OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

PRE-AUDIT SURVEY OF THE MINNESOTA COMMISSION ON NATIONAL AND COMMUNITY SERVICE

OIG Audit Report Number 00-31
January 11, 2000

Prepared by:

KPMG LLP
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Washington, DC 20036

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This report was issued to Corporation management on June 9, 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 6, 2000, and complete its corrective actions by June 9, 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
FOR NATIONAL
SERVICE

Pre-Audit Survey of the Minnesota Commission on National and Community Service OIG Audit Report Number 00-31

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 KPMG LLP to perform the pre-audit survey of the Minnesota Commission on National and Community Service. KPMG's report, which follows, concludes that the Commission administers an open, competitive process to select national service subgrantees, but noted areas for improvement. The report concludes that the Commission has developed control policies and procedures to administer Corporation grant funds, and annually evaluated and monitored its subgrantees, but notes that improvements in each area can be made. The report notes that the Commission does has adequate controls in place for the use of training and technical assistance funds. The report includes recommendations for improvements by the Commission and oversight by the Corporation for National Service. Finally, the report recommends a limited scope audit of the Commission for program years 1995-96 through 1998-99.

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

We have reviewed the report and work papers supporting its conclusions, and we agree with the findings and recommendations presented. A response to the report by the Minnesota Commission is included as Appendix C. In its response, the Commission generally agreed with the majority of the report's findings and recommendations, and indicated that it was implementing corrective actions. The Corporation's response is included as Appendix D.

Pre-Audit Survey of the
Minnesota Commission on National and Community Service
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2001 M Street, N.W.
Washington, D.C. 20036

January 11, 2000

Inspector General
Corporation for National and Community Service:

At your request, KPMG performed a pre-audit survey of the Minnesota Commission on National and Community Service. The primary purpose of this survey was to provide a preliminary assessment of:

- the adequacy of the pre-award selection process;
- the fiscal procedures at the Commission;
- the effectiveness of monitoring of its AmeriCorps State subgrantees, including AmeriCorps Member activities and service hours; and
- the controls over the provision of technical assistance.

We were also to report on the recommended scope of additional audit procedures to be performed at the 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 its AmeriCorps grants:

- The Commission administers an open, competitive process to select national service subgrantees. However, the Commission did not have written policies and procedures for the selection process for program years prior to 1999-2000. In addition, we identified areas for improvement related to the lack of assessment of applicants' financial systems during the selection process and the absence of written policies and procedures to ensure consistent communication of renewal applicants' prior evaluations to selection officials during the selection process.

- The Commission has developed control policies and procedures to administer the Corporation's grant funds. However, the Commission does not have written policies and procedures related to verifying that subgrantees have met matching requirements.

- The Commission has annually evaluated and monitored its subgrantees. However, the Commission did not have written procedures to ensure timely evaluation and monitoring of its subgrantees for program years prior to 1999-2000. In addition, the Commission does not

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require documentation of the AmeriCorps Member files and expense items examined during site visits.

- The Commission has adequate controls in place to provide reasonable assurance that training and technical assistance is made available and provided to subgrantees.

The section below entitled Findings and Recommendations describes the weaknesses noted above in further detail and addresses additional issues noted during the survey.

The Commission's AmeriCorps grants have never been tested as part of an Office of Management and Budget (OMB) Circular A-133 audit. Therefore, based on our preliminary assessment, we recommend the performance of a limited scope audit at the Commission for program years 1995-96 through 1998-99.

Additionally, 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 Commission. Because several findings relate to the lack of written policies and procedures in program years prior to 1999-2000, we recommend that the Corporation monitor the Commission to ensure that these policies and procedures have been adequately implemented.

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 15 to 25 voting members. Each Commission has a responsibility to develop and communicate a vision and ethic of service throughout its State.

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

Overview of the Minnesota Commission

The Minnesota Commission on National and Community Service, located in Roseville, Minnesota has received AmeriCorps grant funds from the Corporation for National and Community Service since program year 1994-95. It operates as part of the State of Minnesota's Department of Children, Families and Learning. Currently, the Commission has five full-time staff consisting of an Executive Director, two Program Officers, a Communications Director, an Administrative Assistant, and one part-time Administrative Assistant.

As part of an agency of the State of Minnesota, the Commission is annually subject to an OMB Circular A-133 audit performed by the Minnesota Office of the Legislative Auditor. However, the Commission's AmeriCorps grants have never been tested as major programs under OMB Circular A-133.

The Commission provided us with the following information for the last three program years:

Program Year	Total Corporation Funding	Number of Subgrantees	Number of Sub-grantees Subject to A-133 Audit Requirements*
1996-97	$3,278,007	22	4
1997-98	3,736,461	12	4
1998-99	3,495,261	13	3

* Determination is based solely on dollar value of federal awards passed through the Commission for the program year. Remaining subgrantees could be subject to an OMB Circular A-133 audit if they received additional federal grant funds from other sources.

Appendix A contains more detailed information on funding received from the Corporation during program years 1996-97 through 1998-99.

Objectives, Scope, and Methodology

We were engaged by the Office of the Inspector General, Corporation for National and Community Service, to provide an assessment of the systems and procedures in place at the Commission for administering its AmeriCorps grants and for monitoring the fiscal activity of subgrantees. The primary purpose of this pre-audit 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 its AmeriCorps State subgrantees, including AmeriCorps Member activities and service hours; and
- the controls over the provision of technical assistance.

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

Our survey included the following procedures:

- reviewing applicable laws, regulations, grant provisions, the Corporation's *A 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 reports and current program year grant agreements for the Commission;

- obtaining information from Commission management to complete flowcharts documenting the hierarchy of AmeriCorps grant funding for program years 1996-97, 1997-98 and 1998-99; and

- performing the procedures detailed in Appendix B over the Commission's internal controls, selection of subgrantees, administration of grant funds, evaluation and monitoring of grants, and the technical assistance process.

As part of the procedures performed, we documented and tested internal controls in place at the Commission using inquiries, observations, and examination of a limited sample of source documents. Finally, we summarized the results of our work to develop the findings and recommendations presented in this report. We discussed all findings with Commission management during an exit conference on January 19, 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 were not sufficient to express an opinion on the controls at the Commission, or on 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 or 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 Commission and the Corporation. 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

Selecting 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."

Because of Commission staff turnover and the lack of written procedures related to selecting subgrantees in prior years (discussed below), we primarily focused our procedures on the subgrantee selection process in place at the time of our field work (i.e., program year 1999-2000) to preliminarily assess the adequacy of this process. The Commission administers an open, competitive process to select national service subgrantees. Funding availability is typically advertised through various media, such as newsletters. However, as permitted by the Corporation's application guidelines, the Commission limited competition to existing subgrantees in program year 1998-99. Selection officials receive a conflict of interest information sheet and an instruction package and use a standard form to evaluate each applicant. In prior program years, the Commission required selection officials to sign conflict of interest statements only if a conflict existed; beginning with the program year 2000-01 selection process, all selection officials are required to sign conflict of interest statements. In addition, the Commission notifies applicants of funding decisions and indicates the reasons for those decisions.

We identified the following areas for improvement within the selection process.

Lack of Assessment of Applicants' Financial Systems during the Selection Process

Selection officials do not consider the adequacy of the applicants' financial systems during the Commission's subgrantee selection process. The application form provided by the Corporation does not specifically address the applicant's financial systems. Commission selection procedures do not require Commission personnel to request from the applicants additional information related to their financial systems. As a result, grant funds may be provided to an organization that does not have financial systems in place to properly account for those funds or is unable to ensure compliance with related grant requirements.

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 meet this responsibility, the Commission must be able to assure itself that subgrantees have systems in place to accurately track expenditures, since this information forms the basis of a majority of Commission expenditure reporting.

Lack of Written Policies and Procedures Related to Selecting Subgrantees prior to Program Year 1999-2000

For program years prior to 1999-2000, the Commission did not have written policies and procedures related to selecting subgrantees. However, the Commission documented such

procedures for the program year 1999-2000 selection process. As a result, no recommendation is required at this time.

Lack of Written Policies and Procedures to Ensure Consistent Communication of Renewal Applicants' Prior Evaluations to Selection Officials

The Commission does not have written policies and procedures to ensure consistent communication of renewal applicants' prior evaluations to selection officials during the selection process. Verified progress results of subgrantees have not been made available during the renewal and pre-selection process. As a result, past accomplishments or failures of subgrantees may not be considered in the selection process.

Recommendations

We recommend the Commission focus on measures for improving the effectiveness of its subgrantee selection process as follows:

- Require applicants to provide information related to their financial systems, and review this information during the subgrantee selection process. The review should focus on assessing whether the financial systems, as described, would provide reasonable assurance that applicants will be able to properly account for grant funds and comply with related grant requirements.

- Develop and implement formal policies and procedures to ensure consistent communication of renewal applicants' prior evaluations to selection officials.

Administering Grant Funds

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

The Commission's personnel have adequate skills and experience to manage and administer Corporation grant funds. The Commission currently operates as part of the Minnesota Department of Children, Families and Learning and uses Minnesota State policies and procedures regarding financial management to administer the Corporation's grant funds. Funds are disbursed to subgrantees on a reimbursement basis after Commission personnel review quarterly expenditure reports. The Commission follows up on missing expenditure reports and discrepancies noted in its expenditure report review.

We identified the following area for improvement related to the evaluation of subgrantee compliance with reporting and grant requirements.

Lack of Written Policies and Procedures for the Review of Matching Requirements

Commission procedures require that subgrantees submit a quarterly report/reimbursement request, which is to include documentation supporting the subgrantees' matching funds. Commission personnel then review this information to ensure subgrantees are meeting their matching requirements. Although policies and procedures for processing payment requests were documented in December 1999 (program year 1999-2000), they did not specifically include procedures for the review of matching requirements and subsequent follow-up with the subgrantee if noncompliance is identified.

Recommendations

We recommend the Commission focus on measures for improving the effectiveness of its grant administration process as follows:

- Incorporate into its current written policies and procedures over processing payment requests the review of matching requirements and subsequent follow-up with the subgrantee if noncompliance is identified. Such procedures should specifically state that disbursements to subgrantees are not to be approved until matching noncompliance is resolved and such resolution is documented.

Evaluating and Monitoring Subgrantees

As noted above, the Commission is responsible for evaluating whether subgrantees comply with legal, reporting, financial management and grant requirements and ensuring follow through on issues of noncompliance. The Commission annually evaluates and monitors its subgrantees using a monitoring checklist. Such monitoring includes reviewing Member files, program and financial reports, and program effectiveness. Commission personnel notify the subgrantees of the results of these site visits, including strengths, weaknesses, concerns, and recommendations. However, we identified the following areas for improvement related to the evaluation and monitoring of subgrantees.

No Documentation of Subgrantees' AmeriCorps Member Files and Expense Items Examined during Site Visits

Although Commission personnel review the subgrantees' AmeriCorps Member files and expense documentation for proper support and approval during site visits, they do not document on the monitoring checklist which Member files and expense items were reviewed. In addition, the rationale behind the sample sizes is not documented. As a result, a reviewer (e.g., supervisor) of the site visit documentation is not able to (1) assess if the sample size selected was adequate and (2) review the same documentation if a question arose about the results of the test.

Lack of Written Policies and Procedures Related to Evaluating and Monitoring Subgrantees prior to December 1999

For program years prior to 1999-2000, the Commission did not have written policies and procedures related to evaluating and monitoring its subgrantees. However, the Commission

developed and implemented such procedures in December 1999 (program year 1999-2000). As a result, no recommendation is required at this time.

In addition, the Commission lacked a comprehensive schedule of planned and actual site visit dates and did not identify areas of focus for these visits for program years prior to 1999-2000. However, the Commission did establish a monitoring schedule at the beginning of program year 1999-2000.

Inadequate Policies and Procedures Related to Follow-up on Deficiencies Noted at Subgrantees

The Commission does not have written policies and procedures to ensure that subgrantees correct deficiencies identified by the Commission. Although the Commission does specify in the memorandum issued to the subgrantee what deficiencies must be corrected, the Commission does not indicate when a response is due to the Commission and does not adequately monitor corrective action taken. As a result, subgrantee deficiencies identified may not be properly or timely corrected.

Recommendations

We recommend the Commission focus on measures for improving the effectiveness of its evaluation and monitoring of subgrantees as follows:

- Revise its current monitoring checklist to require documentation of (a) the subgrantees' Member files and expense items reviewed during site visits and (b) the rationale behind the sample size selection. The Commission's monitoring checklist should be expanded to include space for such documentation.

- Maintain a clear, concise schedule of site visits to be performed during the grant period, areas of focus for each visit, and a record of when site visits are performed. The Executive Director of the Commission should monitor the Commission's progress towards completing the scheduled site visits.

- Develop and implement formal policies and procedures to ensure specific, timely follow up is made and adequate corrective actions are taken when deficiencies are noted by the Commission during site visits.

Providing Technical Assistance

The Commission has adequate controls in place to provide reasonable assurance that training and technical assistance is made available and provided to subgrantees. Procedures are in place at the Commission to (1) identify training and technical assistance needs of subgrantees through discussions with program directors, focus group evaluations, and training and technical assistance surveys; (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, the management of the Corporation for National and Community Service, the management of the Minnesota Commission on National and Community Service, and the United States Congress and is not intended to be and should not be used by anyone other than these specified parties.

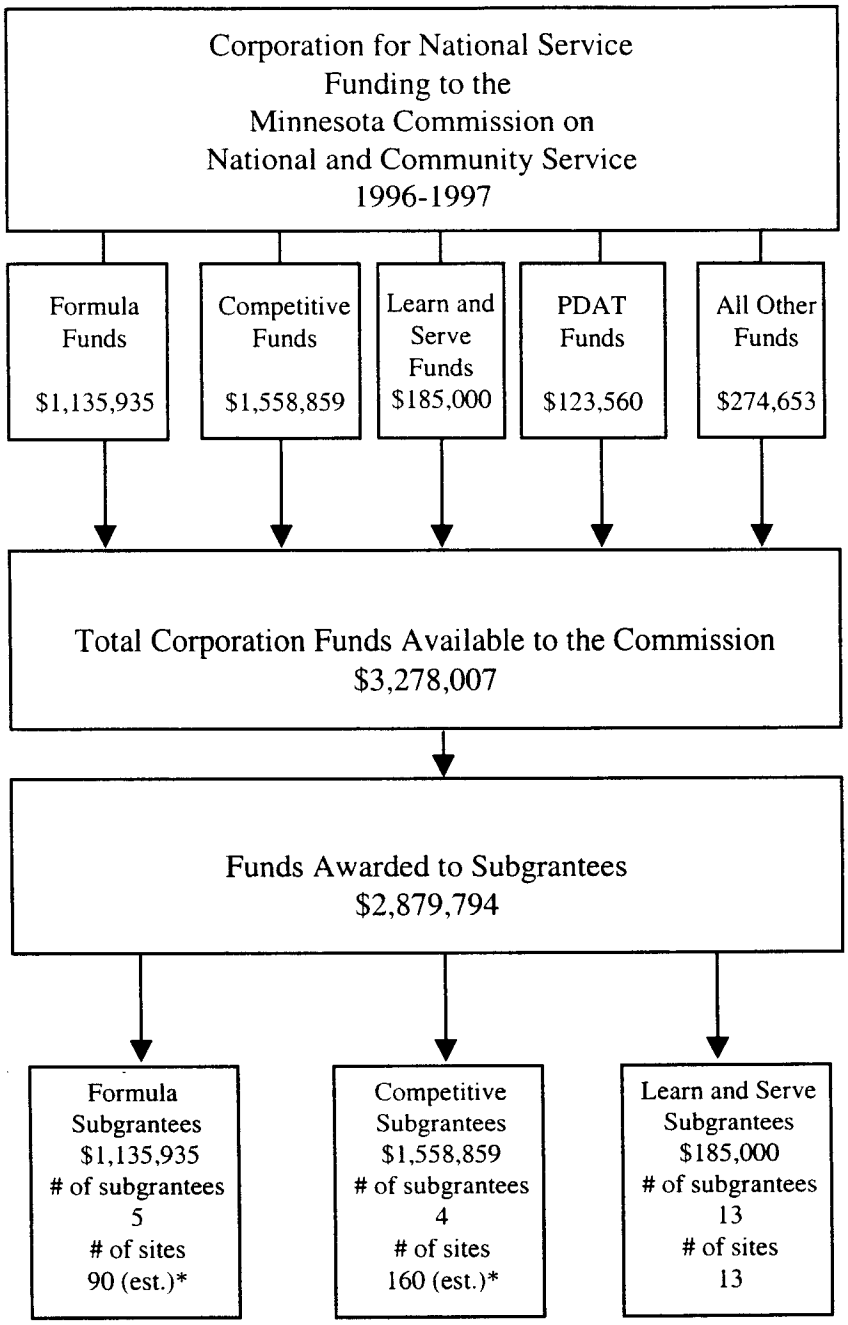
KPMG LLP

Commission Funding Appendix A

The table below and the flowcharts on the following pages depict the Commission's funding over the past three program years. We were unable to agree the funding amounts to the Commission's FSRs for (a) 1998-99 because the final FSR for the program year had not been completed at the time of field work and (b) previous program years because those FSRs had been prepared on a cumulative, not program year, basis.

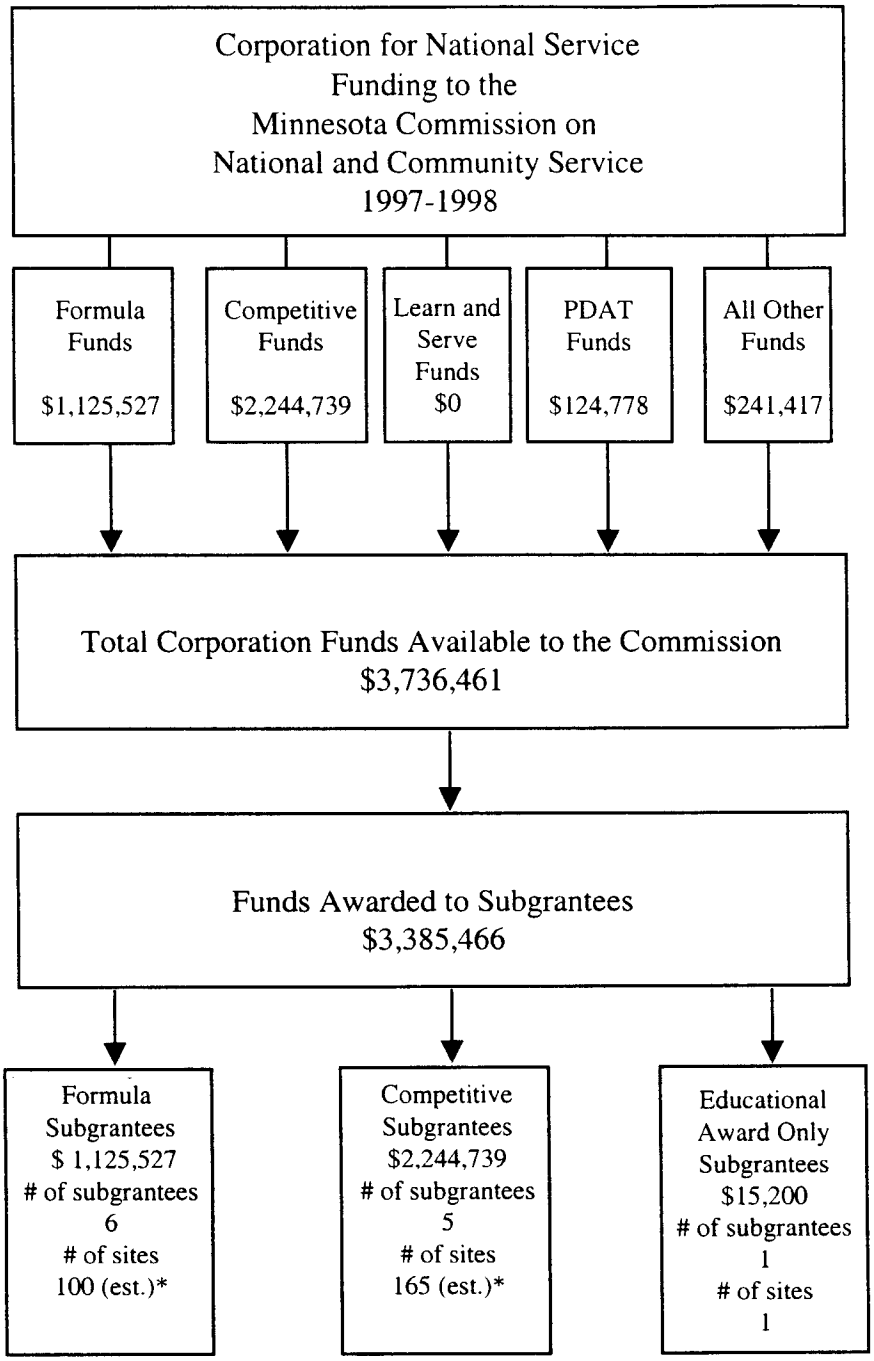
Funding Source and Type	1996-97	1997-98	1998-99
CNS Formula Grant Funds	$ 1,135,935	$ 1,125,527	$1,156,754
CNS Competitive Grant Funds	1,558,859	2,244,739	2,020,514
CNS Learn and Serve Grant Funds	185,000	0	0
CNS Promise Fellows Funds	0	0	115,000
CNS Educational Only Awards	0	15,200	8,550
CNS PDAT Funds	123,560	124,778	95,630
CNS Administrative Funds	274,653	226,217	98,813
State Matching Funds	171,182	196,219	285,818
Total Funding	$3,449,189	$3,932,680	$3,781,079

Commission Funding



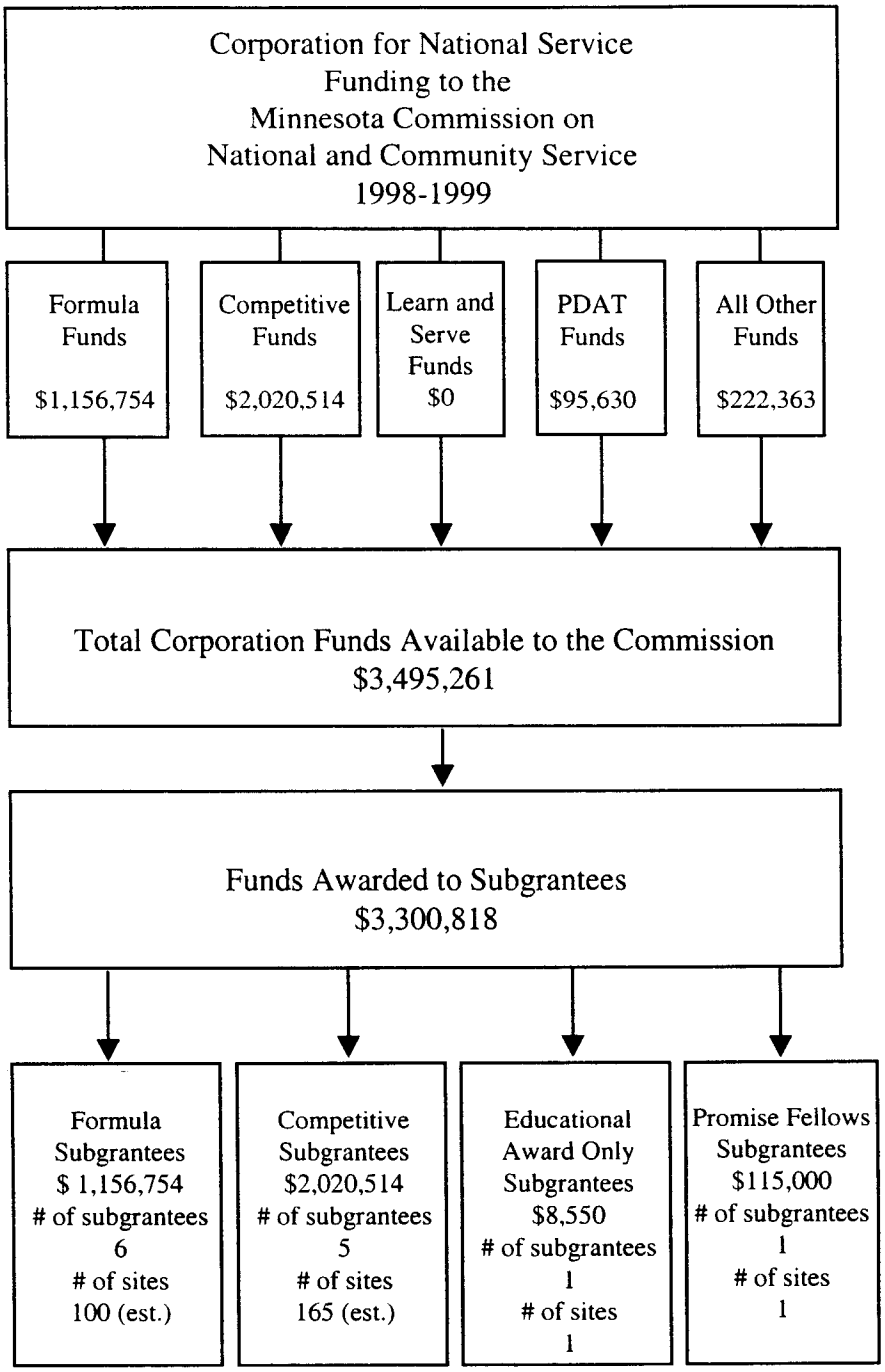
* The exact number of sites was not readily available at the Commission.

Commission Funding



* The exact number of sites was not readily available at the Commission.

Commission Funding



* The exact number of sites was not readily available at the Commission.

Detailed Engagement Objectives and Methodology

Appendix B

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 objective, we identified the compliance requirements with a direct and material effect on the Commission's AmeriCorps grant program, as follows: activities allowed or unallowed and allowable costs; cash management; eligibility; matching; procurement, suspension and debarment; subrecipient monitoring; and reporting by the Commission to the Corporation. We then interviewed key Commission personnel to assess the Commission's controls surrounding these requirements.

Selecting Subgrantees

Our objectives were to make a preliminary assessment:

- of the adequacy of the systems and controls utilized by the Commission to select national service subgrantees to be included in an application to the Corporation;

- 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

- as to whether 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 determine if conflict of interest forms for each subgrantee applicant tested were signed by selection officials annually and maintained by the Commission.

Administering Grant Funds

Our objectives were to:

- make a preliminary assessment of the adequacy 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 are 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;

- make a preliminary assessment of the adequacy 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 forms and exit forms); and

- determine whether the Commission has procedures 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 had implemented the Web Based Reporting System (WBRS).

Evaluating and Monitoring Subgrantees

Our objectives were to:

- make a preliminary assessment of the adequacy 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;

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

- make a preliminary assessment of the adequacy 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));

- make a preliminary assessment of the adequacy of the Commission's procedures for obtaining, reviewing and following up on findings included in the subgrantee OMB Circular A-133 audit reports, where applicable;

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

- make a preliminary assessment of the adequacy 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 OMB Circular A-133 audit reports from subgrantees.

Providing Technical Assistance

Our objectives were to:

- make a preliminary assessment of the adequacy of the systems and controls utilized by the Commission to provide technical assistance to subgrantees and other entities in planning programs, applying for funds, and implementing and operating programs;

- determine whether a process is in place to identify training and technical assistance needs; and

- determine whether training and technical assistance is provided to identified subgrantees.

In order to achieve the above objectives, we documented the procedures performed by the Commission to identify and satisfy training needs for the subgrantees and Commission employees. We also obtained a summary of all training costs incurred during the current year to ensure they properly related to training activities that were made available to all subgrantees.

Minnesota Streams of Service
Minnesota Commission on National & Community Service

Learn & Serve America Youth Works•AmeriCorps AmeriCorps*VISTA National Directs Challenge Awards National Senior Service Corps

May 30, 2000

Luise S. Jordan
Office of Inspector General
Corporation for National Service
1201 New York Avenue, N.W.
Washington, DC 20525

This is in response to the draft report on the pre-audit survey of the Minnesota Commission on National & Community Service prepared by KPMG LLP.

Attached please find our formal response to each recommendation detailed in the draft report. Please contact me if you have more questions or require further information.

Sincerely,

Audrey Suker
Executive Director
Minnesota Commission on National & Community Service
Dept. of Children, Families & Learning
1500 Highway 36 West
Roseville, Minnesota 55113-4266

Attachment
/as

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MINNESOTA COMMISSION ON NATIONAL AND COMMUNITY SERVICE RESPONSE

Recommendation

- Performance of a limited scope audit at the Commission for program years 1995-96 through 1998-99

Response

- The Minnesota Commission does not believe that the findings and recommendations of the pre-audit survey warrant this recommendation. While we are in agreement with the development of Program Specific Policies & Procedures, the Commission is part of a several billion dollar State Agency with well-established fiscal policies and procedures governing grants and projects. Policies and Procedures governing our actions can be accessed on line: http://www.finance.state.mn.us
- Additionally, we have forwarded a copy of our pre-audit survey to our State Legislative Auditor and have asked for their opinion regarding this recommendation.

Recommendation

- Require applicants to provide information related to their financial systems, and review this information during the subgrantee selection process. The review should focus on assessing whether the financial systems as described, would provide reasonable assurance that applicants will be able to properly account for grant funds and comply with related grant requirements.

Response

- The Minnesota Commission accepts this recommendation as part of its continuous improvement strategy and has implemented this recommendation as part of the selection process for the 2000-2001 grantees. Applicants were required to submit information about their fiscal systems and this was rated during the selection process. Existing programs received fiscal monitoring visits and the results of these visits were reviewed during the selection process and will be incorporated into the final award process. Additionally, the Minnesota Commission has requested technical assistance from Coleman and Williams, LTD. Representatives from Coleman and Williams will spend a full day with Commission Staff on May 31,2000 to review results from our fiscal visits to ensure that our actions are consistent with what the information gathered warrants.

Recommendation

- Develop and implement formal policies and procedures to ensure consistent communication of renewal applicants' prior evaluations to selection officials.

Response

- The Minnesota Commission accepts this recommendation as part of its continuous improvement strategy and has incorporated a rating of renewal applicants' progress and performance as part of the selection criteria. This rating was communicated with the Board Committee charged with making recommendations to the full Board.

- Performance documentation and program evaluation results are now filed in the central files for each grantee.

Recommendation

- Incorporate into its current written policies and procedures over processing payment requests the review of matching requirements and subsequent follow-up with the subgrantee if noncompliance is identified. Such procedures should specifically state that disbursements to subgrantees are not to be approved until matching noncompliance is resolved and such resolution is documented.

Response

- The Minnesota Commission accepts this recommendation as part of its continuous improvement strategy and has incorporated a review of compliance with matching requirements as part of the process before any payments are processed. The procedures that are currently being used will be documented in a written policy by September 1, 2000.

Recommendation

- Revise its current monitoring checklist to require documentation of (a) the subgrantees' Member files and expense items reviewed during site visits and (b) the rationale behind the sample size selection. The Commission's monitoring checklist should be expanded to include space for such documentation.

Response

- The Minnesota Commission accepts this recommendation as part of our continuous improvement strategy and our monitoring checklist has been expanded to include space for such documentation.

Recommendation

- Maintain a clear, concise schedule of site visits to be performed during the grant period, areas of focus for each visit, and a record of when site visits are performed.

The Executive Director of the Commission should monitor the Commission's progress towards completing the scheduled site visits.

Response

- The Minnesota Commission accepts this recommendation as part of our continuous improvement strategy and site visits are being completed for the 1999-2000 program year that our consistent with our current policy and procedures. This policy and procedures will be documented in a formal policy and procedure manual by September 1, 2000.

Recommendation

- Develop and implement formal policies and procedures to ensure specific, timely follow up is made and adequate corrective actions are taken when deficiencies are noted by the Commission during site visits.

Response

- The Minnesota Commission accepts this recommendation as part of our continuous improvement strategy and has implemented a procedure requiring timely follow up to deficiencies noted in monitoring visits and is incorporating resolution of deficiencies as part of the award process for the 2000-2001 program year.
- Formal policies and procedures documenting this practice will be completed by September 1, 2000

CORPORATION
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MEMORANDUM

Appendix D

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 00-31 Pre-Audit Survey of the Minnesota Commission on National and Community Service

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We have reviewed the draft report on your pre-audit survey of the Minnesota Commission. Given the nature of the report, this response serves as our proposed management decision. We note that your preliminary assessment recommend a limited scope audit at the Commission for Program Years 1995-1996 through 1998-1999. 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 Commission."

Some of the conditions cited in the "results in brief" section of the report include concerns related to the lack of assessment of applicants' financial systems during the selection process and the absence of written policies and procedures to ensure consistent communication of renewal applicants' prior evaluations to selection officials during the selection process. It was also noted of an absence of written policies and procedures related to verifying subgrantees have met matching requirements.

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 Minnesota, 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 Minnesota Commission provide semi-annual reports on their actions to correct conditions cited in the OIG pre-audit survey.

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