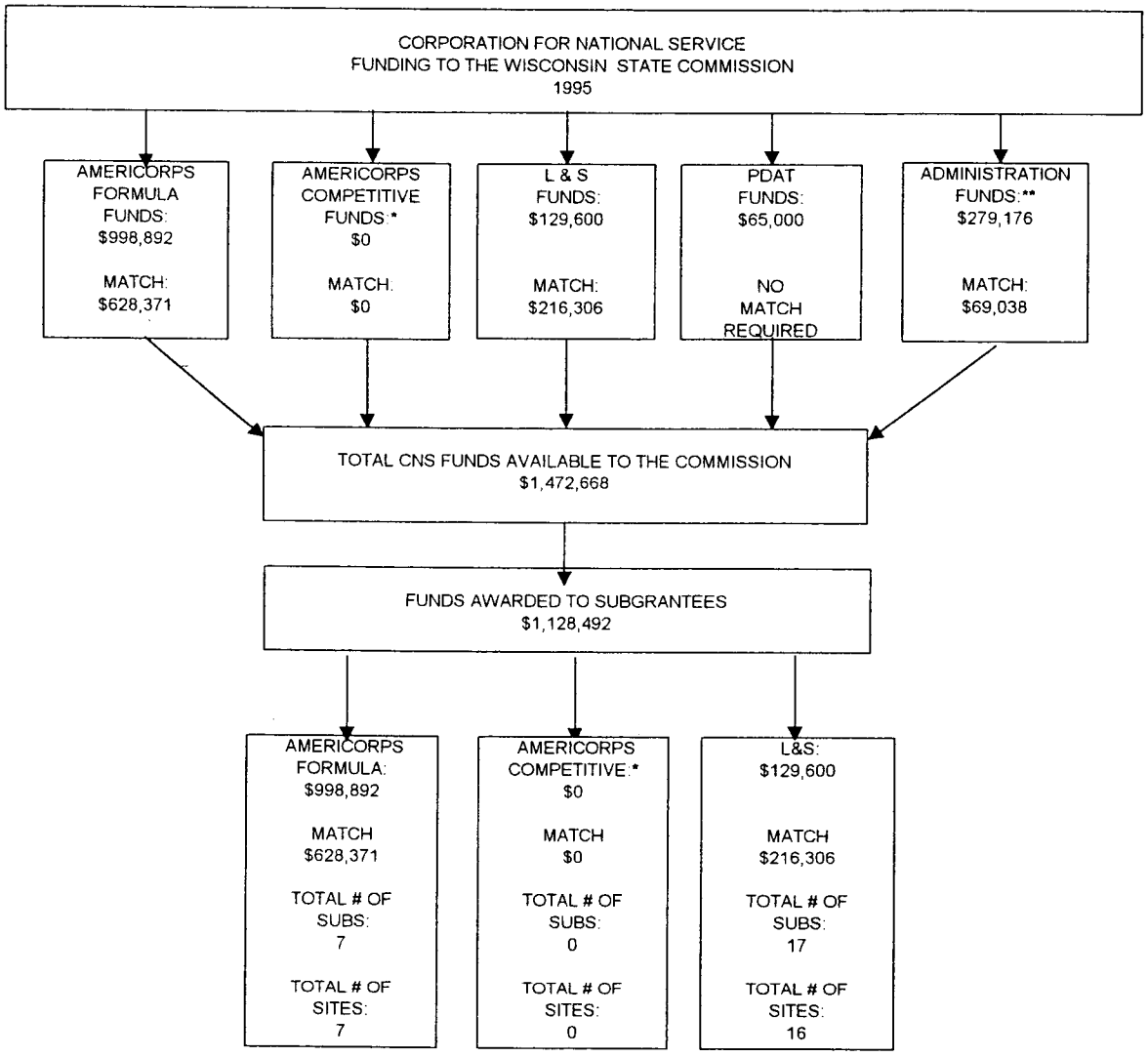
This report is intended solely for the information and use of the Office of the Inspector General, management of the Corporation for National and Community Service, the Wisconsin National and Community Service Board, and the United States Congress, and is not intended to be and should not be used by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

Urbach Kahn & Werlin PC

Washington, DC
December 8, 1999

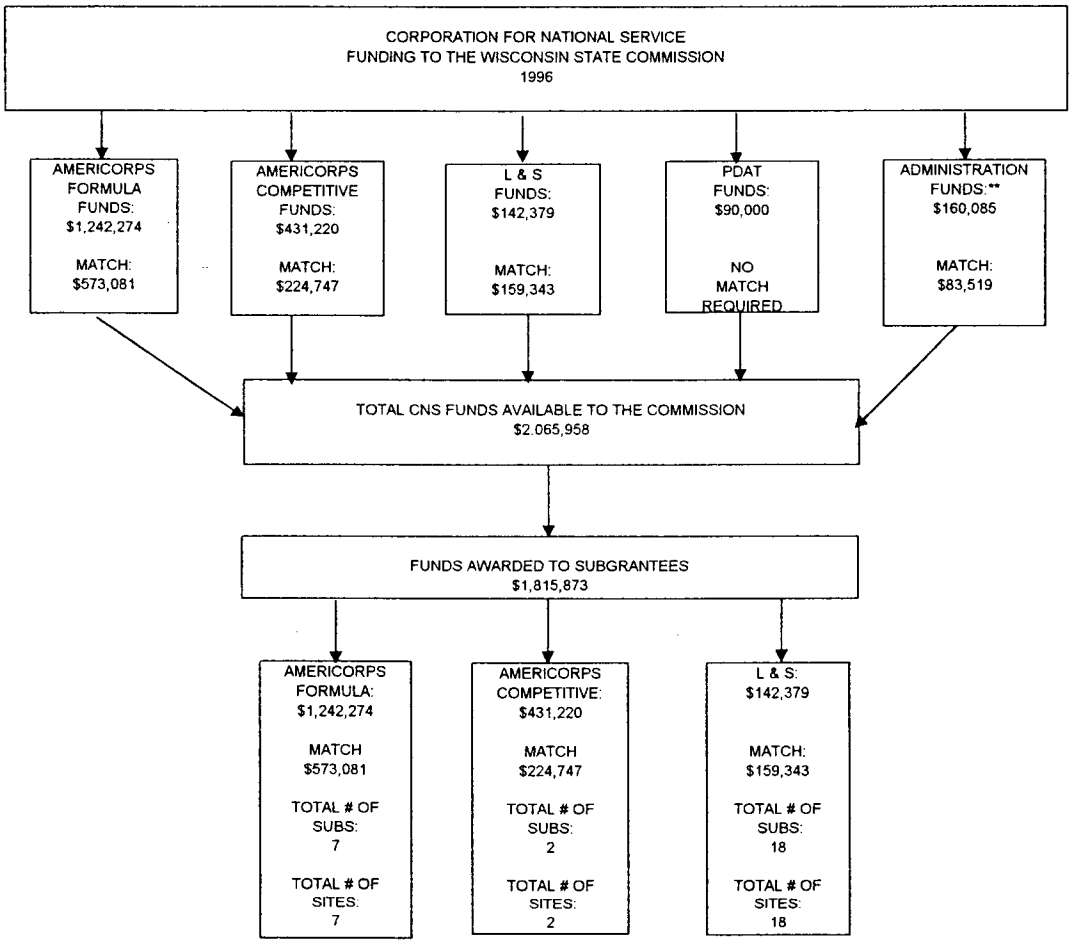



Total Carryovers for 1995 (Not included in the current year funding amounts above):

| | | |
|---|---|---|
| Administration: | $ | 124,885 |
| AmeriCorps: | $ | - |
| PDAT: | $ | - |
| L&S: | $ | 32,400 |

* There were no funds received for this year.
** Disability funds included in grant award.

# APPENDIX A – WISCONSIN BOARD FUNDING

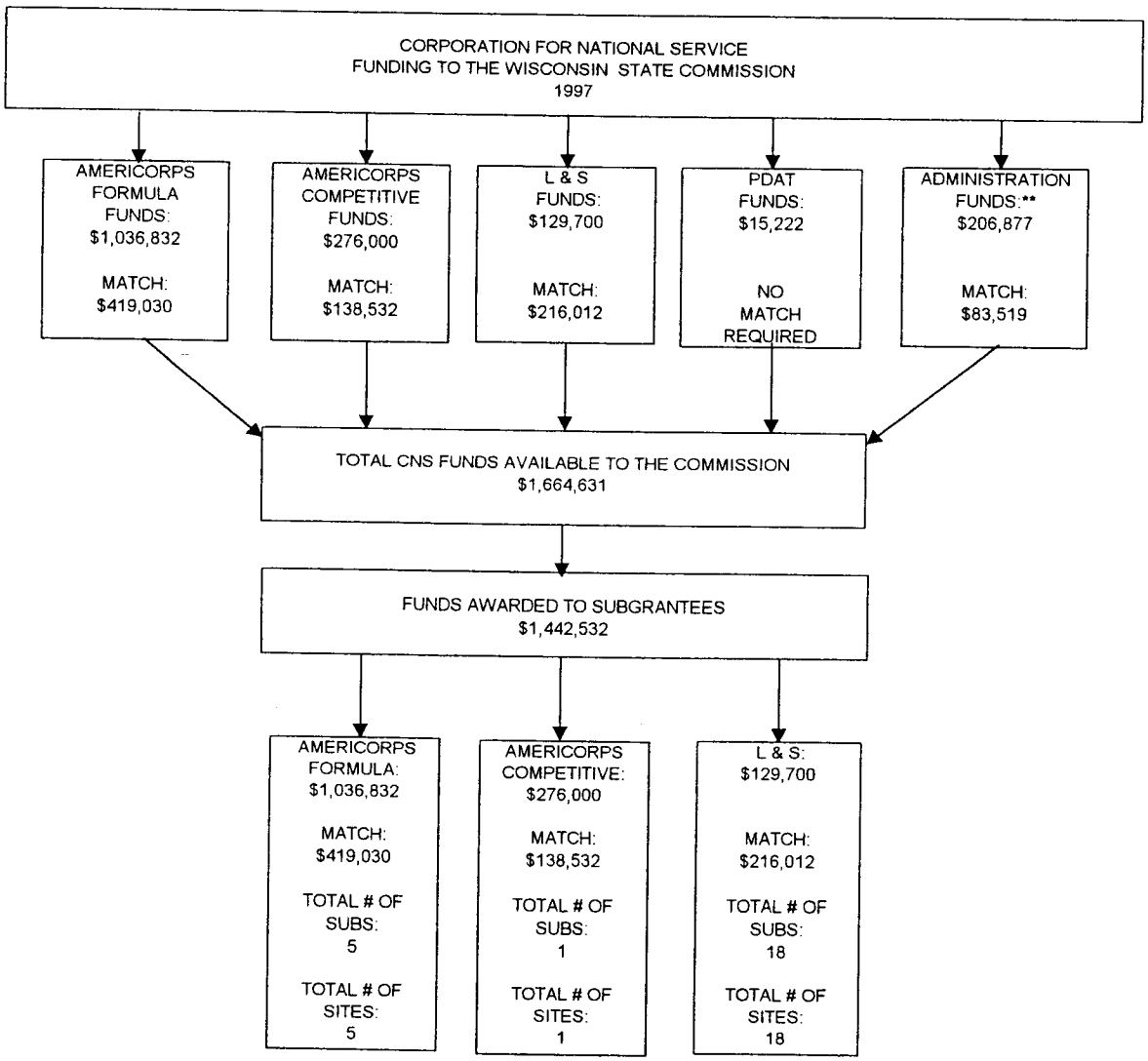



Total Carryovers for 1996 (Not included in the current year funding amounts above):

| | | |
|---|---|---|
| Administration: | $ | 130,000 |
| AmeriCorps: | $ | 20,214 |
| PDAT: | $ | 35,074 |
| L&S: | $ | 14,621 |

** Disability funds included in grant award.

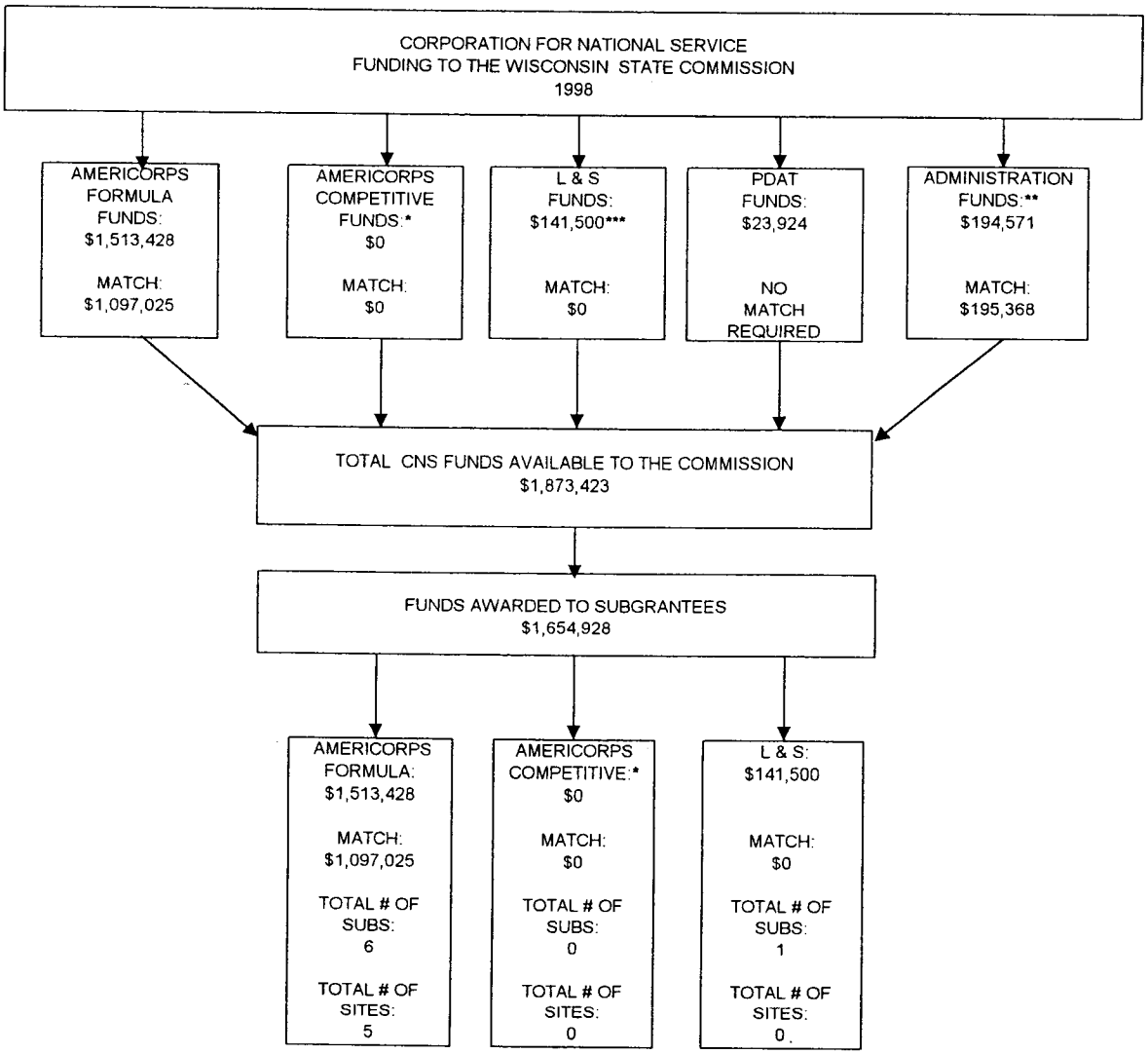
## *APPENDIX A – WISCONSIN BOARD FUNDING*




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

| | | |
|---|---|---|
| Administration: | $ | 56,000 |
| AmeriCorps: | $ | - |
| PDAT: | $ | 128,088 |
| L&S: | $ | 25,300 |

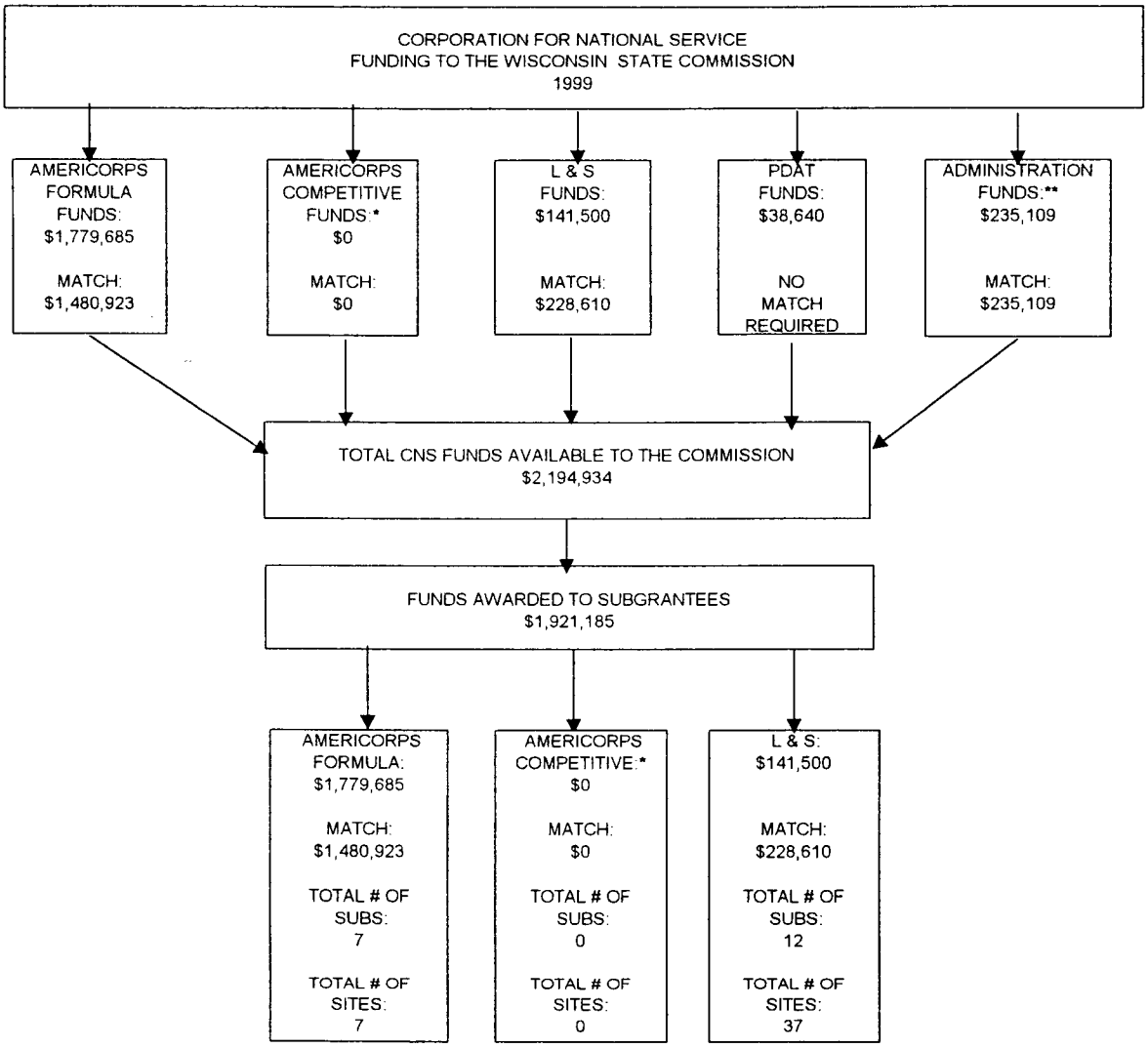
** Disability funds included in grant award.




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

| | | |
|---|---|---|
| Administration: | $ | - |
| AmeriCorps: | $ | 84,875 |
| PDAT: | $ | 110,896 |
| L&S: | $ | - |

* There were no funds received for this year.
** Disability funds included in grant award.
*** Learn & Serve amount represents funds from 1997. A no cost extension was awarded for the 1998 program year and the funds were used to renew the subgrantee from the prior year.




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

| | | |
|---|---|---|
| Administration: | $ | - |
| AmeriCorps: | $ | 31,846 |
| PDAT: | $ | 89,360 |
| L&S: | $ | - |

* There were no funds received for this year.
** 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's involvement in the application process involved any actual or apparent conflict of interest.

In order to achieve the above objectives, we interviewed key Commission management and documented procedures performed by the Commission during the pre-award financial and programmatic risk assessment of potential subgrantees. We also reviewed documentation to ensure that conflict of interest forms for each subgrantee applicant tested were signed by all peer review members annually and maintained by the Commission.

**Administration of the Grant Funds**

Our objectives were to:

- conduct a preliminary survey of the systems and controls utilized by the Commission to oversee and monitor the performance and progress of funded subgrantees;
- make a preliminary assessment as to whether the Commission's organizational structure and staffing level and skill mix is conducive to effective grant administration and whether the commission has a properly constituted membership;
- make a preliminary assessment as to whether the Commission provided adequate guidance to subgrantees related to maintenance of financial systems, records, supporting documentation, and reporting of subgrantee activity;
- conduct a preliminary survey of financial systems and documentation maintained by the Commission to support 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.

**Wisconsin National and Community Service Board Response**
**To The Pre-Audit Survey Report For The**
**Corporation for National and Community Service**
**May 31, 2000**

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**Wisconsin National and Community Service Board**
**Response to Pre-Audit Survey**
**May 26, 2000**

## A. RESULTS IN BRIEF

The WNCSB strongly protests UK&W's recommendation to have a full audits conducted of the WNCSB's 1995 through 1998 grant years. This recommendation has forced the WNCSB staff to search archived files for missing information and is based on the identification of non-material exceptions. The WNCSB disputes the Results in Brief outlined on page one of the Pre-Audit Survey. This response will demonstrate and document the WNCSB administrative functions.

- The Board appears to have an open and competitive process to select national service subgrantees, and related systems and controls appear to be functioning as designed. However, we identified an area of improvement related to the lack of assessment of subgrantee applicants' financial systems during the selection process.

Since the pre-audit survey the WNCSB staff has located additional supporting documentation related to the sample areas covered by UK&W. UK&W identified six exceptions related to the "lack of assessment of the financial systems during the selection process."

Exceptions Summary: Selecting Subgrantees: E-1

Sample Number 1: Wisconsin Association for Runaways 1996 and 1997 Audits were secured and reviewed by WNCSB staff (Appendix A).
Sample Number 2: Milwaukee Community Service Corps 1994-95 Cooperative Agreement demonstrates experience with subgrantee financial systems (Appendix A1).
Sample Number 3: Western Wis. Private Industry Council 1996-97 Cooperative Agreement demonstrates renewal or continuation program within a three year funding cycle (Appendix A2).
Sample Number 4: City of Eau Claire 1996-97 L&S Application Cover Letter for the 1996-97 application clearly states that the application is for a third year of funding (Appendix A3).
Sample Number 5: AmeriCorps Fox Valley rejection letter documents that the financial systems do not need to be reviewed (Appendix A4).
Sample Number 6: Wisconsin Association of Lakes was identified as a rejected program and no financial systems assessment was required.

The WNCSB disputes all six of the exceptions identified as "no specific reference to the condition of the financial systems of subgrantee" by UK&W and provides documentation to support the WNCSB's position in Appendices A through A5. Please pay particular attention to the memorandum from Nathaniel E. Robinson (Appendix A5) to Charles McDowell in regard to the A-133 audit review process utilized by the WNCSB. **Walker and Company, a Washington, D.C. – based CPA firm and consultant for the CNS, and two CNS representatives felt the WNCSB's A-133 audit review was a "best practice".**

- The Board appears to have an adequate process in place for fiscal administration of grants. However, we identified an area of improvement related to the review of Financial Status Reports and recalculation of matching amounts.

The WNCSB was sited for having three late FSRs from subgrantees and two FSRs that covered two reporting periods. UK&W correctly identified these items. It is important to recognize that the turn around time on FSRs is very tight for subgrantees to report to the WNCSB and the WNCSB to report to the CNS. It is also important to recognize that the WNCSB has incorporated the due dates for Progress Reports and Financial Status Reports into the subgrantee contracts since 1998. The WNCSB has developed a spreadsheet to track invoiced amounts by subgrantee, CNS expenses, match expenses and budget categories to fortify the FSR review process. A second step to ensure accuracy has been the reconciliation of the WNCSB spreadsheet with the DOA accounting system on a quarterly basis. The attached WNCSB AmeriCorps spreadsheet (Appendix D) for 1999 demonstrates that the new WNCSB staff complete a thorough review of invoiced expenses and utilize the spreadsheet to reconcile expenditures for Financial Status Reporting. This tracking system demonstrates the WNCSB's fiscal administration of grants. When DOA's accounting system is teamed with the WNCSB's fiscal tracking process, it is clear that Wisconsin effectively manages the CNS grants.

It is clear that three FSRs were late, that two FSRs covered two reporting periods and that two FSRs incorrectly carried amounts forward, but these non-material exceptions do not justify the recommendation of a full audit. In 1998, the WNCSB changed staff and developed effective systems to monitor Financial Status Reports. Each of the exceptions identified precedes the WNCSB's existing personnel and reporting processes. UK&W recognized that the new Web Based Reporting System fortifies the FSR review and tracking process. The timeliness and accuracy of FSRs is already a part of the WNCSB's monitoring process. It is important to recognize that FSRs and subgrantee payments directly connect to purchase requisitions, purchase orders and invoices before payments are made to subgrantees. These internal controls provide reasonable assurances that subgrantees are correctly reporting amounts on FSRs.

- The Board does not have adequate controls in place to evaluate and monitor subgrantees.

The WNCSB disputes UK&Ws conclusions related to evaluating and monitoring subgrantees. A review of the UK&W Exception Summary will identify two items related to these administrative functions (Selecting Subgrantees, E-1 sample number 3 and 4).

Sample Number 3: Western Wis. Private Industry Council's two monitoring reports, two quarterly progress reports and the WNCSB Recommendation Summary are included to document that the WNCSB does evaluate and monitor subgrantees effectively. (Appendix B2).

UK&W states that the renewal application package did not include quarterly Progress Reports or site visit reports. The WNCSB has attached the two monitoring reports or site visit reports (1/23/96 and 8/23/96) and two quarterly reports completed by the WNCSB staff for this subgrantee. It is important to recognize that the monitoring report and Progress Reports that staff completed and reviewed were retained in the 1996-97 program file and not in the 1997-98 program file. The WNCSB has also included the present monitoring tool being utilized by the existing staff (Appendix D1). It easy to identify that this monitoring tool is comprehensive and inclusive of the evaluation criterion required and necessary to review subgrantee performance.

Sample Number 4: Two of City of Eau Claire's 1996-97 quarterly Progress Reports are included to document that the WNCSB does evaluate and monitor subgrantees effectively (Appendix B1).

UK&W states that the renewal application package did not include quarterly Progress Reports or site visit reports. The WNCSB has attached the monitoring report completed by the WNCSB staff for this subgrantee. It is important to recognize that the monitoring report that staff completed and reviewed was filed in the 1996-97 program file and not in the 1997-98 program file. This was an $8,000 mini-grant to a Learn and Serve – CBO program. Two quarterly Progress Reports have been included in Appendix B1 and these document a reasonable evaluation process of a mini-grant.

This documentation should resolve the issued identified by UK&W related to the WNCSB's evaluation and monitoring of subgrantees. UK&W recognized and accepted the Cooperative Education Service Area oversight of the Learn and Serve – CBO program in Wisconsin (page 9 of the report). If this information does not resolve this issue, Wisconsin expects that UK&W will provide a more specific request for information to allow the WNCSB to cure the situation. Again, the identified issue precedes the existing WNCSB staff, and the new systems and practices utilized to evaluate and monitor are effective management tools (Appendix D and D1).

- The Board appears to have adequate controls in place to provide reasonable assurance that training and technical assistance are made available and provided to subgrantees.

The WNCSB accepts the UK&W response to training and technical assistance performance in Wisconsin.

**B. OVERVIEW OF THE WISCONSIN BOARD**

The WNCSB disputes the chart provided by UK&W on page 3 of the report. The WNCSB staff clearly understands the threshold requirements for A-133 audits and clearly recognizes that all WNCSB subgrantees (except Wisconsin Association for Runaways) in 1998 met the minimum standards requiring A-133 audits. UK&W auditors were directed to the DOA accounting staff to verify the A-133 audit review process and the list of subgrantees required to provide A-133 audits. The WNCSB staff did not have firsthand knowledge of the subgrantees required to provide A-133 audits prior to the employment of the existing WNCSB personnel in 1998. Fortunately, the WNCSB had the DOA accounting systems and personnel, including A-133 audit reviews, to document the procedures and history of A-133 audit reviews in Wisconsin for the WNCSB. Again, Walker and Company has identified DOA's A-133 audit review process as a "best practice". Please refer to the WNCSB's response in Section D and DOA A-133 tracking procedures, sample A-133 audit request letter and A-133 audit review form (Appendix B3). This information was sent to Katy Healy, UK&W on March 14, 2000.

| Program Year | $s Subgranted | # of Programs | Required A-133 Audits | Small Grants |
|---|---|---|---|---|
| 1999 | $1,921,185 | 19 | 19 | *12 < $25,000 |
| 1998 | $1,654,928 | 6 | 5 | |
| 1997 | $1,442,532 | 24 | 6 | **18 < $8,000 |
| 1996 | $1,815,873 | 27 | 6 | **18 < $8,000 |
| 1995 | $1,128,492 | 24 | 7 | **17 < $8,000 |

*12 CESAs **Learn and Serve are Mini-grants

The WNCSB apologies for the confusion created by the submission of the incomplete Grant Rosters prior to the pre-audit survey fieldwork of UK&W. It is understandable that UK&W calculated the A-133 information in the chart from what was provided on the roster. WNCSB staff was under the impression that the UK&W personnel processed the A-133 review methods and the requirements of subgrantees to submit A-133 audits related to the roster with DOA. In recognition of this oversight, an updated Grants Roster has been attached as Appendix B4. You will clearly identify that The WNCSB and DOA have followed the process outlined in Appendix B3 and the A-133 audits have been reviewed and documented. Other financial records and audits are also reviewed by DOA for subgrantees. If UK&W requires additional information, the WNCSB reserves that right to cure these issues identified in the pre-audit survey.

**C. FINDINGS AND RECOMMENDATIONS**

**1.** Selection of Subgrantees

The WNCSB was unable to provide the documentation to UK&W related to the advertising of the availability of funds. Upon further review of the older files, the WNCSB has since captured the required documentation requested by UK&W. This new documentation should eliminate the need to include this section in the pre-audit survey recommendations.

Exceptions Summary: Selecting Subgrantees: E-1

Sample Number 1: Wisconsin Association for Runaways, Advertisement for the availability of funds is included in Appendix C1.

Sample Number 2: Milwaukee Community Service Corps, Signature page of the 1994-95 Agreement and notice of funding is included in Appendix C2. This was a national competitive process and the WNCSB limits applicants to the existing AmeriCorps programs. In this case a mailing was sent to all existing AmeriCorps programs.

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

UK&W identified three samples relating to conflict of interest (Exception Summary, Selecting Subgrantees, E-1 Sample Numbers 2, 3 and 5.

Sample Number 2: Conflict of interest forms are attached for the1995-96 review process in Appendix C3.

Sample Number 3: The WNCSB disputes the identification of Sample Number 3 due to the fact that UK&W appropriately identified the applicant as a renewal/continuation program. This applicant applied for the final year of a three-year funding cycle. A renewal/continuation program application does not require a peer review so no conflict of interest statement was necessary or required. Please refer to Appendix A3.

Sample Number 5: The WNCSB was able to locate the conflict of interest forms for the review process for 1997-98 and the Conflict of interest forms are attached as Appendix C2.

These records should demonstrate that appropriate application processes are in place in Wisconsin. Please recognize that the WNCSB had continuous staff turnover and this caused the development of several separate and different filing systems. This situation combined with the relocation of the WNCSB into three different state departments has created problems with historic record retrieval, except for the financial management systems retained by DOA. Extra efforts searching stored files boxes has produced the conflict of interest forms. This documentation provides evidence that the WNCSB does provide an open and competitive process.

**3.** Some documentation to support grant-making decisions was missing.

Since UK&W's completed the field work in Wisconsin, the WNCSB staff have located and are providing documentation to cure three of the issues stemming from missing documentation.

✓ Two instances where rejection letters were not maintained by the Board.

Selecting Grantees, E-2:

Sample Number 5: The AmeriCorps Fox Valley rejection letter is attached to this response to the pre-audit survey (Appendix A4).

Sample Number 6: The second rejection letter for the Wisconsin Association of Lakes has not been located by the WNCSB.

✓ Two instances where renewal packages did not include documentation supporting site visits or progress reports.

Selecting Grantees, E-1:

Sample Number 3: Western Wis. Private Industry Council's 1996 site visit or monitoring reports are included in Appendix B2.

Sample Number 4: City of Eau Claire's two 1996 L&S Quarterly Progress Reports are included in Appendix B1.

The site visit or monitoring reports and/or progress reports for both of the sampled files are attached to this response to the pre-audit survey. Please recognize that these reports were retained in the program file of the year that they were completed and that WNCSB staff reviewed the performance prior to recommending funding.

5

**4.** Lack of assessment of applications' financial systems during the selection process.

Each of the exceptions identified by UK&W, related to subgrantee financial system review, have been disputed in Sections A and D of Wisconsin's response to the Pre-Audit Survey Report or IGA Audit Report Number 00-29. In review of this information the WNCSB deputes the recommendations reached by UK&W. The WNCSB utilizes the more experienced DOA professional accounting staff to enhance the effectiveness of the subgrantee financial system review process. UK&W's position requiring the WNCSB staff to review the A-133 audit is unreasonable and unacceptable. The WNCSB has followed state procedures and practices in regard to the A-133 audit review process. CNS staff and two CNS national consultants recognized Wisconsin's A-133 audit review process as a national best practice. A review of the information detailed in Appendices A, A5 and B3 should demonstrate that Wisconsin has continued to utilize effective methods of assessing subgrantee financial systems.

UK&W identified six cases that the auditors felt the WNCSB lacked a responsible review of the condition of subgrantee financial systems. The examination of those situations demonstrates that UK&W personnel did not understand the concept of renewal and continuation programs in the three-year funding cycle used by the CNS. Funding records (WNCSB Pre-audit Roster) for three of the identified exceptions (Samples 2, 3 and 4) demonstrate that the WNCSB has a history with these subgrantees. UK&W clearly identifies Samples 5 and 6 as rejected applicants and then finds that the WNCSB has not reviewed the financial systems of these rejected applicants.

UK&W recommends that the WNCSB staff review the financial systems of all applicants that apply for funding regardless of the results of the application review process. The two exceptions identified by UK&W as rejected applicants were recommended by UK&W to have a condition of financial systems reviews performed by the WNCSB. The costs of performing a financial system review of every applicant that is rejected is cost prohibitive and outside the scope of the WNCSB's responsibilities.

**All of the six exceptions identified by UK&W in regard to the WNCSB's review of the condition of the financial system of the subgrantee are disputed by the facts presented in this response to UK&W's Pre-Audit Survey Report. UK&W's conclusions are unfounded and cost prohibitive in regard to their distrust of Wisconsin's A-133 audit review process and their recommendation that rejected applicants must have financial systems reviews. The WNCSB has fulfilled its responsibility to assure that subgrantee's financial systems are in place to operate CNS funded services in each of the six UK&W identified exceptions.**

**D. Administration of Grant Funds**

1. Lack of Evidence of Financial Status Report review, including match recalculations.

The WNCSB was sited for having three late FSRs from subgrantees and two FSRs that covered two reporting periods. UK&W correctly identified these items. It is important to recognize that the turn around time on FSRs is very tight for subgrantees to report to the WNCSB and the WNCSB to report to the CNS. Due to the timeline restrictions, state commissions face two difficult situations. First, if a subgrantee's FSR is incorrect there is very little time to correct the discrepancies and submit the FSR on time. Second, if the FSR is turned in on time but with incorrect amounts the WNCSB is forced to perform outside the CNS guidelines. Both of these

options are identified as exceptions. These situations are correctable within reasonable accounting practices and retain the credibility of the accounting system.

It is also important to recognize that the WNCSB has incorporated the due dates for Progress Reports and Financial Status Reports in the subgrantee contracts since 1998. The WNCSB has developed a spreadsheet to track invoiced amounts by subgrantee, CNS expenses, match expenses and budget categories to fortify the FSR review process (Appendix D). A second step to ensure accuracy has been the reconciliation of the WNCSB spreadsheet with the DOA accounting system on a quarterly basis. The attached spreadsheet (Appendix D) for 1999 demonstrates that the new WNCSB staff completes a thorough review of invoiced expenses and utilizes the spreadsheet to reconcile expenditures for Financial Status Reporting. It is important to recognize the present practices utilized to review FSRs and accept that the CNS has implemented a Web Based Reporting System.

2. Inability to determine timeliness of receipt of FSRs

UK&W recognized that this issue has been corrected by the CNS's implementation of a Web Based Reporting System. All FSR reports are automatically recorded by the dates the report is completed and approved by subgrantees. It is important to recognize that the reporting process has changed several times since the inception of this program. UK&W stated that no recommendation is required at this time related to recording the date of the receipt of the FSRs. The WNCSB concurs with this recommendation. The existing WNCSB staff has maintained practices that address the identified concerns since May 1998.

3. Two subgrantees submitted FSRs that covered two quarters.

The WNCSB did not have two of the thirty-six FSRs tested due to the subgrantees submitting FSRs for two periods. Again, this occurred prior to the existing staff and new procedures and practices have enhanced the performance of the subgrantees in regards to submitting FSRs. Prior conditions do not adequately reflect current practices. WNCSB staff reviews and tracks the timeliness of FSRs. The WNCSB will be implementing performance standards related to timely reporting for 2000-01 programs starting in August of 2000.

Please, recognize that UK&W cites several sections from "A Reference Manual for Commission Executive Directors and Members". This manual is not an official document of the United States Government. This manual does not provide official guidance regarding compliance to federal regulations. UK&W can not identify exceptions and rename them findings and then cite or reference this handbook as if it were a Federal Regulation or a Grant Provision. The handbook is non-binding for audit purposes.

**E. The Evaluation and Monitoring Systems for subgrantees needs to be improved at the Board.**

Selecting Subgrantees: E-1, Inadequate or Incomplete Supporting Documentation

Sample Number 3: Western Wis. Private Industry Council 1996 site visit or monitoring reports are included in Appendix B2.

Sample Number 4: City of Eau Claire four 1996 L&S Quarterly Reports are included in Appendix B1.

The Western Wisconsin Private Industry Council's missing monitoring reports were located in the 1996 program file and have been attached as Appendix B2. The City of Eau Claire was a Learn and Serve – CBO subgrantee; this was a mini-grant of $8,000. The quarterly Progress Reports have been attached in Appendix B1. The addition of this information should cure the nonmaterial findings in this section of the pre-audit survey. It is also important to recognize that accounting procedures must be reasonable and the recommended reporting requirements may not be reasonable for an $8,000 mini-grant.

The present practices employed by the WNCSB to monitor and evaluate subgrantees were not reflected in this pre-audit survey report. An outline of the monitoring process and a copy of the present monitoring tool utilized to perform site visits evaluations/ monitoring site visits has been attached for your consideration of the WNCSB's evaluation of subgrantees (Appendix D1). A copy of the WNCSB request for proposal process has also been attached to the response to the pre-audit survey to demonstrate the present methods utilized to select subgrantees (Appendix D2). It is anticipated that UK&W will review this information and that the recommendations will reflect the current practices utilized in Wisconsin to address the continuous improvement of the WNCSB. In all non-material issue areas UK&W has a responsibility to recognize present practice and present the methods utilized in Wisconsin.

It is also important to recognize that the WNCSB has relocated several times and that the staff was completely replaced in 1998. The existing WNCSB staff did not have time to reprocess historic operations but rather focused on the development of systems for the future. Past staff turnover caused the WNCSB records to be stored in several different file systems and this made material retrieval difficult. The additional material included in this response documents that the WNCSB has the administrative systems in place to oversee the CNS funding.

The WNCSB has provided documentation that resolves most of the exceptions identified by UK&W. The spreadsheet (Appendix E) details the WNCSB's response to the draft pre-audit survey and corresponds to the Exception Summary provided by UK&W. The UK&W Exception Summary is included in Appendix E1. The final information is the correspondence from Thomas H. Devine, Executive Director, to Jennifer Prevost and dated January 19, 2000.

This information justifies reconsideration of the recommendations provided by UK&W. The recommendations must be in relationship to the exceptions remaining and these exceptions must be placed in the context of present practices and methods. UK&W has not identified any material findings and the WNCSB will be participating in the State Commissions Administrative Review process during 2000. The costs of the pre-audit survey recommendations are excessive for the type of exceptions identified by UK&W. Also remember the CNS has visited Wisconsin in 1997 and 1999 to review the WNCSB's financial systems. The results of those visits do not support the UK&W recommendations of full audits for 1995 through 1998.

CORPORATION FOR NATIONAL SERVICE

**MEMORANDUM**

TO: Luise S. Jordan

THRU: Anthony Musick

FROM: Deborah R. Jospin
Bruce H. Cline

DATE: May 12, 2000

SUBJECT: Response to the Draft Audit Report 00-29 Pre-Audit Survey of the Wisconsin National and Community Service Board

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We have reviewed the draft report on your pre-audit survey of the Wisconsin National and Community Service Board. 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 Wisconsin Board for 1995 through the current program year. The draft audit report includes a recommendation to the Corporation. We are providing the following response to that recommendation. The Inspector General recommended:

> "Additionally, we (the Inspector General) recommend that the Corporation follow up with the Wisconsin Board 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 Wisconsin Board."

Some of the conditions cited in the "results in brief" section of the report include concerns related to the lack of assessment of subgrantee applicants' financial systems during the selection process. It was also noted that the Board does not have 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 Wisconsin, we will determine whether the Board 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 Wisconsin Board provide semi-annual reports on their actions to correct conditions cited in the OIG pre-audit survey.

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UK &W Urbach Kahn & Werlin PC
CERTIFIED PUBLIC ACCOUNTANTS

Inspector General
Corporation for National Service

RE: Wisconsin National and Community Service Board's Response to Pre-Audit Survey Report

We have reviewed the Wisconsin Board's response to the Pre-Audit Survey Report. While the Board has recently implemented procedures to resolve certain issues raised in this report, UKW was engaged to review and report on the procedures and controls in place during the 1995 through 1998 program years. Therefore, this letter summarizes their response as well as our responses to their comments.

Page 1, Sample 1: While the Board provided UKW with a copy of a subgrantee's A-133 audit report, there is no documentation to support that the Board actually reviewed the report. As seen at other Commissions, we suggest the Board establish a form to document review of A-133 audit reports, along with findings and corrective actions taken (if applicable). Therefore, UKW does not believe any changes should be made to the report at this time.

Page 1, Sample 3: UKW believes that Commissions should review financial systems for all applicants in the selection process, including renewal applicants, since financial systems can change from one year to the next. Therefore, UKW does not believe any changes should be made to the report at this time.

Page 1, Sample 4: Same comment as sample 3 discussed above.

Page 1, Sample 5: UKW agrees that the Board should not review financial systems if the Board knows that the applicant is to be rejected. UKW has revised the report to specifically state "for approved applicants".

Page 1, Sample 6: Same comment as sample 5 discussed above.

In order to resolve this issue, UKW recommends that the Board revise it current ranking forms to include a section on applicants' financial systems to document that the Board considered these systems in the selection process.

Page 2, Sample 3: This appears to be a misunderstanding by the Board. Our exception was not that the Board did not obtain monitoring or quarterly progress reports. Our exception related to the fact that there was no documentation to show whether or not the Board reviewed these reports during the renewal process.

Page 2, Sample 4: Same comment as sample 3 discussed above.

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Page 3: UKW has updated the overview section of the report for the additional A-133 information related to subgrantees obtained from the Board on May 26th.

Selection of Subgrantees

Page 4, Sample 1: Included in the package received from the Board on May 26th was documentation supporting the advertisement of funds. Therefore, UKW has resolved this exception and revised the report accordingly.

Page 4, Sample 2: Same comment as sample 1 discussed above.

Missing Signed Conflict of Interest Forms

Page 4, Sample 2: Included in the package received from the Board on May 26th was signed and dated conflict of interest forms. Therefore, UKW has resolved this exception and revised the report accordingly.

Page 5, Sample 3: UKW disagrees with the Board's response. Board members should sign conflict of interest forms for all applicants, including renewals since affiliations may change from one year to the next and conflicts may occur and remain undetected. Therefore, UKW does not believe any revisions should be made to the report.

Page 5, Sample 5: Same comment as sample 2 discussed above.

Some documentation to support grant-making decisions was missing

Page 5, Sample 5: Included in the package received from the Board on May 26th was a copy of the rejection letter. Therefore, UKW has resolved this exception and revised the report accordingly.

Renewal package did not include documentation supporting site visits or progress reports

Page 5, Sample 3: This appears to be a misunderstanding by the Board. UKW's issue related to the fact that there was no documentation to show whether the Board reviewed renewal applicants' site visit or quarterly progress reports during the renewal process.

Page 5, Sample 4: Same comment as sample 3 discussed above

Page 6: UKW believes that all State Commissions should review applicants' financial systems during the selection process to ensure applicants have adequate financial systems in place to accurately track expenditures and ensure compliance with related requirements. Therefore, we recommend that the Board revise its current ranking form to include a section of evaluation of financial systems

Page 7, Sample 3: UKW agrees that the current wording in the report appears misleading. UKW has revised report to state that documentation could not be provided for one subgrantee—The Milwaukee Service Center