OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

PRE-AUDIT SURVEY OF THE ILLINOIS COMMISSION ON COMMUNITY SERVICE

OIG Audit Report Number 00-32
January 28, 2000

Prepared by:

KPMG LLP
2001 M Street N.W.
Washington, DC 20036

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Task # B9G8V104

This report was issued to Corporation management on June 29, 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 26, 2000, and complete its corrective actions by June 29, 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
Illinois Commission on Community Service
OIG Audit Report Number 00-32

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 Illinois Commission on Community Service. Based on the limited procedures performed, KPMG concluded that the Commission administers an open, competitive process to select national service subgrantees, but noted areas for improvement and that the Commission has developed control policies and procedures to administer Corporation grant funds, monitor subgrantees, and to provide them with training and technical assistance. However, their report includes recommendations for improvement in the Commissions's grant award, fiscal administration and monitoring processes. KPMG also recommends a limited scope audit of the Commission for program years 1995-96 through 1998-99 with an emphasis on subgrantee monitoring and that the Corporation follow up to determine that appropriate corrective actions have been put into place to address the conditions reported.

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

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

A response to the report by the Illinois Commission is included as Appendix C. In its response, the Commission questions the need for a limited scope audit and disputes the survey findings.

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

Pre-Audit Survey of the
Illinois Commission on Community Service
Table of Contents

RESULTS IN BRIEF 1

BACKGROUND 2

OVERVIEW OF THE ILLINOIS COMMISSION 3

OBJECTIVES, SCOPE, AND METHODOLOGY 3

FINDINGS AND RECOMMENDATIONS 5

APPENDIX A, COMMISSION FUNDING: 1996-97 THROUGH 1998-99 ..... A.1

APPENDIX B, DETAILED ENGAGEMENT OBJECTIVES AND METHODOLOGY B.1

APPENDIX C, ILLINOIS COMMISSION ON COMMUNITY SERVICE RESPONSE C.1

APPENDIX D, CORPORATION RESPONSE D.1

2001 M Street, N.W.
Washington, DC 20036

January 28, 2000

Inspector General
Corporation for National and Community Service:

At your request, KPMG performed a pre-audit survey of the Illinois Commission on Community Service (Commission). 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 has developed control policies and procedures to select subgrantees through a fair and impartial process. However, we identified an area for improvement related to a lack of an open and accessible application process.

- The Commission has developed policies and procedures to administer the Corporation's grant funds. However, we identified an area for improvement related to Commission staff review of subgrantee expense reimbursement requests for matching requirements.

- The Commission has established controls to evaluate and monitor subgrantees. However, the Commission did not review Office of Management and Budget (OMB) Circular A-133 reports or other audit reports for two subgrantees in the 1997-98 program year. The Commission also does not keep a schedule of site visits nor ensure that visits are made in accordance with policy. In addition, documentation of the site visit review is not adequately maintained as an audit trail.

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- 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.

Based on our preliminary assessments, we recommend the performance of a limited scope audit at the Commission for program years 1995-96 through 1998-99, with a focus on subgrantee monitoring.

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 Illinois Commission on Community Service.

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 Illinois Commission

The Illinois Commission on Community Service, located in Springfield, Illinois has received AmeriCorps grant funds from the Corporation for National and Community Service since program year 1994-95. From July 1994 to June 30, 1995, the Commission operated as part of the Lieutenant Governor's Office of the State of Illinois. From July 1, 1995 through January 29, 1998, the Commission operated as part of the State of Illinois, Department of Commerce and Community Affairs (IDCCA). Since January 29, 1998, the Commission has been operated by the State of Illinois, Department of Human Services (IDHS). The Commission currently has three full-time staff consisting of a Program Officer, Volunteer Program Manager, and Administrator. Additionally, the Chief of the IDHS – Office of Prevention – Bureau of Community and Youth Programs, spends a third of her time supervising the AmeriCorps program and another IDHS employee spends a fourth of her time administering the Learn and Serve Program.

As part of an agency of the State of Illinois, the Commission is subject to a bi-annual Office of Management and Budget (OMB) Circular A-133 audit performed by the State Auditors' Office. However, the Commission's AmeriCorps grant has never been tested as a major program 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	$3,196,521	23	4
1997-98	4,180,643	36	4
1998-99	4,629,130	37	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 27, 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. In order to address certain of the concerns expressed in these responses, we have clarified the wording of the respective findings and recommendations.

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." The Commission administers a fair and impartial process to select national service subgrantees. Selection officials receive a conflict of interest information sheet and an instruction package and use a standard form to evaluate each applicant.

However, we identified the following areas for improvement within the selection process.

Missing Documentation Related to Application Rejections

The files for rejected applicants for the prior program year (1997-98) were either misplaced or lost. The Commission was able to provide a summary memo that described the rationale for the applicants that were rejected; however, without reviewing the rejected applicants' files, we could not ascertain if the rationale for rejection was supported and whether the applicants were appropriately notified.

Lack of Open and Accessible Application Process

According to *A Reference Manual for Commission Executive Directors and Members*, section 3.2, "The Commission is expected to widely publicize the availability of funds." During program years 1995-96 through 1997-98, the Commission only distributed AmeriCorps application information to not-for-profit agencies that were included on the Commission's mailing list, which for the 1997-98 program year included over 5,000 not-for-profit agencies. Therefore, no form of public advertising (e.g., newspaper, radio, or internet) was utilized for those program years. The Commission added information regarding the application process to the IDHS internet website starting in program year 1998-99. Additionally, because of a lack of staffing, the Commission only invited existing AmeriCorps competitive and formula program subgrantees to apply for participation in the AmeriCorps Educational Only Awards Program during the 1998-99 selection process.

Recommendation

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

- Ensure that all programs are widely publicized each year on the IDHS internet website and in informational mailings, and newspapers.
- Maintain all pertinent files and documents, including rejected applicant information in accordance with the grant provisions and the record retention standards of the Corporation as published in the AmeriCorps Provisions.

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. Overall, the Commission's staff has developed control policies and procedures to administer the Corporation's grant funds. However, we identified the following areas for improvement related to the evaluation of subgrantee compliance with reporting and grant requirements.

Timeliness of Receipt of Financial Status Reports (FSR) and Program Progress Reports (PPR)

The Commission has a procedure in place to date-stamp the back of the FSRs as they are received from subgrantees. However, only copies of the front of the FSRs selected for testwork were available for review; therefore, verification of the date-stamp and timeliness of the receipt of the FSRs could not be ascertained. The Commission does not have a procedure in place to date-stamp PPRs as they are received from subgrantees. Therefore, verification of the timeliness of receipt of PPRs could not be performed. If subgrantee FSRs and PPRs are submitted late, the Commission will experience difficulties when attempting to prepare and submit its FSR and PPR to the Corporation on a timely basis.

In program year 1999-2000, the Commission began utilizing the Web Based Reporting System which electronically records the date subgrantees submit their FSRs and PPRs to the Commission. As a result, no recommendation is required at this time related to timeliness of receipt of FSRs and PPRs.

Lack of Review of Subgrantees' Expense Reimbursement Reports by Commission Staff in Program Year 1998-99

Commission procedures require that subgrantees submit an expense reimbursement report to the Commission, either monthly or quarterly depending on the size of the subgrantee. The expense reimbursement report discloses both program and matching expenses. In program years 1995-96 through 1997-98, the expense reimbursement reports were first reviewed and initialed by Commission staff members for propriety of both program and matching expenses, and then forwarded to the accounting department for payment.

When the Commission transferred to the IDHS in January 1998, staff decided to utilize some of IDHS services to help process payments to subgrantees. Therefore, during the 1998-99 program year, subgrantees submitted their expense reimbursement reports directly to the IDHS accounting department, where an accountant was to review all AmeriCorps expense reimbursement reports. However, the IDHS accountant only reviewed the propriety of program, not matching, expenses in accordance with the grant requirements. Additionally, the IDHS accountant did not indicate his review of the expense reimbursement reports by initialing the reports. Thus, there is no evidence that the required review occurred. Subsequent to the IDHS accountant's review of the

expense reimbursement reports, payment to the subgrantee was processed without review by the Commission staff members.

Beginning in program year 1999-2000, the Commission intends to have Commission staff members review the expense reimbursement reports in addition to the FSRs and PPRs that are received by subgrantees via the Web Based Reporting System. The Commission staff members review of reports will be signified electronically and then the reports will be sent to the appropriate person(s) for the next level of review or processing.

Recommendations

We recommend the Commission implement its plan to have Commission staff members review the expense reimbursement reports of subgrantees to ensure the propriety of program and matching expenses prior to the reports being forwarded to the accounting department for further review and processing. The Commission should also ensure that the procedures to review and reconcile FSRs and PPRs that are received by subgrantees via the Web Based Reporting System are documented in writing.

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 has established controls to evaluate and monitor subgrantees, which include reviewing program and financial reports and scheduling site visits for each subgrantee during the 12 month grant period. Commission personnel are required to notify the subgrantees of the results of these site visits, including strengths, weaknesses, concerns, recommendations, and any necessary follow-up requirements.

We were not able to perform the required testwork for one of six subgrantees selected for the 1995-96 program year, as the file for that program year was not available. All other program year files for the subgrantee were available.

Additionally, we identified the following areas for improvement related to the evaluation and monitoring of subgrantees.

Maintenance of Member Surveys and Follow-Up Letters and Documentation of Records Obtained and Reviewed During Site Visits

The Commission conducts informal Member surveys and uses the program review instrument included in *A Reference Manual for Commission Executive Directors and Members* in conducting its subgrantee site visits. It is also required to issue a follow-up letter to communicate the results of the site visits. Information gathered from the informal Member surveys is not documented and maintained on file. This could prove problematic if Members claim that they informed the Commission of an issue in a survey and no documentation exists for Commission review. In several instances through our review of subgrantees' files, we could not ascertain what feedback was given to the subgrantee at the conclusion of the site visit because follow-up letters were not included in the files. In addition, although the program review instrument is maintained, it does not identify what documents the reviewer tested. Therefore, subsequent reviewers would be unable to examine the same documentation if a question arose about the results of the test.

Review of OMB Circular A-133 Reports or Other Audit Reports from Subgrantees

OMB Circular A-133 Compliance Supplement, April 1999, Part 6 – Internal Control suggests that review of and follow-up on subgrantees' audit reports is a key component of a program to monitor subgrantees' compliance with federal grant requirements. Two instances in program years prior to 1998-99 were identified where OMB Circular A-133 reports were not obtained from the subgrantee. By not obtaining OMB Circular A-133 or other audit reports of subgrantees, control weaknesses or instances of material noncompliance related to the AmeriCorps program of which the Commission is not aware may exist and may not be corrected.

The Commission currently has controls in place to ensure the receipt of OMB Circular A-133 reports or other audit reports from subgrantees, as IDHS has a department that oversees the collection, review, and maintenance of all their subgrantees' OMB Circular A-133 reports. If a subgrantee is not required to have an audit in accordance with OMB Circular A-133, they sign a statement, which is submitted with their close out documents stating such. As a result, no recommendation is required at this time related to receipt of OMB Circular A-133 reports.

Schedule of Planned and Actual Site Visit Dates

The Commission's current policy requires two site visits during the 12 month grant period for each subgrantee. The Program Officer communicates with the Chief of the IDHS – Office of Prevention – Bureau of Community and Youth Programs, who supervises the Commission, as to when site visits are planned, however, no comprehensive schedule of planned and actual site visit dates for the grant period exists. As a result of an increase in the number of subgrantees and lack of staffing, we noted two instances in program years 1997-98 and 1998-99 in which the Commission did not perform the required number of site visits in accordance with its policy.

Recommendations

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

- Develop and implement procedures to formally document and maintain information obtained from Members during informal Member surveys conducted at site visits and follow-up letters issued at the conclusion of site visits. Additionally, procedures should be developed and implemented to ensure that specific records reviewed during site visits are documented in the site visit file for each subgrantee as an audit trail.

- Maintain a clear, concise schedule of site visits to be performed during the grant period and a record of when site visits are performed. The Chief of the IDHS – Office of Prevention – Bureau of Community and Youth Programs, should monitor the Commission's progress towards completing the scheduled site visits. The Commission should reconsider the allocation of its resources in light of its staffing situation, the number of subgrantees, and an assessment of risk for each subgrantee, to improve the effectiveness of its subgrantee evaluation and monitoring procedures. The Commission should consider revising its site visit policy to reduce the number of visits to low risk subgrantees, or contract out selected site visits to other auditors.

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 during quarterly training sessions, site visits, quarterly progress reports 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, the management of the Corporation for National and Community Service, the management of the Illinois Community Service Commission, 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

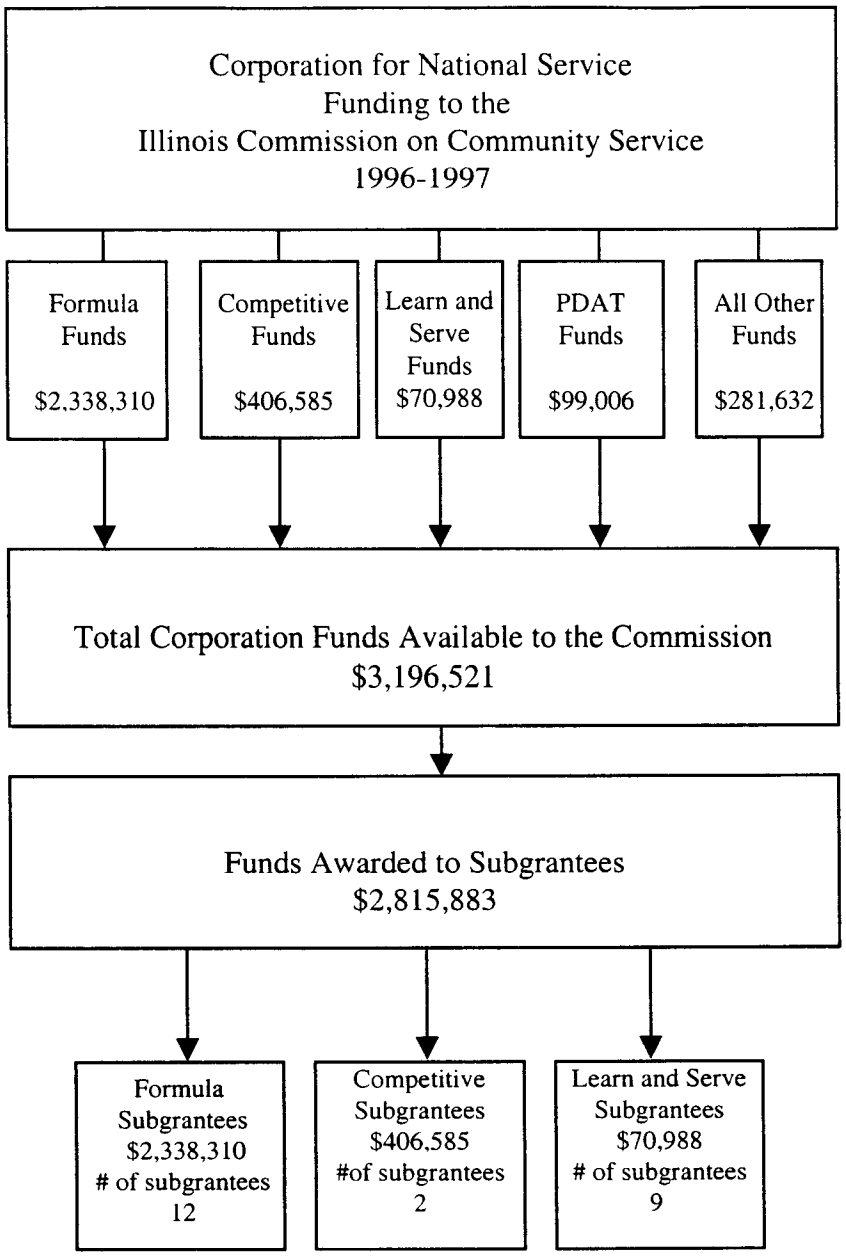
The table below and the flowcharts on the following pages depict the Commission's funding over the past three program years. We were unable to agree the funding amounts to the Commission's FSRs for (a) 1998-99 because the final FSR for the program year had not been completed at the time of field work 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	$ 2,338,310	$ 3,017,333	$3,117,716
CNS Competitive Grant Funds	406,585	885,598	994,106
CNS Learn and Serve Funds	70,988	104,194	73,299
CNS Promise Fellows Funds	0	0	95,500
CNS Educational Only Awards	0	0	11,507
CNS PDAT Funds	99,006	40,040	64,155
CNS Administrative Funds	281,632	133,478	272,847
State Matching Funds	* 386,792	*409,370	*136,109
Total Funding	$3,583,313	$4,590,013	$4,765,239

* The State Matching Funds reported for the 1996-97 program year represent matching funds from January 30, 1994 through September 30, 1997 as the Commission was not able to break out matching funds by program year. The 1997-98 and 1998-99 program year State Matching Funds reported are based on the federal fiscal year (October 1 through September 30).

Commission Funding

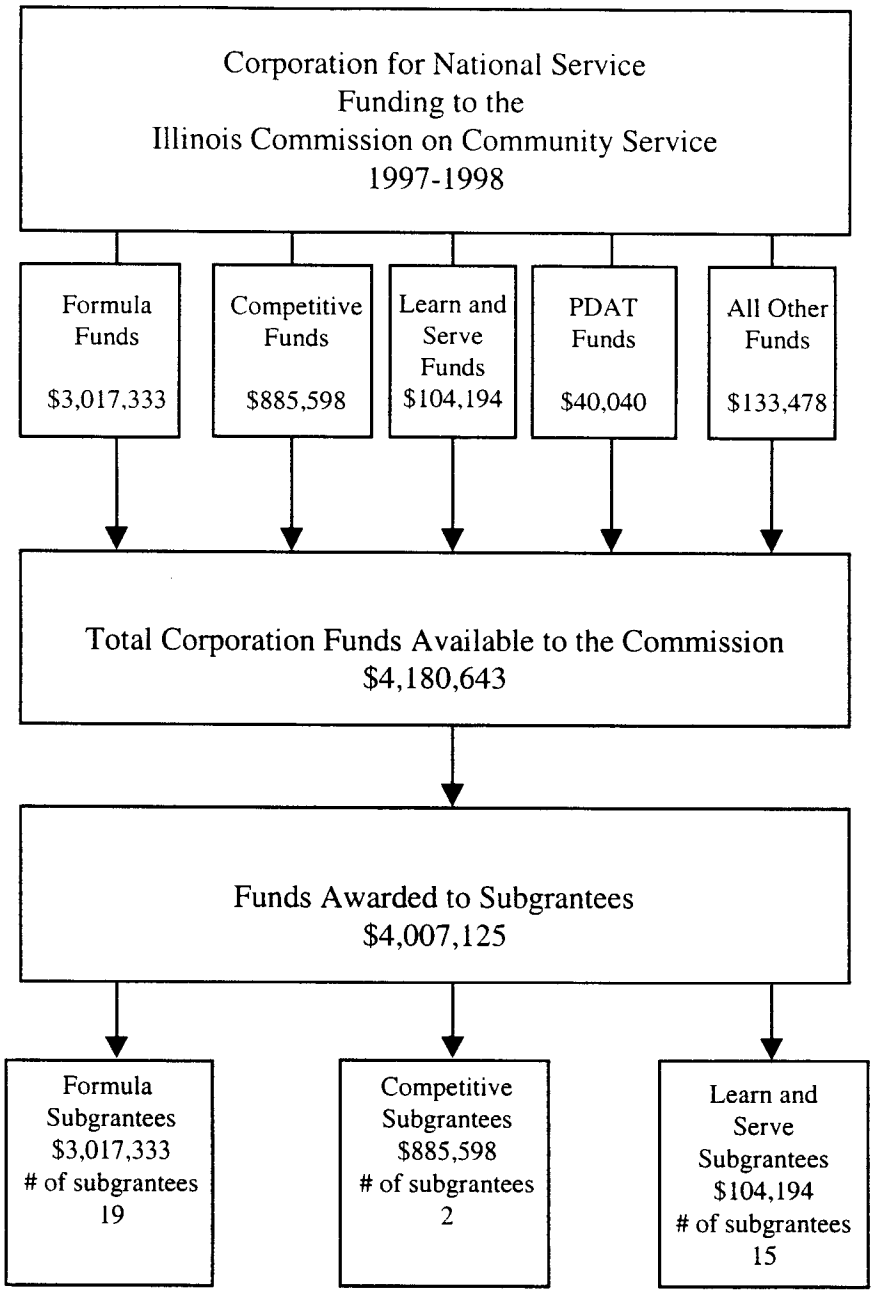
Appendix A



Note: The number of sites was not available for this program year.

Commission Funding

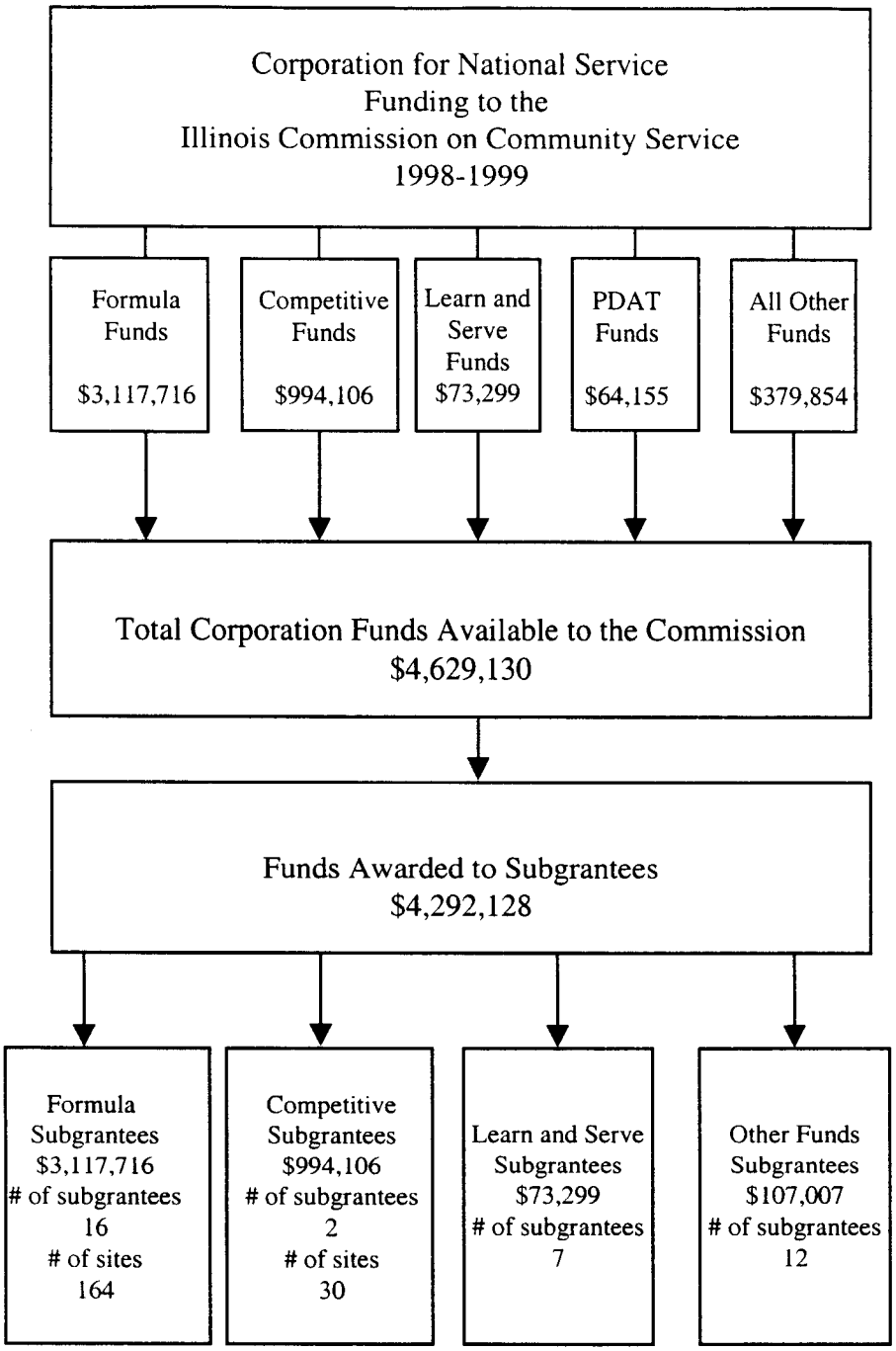
Appendix A



Note: The number of sites were not available for this program year.

Commission Funding

Appendix A



Note: The number of sites was not available for Learn and Serve and Other Subgrantees.

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; period of availability of Corporation funds; 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.

George Ryan, Governor

Illinois Department of Human Services

Linda Reneé Baker, Secretary

2125 S. First Street
Champaign, IL 61820

June 16, 2000

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

Dear Ms. Jordan:

Enclosed is the Illinois Commission on Community Services' response to the pre-audit survey report issued by your office on May 18, 2000. The Commission will comply with the recommendations in the report and will report its progress in doing so to the Corporation for National Service as required. Please contact me with any questions or to discuss any of the information in the response at (217) 278-5900.

Sincerely,

Asta V. Ardickas, Acting Executive Director
Illinois Commission on Community Service

cc: Helen Shumate, Chair, Illinois Commission on Community Service
Fred Rodriguez, Vice Chair, Illinois Commission on Community Service
Mark Fazzini, Executive Board Member, Illinois Commission on Community Service
Frank Sorenson, Executive Board Member, Illinois Commission on Community Service
James R. Nelson, Director, Division of Community Health and Prevention
Jim Donkin, Chief Internal Auditor, Office of Internal Audits
Connie Brooks, Associate Director, Office of Prevention
Dick Robinson, Financial Manager, Office of Prevention
Bill Jacobs, Chief, Bureau of Central and Field Operations
Doris Garrett, Chief, Bureau of Community and Youth Programs

Illinois Community Service Commission Response

Illinois Commission on Community Service
Pre-Audit Survey Response, June 2000

The Illinois Commission on Community Service found the overall pre-audit survey process helpful in identifying both strengths and areas for improvement in its management systems. The Commission was pleased when the KPMG auditors stated at the exit conference that the issues identified during the pre-audit survey would have been listed as management recommendations in a full A-133 audit. The Commission was therefore somewhat surprised when it received the draft report of the pre-audit survey containing a recommendation for a limited scope audit focused on program monitoring. In our opinion, the areas for improvement identified as a result of the pre-audit survey are not of a level that would justify the need for a limited scope audit. The Commission's responses to each of the recommendations are contained below.

As noted in the report, the Commission has changed fiscal agents several times since it was first created. It is important to note that the Commission's location in the Illinois Department of Human Services (IDHS) provides it with the administrative supports necessary to administer funds and programs in compliance with federal standards. Commission staff work closely with other IDHS staff to ensure the programs are well run. Supports received from IDHS include accounting and other fiscal procedures, subgrantee audit review, proposal development, and communications. Commission staff's accountability to both its Governor-appointed board and IDHS ensures the highest level of oversight and professionalism in program administration.

Selecting Subgrantees

The first recommendation was based on the auditors opinion that the Commission did not have an open and accessible application process for its subgrantees. The report recommended that the Commission "Ensure that all programs are widely publicized each year on the IDHS internet website and in informational mailings, and newspapers." The report states that this recommendation is based on guidance provided in *A Reference Manual for Commission Executive Directors and Members,* developed by Project TASC in fall of 1997. The Commission's last open competitive process for AmeriCorps*State grants was held before the manual was issued. In addition, the manual is not a legal document of the Corporation, but a technical assistance manual intended to serve as a guide for Commission activities. Federal Provisions require only that each State must "Administer a competitive process to select national service programs to be included in any application to the Corporation for funding" (45 CFR sec. 2250.80 (b)(1)). The fact that legal documents do not specifically state than an open and accessible process is required means that this recommendation, while worthwhile, is not strong enough to require a limited scope audit. In addition, there are no standards provided in the manual as to what "widely publicizing the availability of funds" means; the Commission feels that advertising to all interested parties who had contacted the Commission and were on its mailing list met this requirement. The reasoning and intent behind the recommendation are clear and we agree in spirit. However, it is unreasonable to use an ill-defined standard in an unofficial policy manual as a basis for requiring a limited scope audit.

The Commission will post all competitive applications on the IDHS internet website as requested and will include information on competitive applications in informational mailings as

appropriate. Organizations and individuals who contact the Commission for information on funding opportunities will continue to automatically receive information on the applications. The Commission feels that this will address the underlying area for improvement, that of ensuring an open and accessible process, sufficiently that advertising in newspapers is not necessary. All competitive applications for funding issued through IDHS are required to be posted on the website. It is the agency's policy that applications do not have to be advertised in newspapers because it is no longer an efficient way to deliver information to interested organizations. In the information age in which we now live, the internet has replaced the newspaper as the preferred method for advertising funding availability because potential applicants are able to immediately download application information. All community-based organizations have access to the internet through their local library.

The other recommendation made in this area was that Commission staff should maintain all pertinent files and documents in accordance with record retention standards as published in the AmeriCorps provisions. This recommendation was largely a result of the fact that the Commission did not have rejected application files for AmeriCorps*State programs on record three years after the applications were submitted. The Commission did have a record of which proposals were rejected and the reason for the rejection. The Commission would like to state that its usual business practice is to keep copies of all rejected files and other documentation. The files in question were unintentionally misplaced during the Commission's move from the Department of Commerce and Community Affairs to IDHS in February 1998. All rejected applications and review sheets are on file from the 2000-2001 AmeriCorps grant review as required.

Administering Grant Funds

The Commission and IDHS are pleased that only one recommendation was made in this area. The recommendation to have Commission staff review matching expenses of programs prior to expense reports and Financial Status Reports being submitted to IDHS accounting for further processing was based on the fact that in the 1998-1999 program year all financial reports were submitted directly to accounting. However, the Commission still had procedures in place to ensure control over subgrantee financial systems and matching funds reported. Information on how to review FSR's for match was forwarded to IDHS staff who were responsible for reviewing financial documents on behalf of the Commission. Commission staff reviewed match and match documentation at close-out site visits to ensure that all programs were in compliance. Subgrantee fiscal staff were informed of AmeriCorps rules and that Commission staff would review fiscal records at the close of the program year. All fiscal policies and procedures were reviewed at each subgrantee at least once in the 1997-1998 program year to ensure sound fiscal systems were in place at each site. This resulted in most programs accurately tracking match and meeting their proposed match at the end of the fiscal year. The fact that the reports were not signed off on for 1998-1999 does not warrant a limited scope audit of the Commission.

The Commission is developing a process whereby staff review all fiscal reports before forwarding the reports to the accounting office. This process will allow Commission staff to monitor subgrantee expenditures (grant funds and matching) in keeping with the recommendation contained in the report. The Commission would like to note that Office of

Illinois Community Service Commission Response

Contract Administration in IDHS is responsible for collecting and reviewing subgrantee audits. Any findings are followed up by IDHS staff. The Commission and IDHS were pleased that no recommendation was made in this area, and believes this demonstrates the quality of the support systems provided by IDHS.

Evaluating and Monitoring Subgrantees

One large issue for clarification in this section of the report relates to that of the "member survey." The Illinois Commission does not have members complete written surveys at site visits. Rather, Program Officers and, when possible, Commissioners meet with groups of members to discuss the program. Topics discussed include member activities (to determine that no prohibited activities are occurring), program strengths, program leadership, member development, areas for improvement and program challenges. Because surveys are conducted orally, they cannot be filed for future reference. The information collected during these meetings is combined with information learned from meeting with program staff and site supervisors to complete the final section of the Program Review Instrument. The recommendation that the Commission keep member surveys on file is not based on an accurate understanding of the Commission's site visit policies and should be removed.

Another recommendation was that Commission staff should ensure that specific records reviewed during site visits are documented in the file as an audit trail. The Commission feels that, in terms of the member files and policies and procedure compliance sections of its monitoring form, it has met this requirement. A checklist must be completed on each member file reviewed, thus documenting what papers were reviewed in each file. Site visit instructions require that Program Officers indicate in writing what materials were reviewed and/or what information was used to make a decision on a particular issue in the policies and procedures section of the review form. As a control, senior staff will begin to review the documentation collected by Program Officers on site visits. However, we feel that basic procedures addressing this issue are already in place. The Commission also feels that to require any further documentation on the part of Program Officers (i.e., collecting copies of materials reviewed at each visit) would be inefficient and place an excessive burden on both Commission and program staff.

A recommendation was also made stating that the Commission needs a better system of site visit documentation. The letter states that two site visits were not preformed as required in the 1998-1999 program year. All programs received at least two visits for that program year. The final two visits were scheduled to take place in December 1999 but were canceled due to illness. The visits were then postponed until after the pre-audit survey which occurred in January. These visits were held and completed in March 2000. In addition, all site visits were completed in the 1997-1998 program year. The policy for 1997-1998 required only that all sites be visited twice; a third visit was optional. The program in question, Waukegan Public Library, was in fact visited twice on January 29 and March 27, 1998. Considering that the Commission changed Executive Directors three times and moved from the Illinois Department of Commerce and Community Affairs to IDHS during that period, the fact that all programs received at least two visits and all but one received three visits is a large accomplishment. We feel that the fact that the Commission met its own formal policies does not justify the need for a limited scope audit of

Illinois Community Service Commission Response

program monitoring.

The report also stated that the Commission does not have a formal procedure in place to ensure that all site visits are made. Beginning in 1998-1999, Program Officers are required to carbon copy all site visit letters to the Executive Director of the Commission to ensure that the visits have occurred and that quality feedback is being provided to subgrantees. The Commission does acknowledge that it does not have a more formal procedure than this for ensuring that site visits are completed and will develop one in line with the recommendations contained in the report. IDHS staff who work with the Commission have been trained in data management and will provide assistance in this area. However, the Commission feels that its excellent track record in completing site visits combined with the above should reduce the significance of this issue to a management recommendation and not one that justifies the need for a limited scope audit of the Commission.

CORPORATION FOR NATIONAL SERVICE

MEMORANDUM

TO: Luise S. Jordan

THRU: Anthony Musick

FROM: Deborah R. Jospin
Bruce H. Cline

DATE: May 25, 2000

SUBJECT: Response to the Draft Audit Report 00-32 Pre-Audit Survey of the Illinois Commission on Community Service

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We have reviewed the draft report on your pre-audit survey of the Illinois Commission. Given the nature of the report, this response serves as our proposed management decision. We note that your preliminary assessment recommends a limited scope audit at the Commission for Program Years 1995-1996 through 1998-1999, with a focus on subgrantee monitoring. 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 an open and accessible application process and subgrantee expense reimbursement requests for matching requirements. Also noted were the absence of review documentation of its A-133 audit reports, other audit reports for two subgrantees, and site visit schedules and documentation.

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 Illinois, we will determine whether the Commission has put appropriate corrective actions in place for conditions noted in the pre-audit survey that your office has issued.

In addition to this scheduled review, we will also request that the Illinois Commission provide semi-annual reports on their actions to correct conditions cited in the OIG pre-audit survey.

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