OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

PRE-AUDIT SURVEY OF THE NEW MEXICO COMMISSION FOR COMMUNITY VOLUNTEERISM

OIG Audit Report Number 00-34
January 5, 2000

Prepared by:

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

Under CNS OIG MOU # 98-046-5003
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This report was issued to Corporation management on July 26, 2000. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than January 22, 2001, and complete its corrective actions by July 26, 2001. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

CORPORATION
FOR NATIONAL
SERVICE

Office of Inspector General
Corporation for National and Community Service

Pre-Audit Survey of the New Mexico Commission for Community Volunteerism OIG Audit Report Number 00-34

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. In most cases, 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 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 New Mexico Commission for Community Volunteerism. Based on the procedures performed, KPMG concluded that the Commission has established an open competitive process for grant award and effective controls over training and technical assistance. KPMG also indicates that the Commission has established control policies and procedures for fiscal administration and subgrantee monitoring. However, their report includes findings and recommendations for improvement that are related to the Commission's grant award, fiscal administration and monitoring process. KPMG also reports that the Commission was tested as a major program during the audit of the State of New Mexico's June 30, 1998 state-wide financial audit performed under the requirements of OMB Circular A-133 and that the Commission's subgrantees are routinely subject to Circular A-133 audits. Therefore, considering the survey results, the existing audit coverage and the relatively low level of CNS funding, KPMG recommends that OIG limit the scope of future financial audit work at the New Mexico Commission.

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.

We provided a draft of this report to the New Mexico Commission and to the Corporation for comment. The New Mexico Commission's response (Appendix C) cites corrective actions in response to KPMG's findings and pledges to cooperate fully with future OIG requests for information.

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, cites the Corporation's administrative review process (although not when the New Mexico Commission would be covered by such a review), and proposes a plan for closing out this report. The response also appears to argue against further CNS OIG audit work.

It is important to clarify that CNS OIG intends to perform audit work at most, if not all, of the state commissions over the next several years. The purpose of the pre-audit surveys is to gather information to allow CNS OIG to determine the timing of and the extent of the future audit work.

The timing and the scope of OIG's future audit work at the New Mexico Commission for Community Volunteerism will be based on the conditions and other information reported herein. We will also consider the Commission's corrective actions and the Corporation's oversight efforts. In accordance with our policies and the requirements of OMB Circular A-133, we will coordinate with, and build on the work of, the New Mexico State Auditor's Office.

Pre-Audit Survey of the
New Mexico Commission for Community Volunteerism
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2001 M Street, N.W.
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January 5, 2000

Inspector General
Corporation for National and Community Service:

At your request, KPMG performed a pre-audit survey of the New Mexico Commission for Community Volunteerism (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 administers an open, competitive process to select national service subgrantees. However, we identified an area for improvement related to the lack of signed conflict of interest statements on file for all of its Commissioners.

- The Commission has developed control policies and procedures to administer the Corporation's grant funds. However, for the two subgrantees tested in years prior to program year 1997-98, we could not determine if Financial Status Reports were reviewed for accuracy and validity and if procedures were in place to ensure that matching requirements were met.

- The Commission has established controls to evaluate and monitor subgrantees. However, the Commission's monitoring records are incomplete for program years prior to 1997-98.

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

KPMG LLP. KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

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 and the relatively low level of funding the Commission receives annually from the Corporation, we recommend the performance of limited audit procedures to address the issues identified herein at the Commission for program years 1995-96 through 1998-99. The Commission's AmeriCorps grant was tested as a major program under Office of Management and Budget (OMB) Circular A-133 for the year ended June 30, 1998, and no material internal control or compliance issues were noted. In addition, the Commission's subgrantees are routinely subject to OMB Circular A-133 audits.

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.

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 New Mexico Commission

The Commission, located in Albuquerque, New Mexico has received AmeriCorps grant funds from the Corporation for National and Community Service since program year 1994-95. It currently operates as part of the State of New Mexico's Children's Youth and Families Department, but was formerly a part of the State of New Mexico's Governor's Office. The Commission currently has three part-time staff consisting of an Executive Director, Program Officer, and Administrative Assistant.

As part of an agency of the State of New Mexico, the Commission is annually subject to an Office of Management and Budget (OMB) Circular A-133 audit performed by the New Mexico State Auditors' Office. The Commission's AmeriCorps grant was tested as a major program under OMB Circular A-133 as part of the audits of the Children, Youth and Families Department (CYFD) for the year ended June 30, 1998; no material internal control or compliance findings related to the Commission or the AmeriCorps grants were noted. Additionally, each of the Commission's subgrantees has received annual audits conducted in accordance with 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	$869,492	4	4
1997-98	1,085,530	5	5
1998-99	1,066,833	5	5

* Determination is based on review of the subgrantee audit reports on file with the Commission.

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 February 21, 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."

The Commission administers an open, competitive process to select national service subgrantees. Funding availability is advertised in newspapers and through mailing lists. The annual request for proposal requires applicants to describe their financial management systems. Selection officials receive conflict of interest training when the selection process instructions are provided, and use a standard form to evaluate each applicant. However, we identified the following area for improvement within the selection process.

Missing Conflict of Interest Statements on File

According to *A Reference Manual for Commission Executive Directors and Members*, section 3.6, "State Commissions should strive to achieve the greatest objectivity and impartiality possible in the review and selection of grantees in the state...Any time a voting Commission member is not, or does not appear to be, for any reason, impartial to a program that is applying to the Commission for funding, the member has a conflict of interest." One way to help ensure this objectivity is to require selection officials (i.e., Commission members and proposal reviewers) to annually certify in writing that they have no conflicts of interest.

Commission staff distribute relevant conflict of interest guidance to selection officials, and the Commission has policies and procedures that require these officials to sign conflict of interest statements certifying that they have no conflicts. However, Commission personnel do not always review Commission files to ensure that all signed conflict of interest statements have been received. If selection officials have conflicts of interest but do not report them, the fairness of the selection process may be impaired.

Recommendation

We recommend that Commission personnel enforce existing policies which require the submission of signed conflict of interest statements from all selection officials. A review of Commission files prior to the commencement of selection procedures should be performed to ensure no exceptions to the policy occur.

Administering Grant Funds

As part of the grant administration process, Commissions must retain staff with appropriate skills and experience to manage their own organization and their subgrantees; implement policies and systems that ensure accountability; and maintain appropriate financial management systems to disburse funds and track Commission and program expenses according to legal and grant requirements. (*A Reference Manual for Commission Executive Directors and Members*, Sections 3.2 and 4.2).

The Commission has developed and implemented procedures that are intended to provide reasonable assurance that grant funds received from the Corporation are properly administered.

Procedures are in place to withhold funding payments if subgrantees do not submit Financial Status Reports (FSRs) timely; to manage cash draw downs and disbursements to subgrantees on a reimbursement basis; and to ascertain whether subgrantees have met their matching requirements. The Commission's personnel have adequate skills and experience to manage and administer Corporation grant funds. However, we identified the following areas for improvement within the administering process.

Lack of Documentation Supporting FSR and Matching Requirements Review Prior to Program Year 1997-98

The current executive director and program officer began work at the Commission in April 1997; their first full program year with the Commission was 1997-98. For the two subgrantees tested in years prior to program year 1997-98, the Commission could not provide evidence that FSRs had been reviewed for accuracy and validity and that matching requirements had been reviewed for compliance. However, we noted no similar documentation problems for the six subgrantees tested in program years 1997-98 and 1998-99. Therefore, no recommendation is required at this time related to the review of FSRs and matching requirements.

Timeliness of Receipt of FSRs

The Commission does not date-stamp FSRs from subgrantees as they are received. The only evidence of when they were submitted is the date associated with the Program Director's signature. Therefore, the Commission can not routinely verify if these documents are submitted timely in compliance with the grant agreement. As a result, subgrantee FSRs may be submitted late, creating difficulty for the Commission when attempting to prepare and submit its FSRs 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 to the Commission. As a result, no recommendation is required at this time related to date stamping of FSRs.

Errors in FSRs for Program Years 1994-95 through 1996-97

In completing the hierarchy flowcharts, we noted the following two conditions:

- One 1996-97 program year FSR indicated total funds available under the grant of $267,973; a difference of $695 from the amount included on the award letter of $267,278.
- The federal share of administrative funds expended in program years 1994-95 through 1996-97 was misstated on the FSRs submitted to the Corporation. During the first two program years noted, the federal share was overstated because the amount provided on the federal share line of the FSRs reported all program expenditures (i.e., was not properly reduced by those expenditures funded by the state match). During program year 1996-97, the federal share was understated because the Commission corrected the cumulative FSRs for the overstatement errors found in the earlier years.

Because these errors occurred prior to the tenure of the existing Commission staff, the cause could not be determined, beyond simple error or lack of appropriate oversight. No similar errors were noted in program years 1997-98 and 1998-99. Therefore, no recommendation is required at this time related to the accuracy of FSRs.

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 performing three site visits for each subgrantee during the 15-month grant period. Reviewers use a standard checklist to perform the site visits. 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. Additionally, the CYFD's Grants Management Bureau routinely obtains and reviews OMB Circular A-133 audit reports for all CYFD subgrantees, and reports all AmeriCorps-related findings to the Commission.

We identified the following finding related to the evaluation and monitoring of subgrantees.

Lack of Documentation Related to Site Visits Prior to Program Year 1997-98

As noted above, program year 1997-98 was the first full program year that the current executive director and program officer worked at the Commission. For the two subgrantees tested in years prior to program year 1997-98, the Commission could not provide evidence that the Commission performed site visits, followed-up on deficiencies noted, or performed procedures to ensure Members were not performing prohibited activities. However, we noted no similar documentation problems for the six subgrantees tested in program years 1997-98 and 1998-99. Therefore, no recommendation is required at this time related to site visit documentation.

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 site visits, training evaluation forms and quarterly progress reports; (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 New Mexico Commission for Community Volunteerism, 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

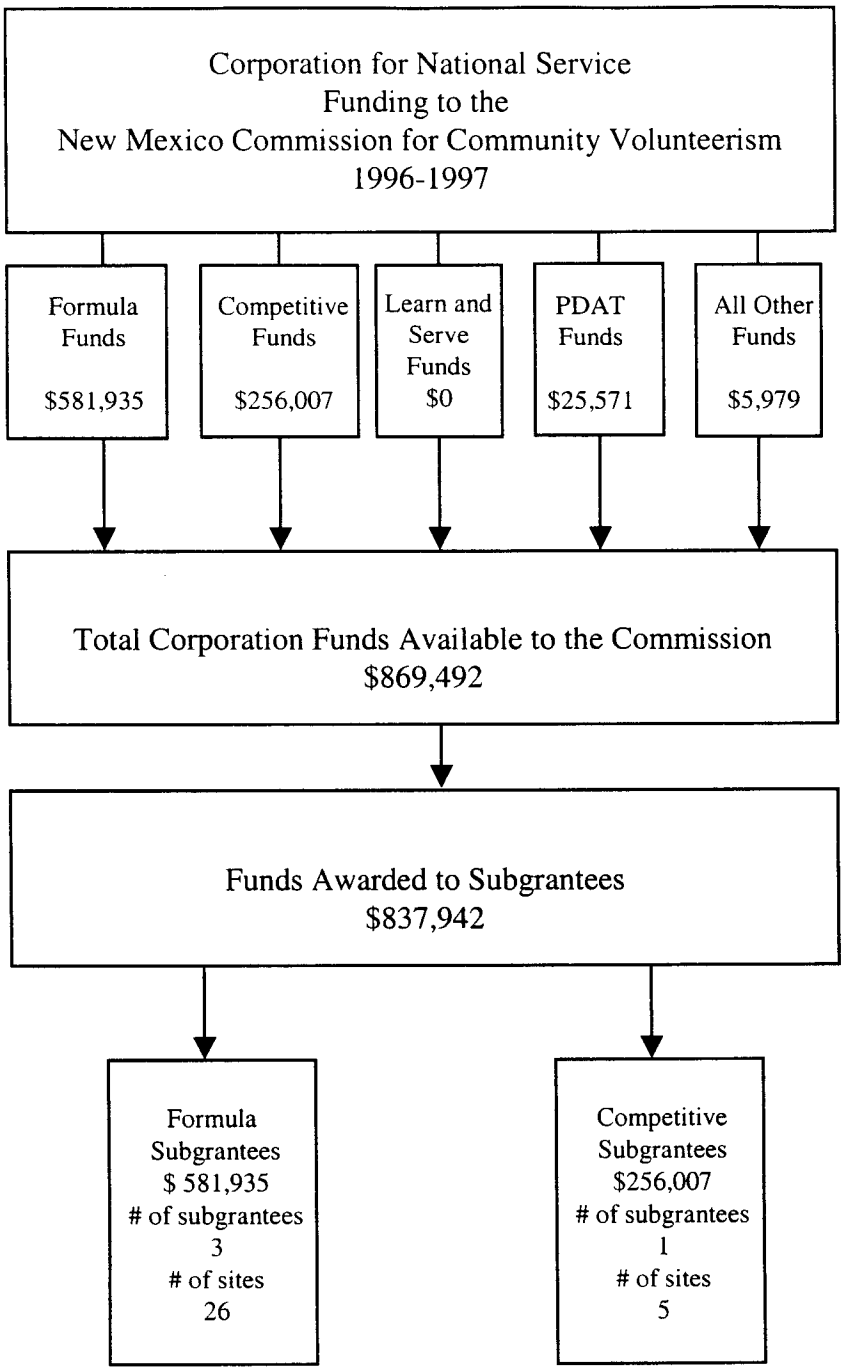
The table below and the flowcharts on the following pages depict the Commission's funding over the past three program years. We were unable to agree the funding amounts to the Commission's FSRs for (a) 1998-99 because the final FSR for the program year had not been completed at the time of field work 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	$ 581,935	$ 467,087	$ 373,360
CNS Competitive Grant Funds	256,007	468,200	571,006
CNS PDAT Funds	25,571	101,181	75,004
CNS Administrative Funds	5,979	49,062	47,463
State Matching Funds	*	49,062	47,463
Total Funding	$869,492	$1,134,592	$1,114,296

* Cannot determine. See finding on page 6.

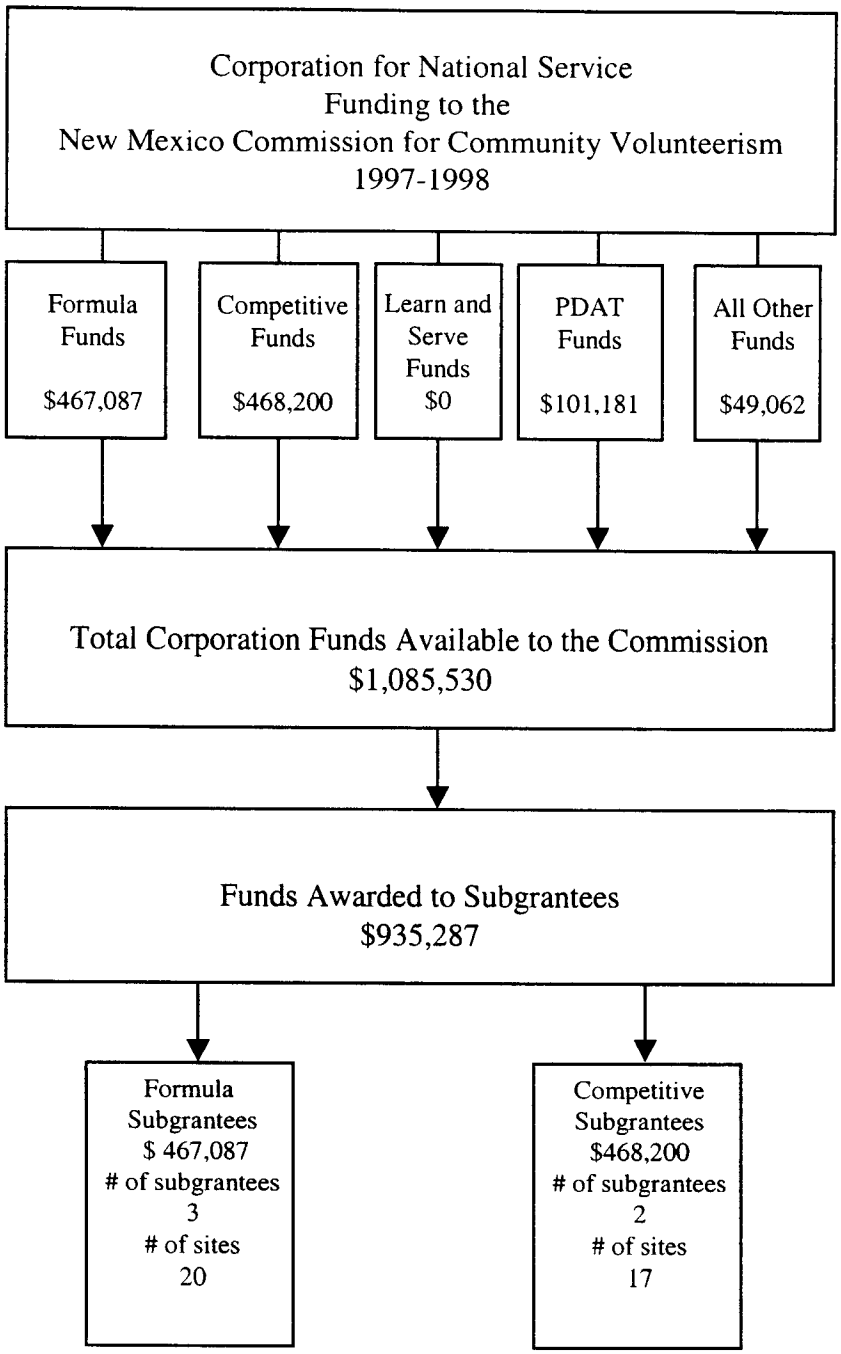
Commission Funding

Appendix A

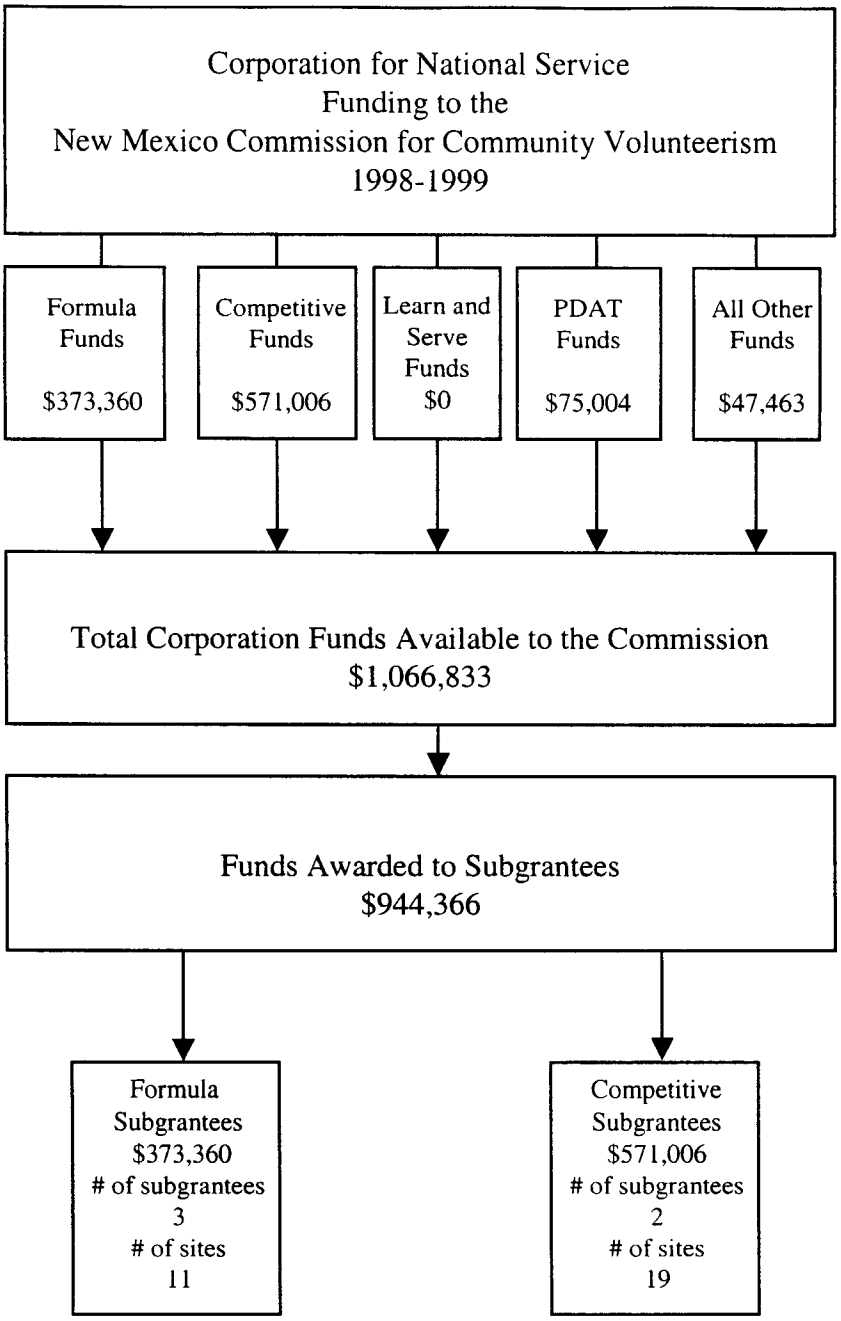


Commission Funding

Appendix A



Commission Funding



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 spoke with various sub-grantee representatives to assess the training assistance made available to them.

NEW MEXICO COMMISSION FOR COMMUNITY VOLUNTEERISM
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June 28, 2000

Luise S. Jordan, Inspector General
Office of the Inspector General
1201 New York Avenue, NW
Washington, DC 20525

Dear Ms. Jordan,

Enclosed is the response from the New Mexico Commission for Community Volunteerism to the draft report on the pre-audit survey of the NM Commission as requested in your letter of May 31, 2000. Thank you for including our response in the report as an appendix.

Sincerely,

Barbara Otto Dennis

Barbara Otto Dennis
Executive Director

New Mexico Commission for Community Volunteerism Response

Permitting this response to the pre-audit findings for the New Mexico Commission for Community Volunteerism is appreciated. Overall, it appears that the areas noted as exceptions in the pre-audit report appear to be items that have already been corrected through policy and procedure development and implementation.

We are committed to making whatever changes you believe are necessary to enhance our efficiency and accountability as the operators of the AmeriCorps program in New Mexico. For example, we have already corrected the conflict of interest issue and now use the Web-Based Reporting System to identify the exact date an FSR is received.

When it was discovered by KPMG auditors that there were Conflict of Interest forms for a few Commissioners missing from our files, Commissioners signed new forms to replace the missing ones within 36 hours of notification by auditors. The packets sent to Review Team members contain Conflict of Interest forms which must be completed and given to Commission staff before proposal review. Copies of the forms are kept in the files containing the scoring sheets and proposal recommendations.

All Commissioners will complete new Conflict of Interest forms at the annual retreat. Those Commissioners not attending will sign them and mail them to the Commission staff for the file in the office. Newly appointed Commissioners receive them as part of the training packet sent to them upon appointment by the Governor.

While some of the records from the nascent stages of this program may not be in accord with our current practices, we believe that at every stage of the implementation of this program, funds have been administered to contractors in good faith. The NM Commission makes every effort to assure that the agencies awarded funds have systems in place to adequately administer the program and expenditure of funds meeting all state and federal requirements. The State of New Mexico Procurement Code, which governs our distribution of funds, has stricter requirements than those of the Corporation for National Service.

The NM Commission will strive for continuous improvement in our systems to assure that Corporation for National Service requirements are met in all areas of grant administration. Please allow this letter to reconfirm our pledge to cooperate fully with all requirements of your review. The NM Commission will be happy to facilitate any future requests for information you may have.

CORPORATION
FOR NATIONAL
SERVICE

MEMORANDUM

TO: Luise S. Jordan

THRU: Anthony Musick

FROM: Deborah R. Jospin
Bruce H. Cline

DATE: June 20, 2000

SUBJECT: Response to the Draft Audit Report 00-34 Pre-Audit Survey of the New Mexico Commission for Community Volunteerism

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We have reviewed OIG's draft audit report on the New Mexico State Commission. Your preliminary assessment of the Commission disclosed the following:

- The Commission administers an open, competitive process to select national service subgrantees.
- The Commission has developed control policies and procedures to administer the Corporation's grant funds.
- The Commission has established controls to evaluate and monitor subgrantees.
- The Commission has adequate controls in place to provide reasonable assurance that training and technical assistance is made available and provided to subgrantees.
- The Commission's AmeriCorps grant was tested as a major program under Office of Management and Budget (OMB) Circular A-133 for the year ended June 30, 1998 by the New Mexico State Auditors' Office. This audit disclosed no material internal control or compliance issues.
- The Commission subgrantees are routinely subject to and have received annual audits in accordance with OMB Circular A-133.

We are pleased that the Commission has established a control environment to effectively carry out its grant administration and oversight responsibilities. The report did point out two minor control issues:

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- The Commission should obtain signed conflict of interest statements for all of its Commissioners.
- The Commission should obtain and review for accuracy two subgrantees' Financial Status Reports and all subgrantees' monitoring records for program years prior to 1997-98.

As you are aware, the Corporation has 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 the Corporation's review of the New Mexico Commission, and consistent with Federal government-wide policy, the Corporation will determine whether the Commission has put appropriate corrective actions in place for the conditions noted in your report. In addition to this scheduled review, the Corporation will request that the New Mexico Commission provide semi-annual reports on their corrective actions.

However, the Corporation is concerned about the administrative burden that additional OIG audits will place on the Commission's resources. The report includes a recommendation to perform audit procedures at the New Mexico Commission for the 1995-96 through 1998-1999 period. Based on the New Mexico Commission audit performed by the State Auditors' Office and the positive results in the draft OIG audit report, the Corporation does not agree that additional audits of the Commission are warranted at this time. Administratively, the Corporation can institute immediate corrective actions to obtain the applicable documents and to require compliance with other monitoring measures so noted in the survey. The Corporation could receive these documents by a date certain and this audit could be closed after the Corporation has satisfactorily reviewed the Commission's responses.

The OIG State Commission audits to date appear to be recommending additional work at each State Commission regardless of the results and conditions found at the Commission. Even though findings at the New Mexico Commission are minor administrative matters and the Commission and its sub-grantees are routinely audited, OIG plans additional audit work as at other State Commissions where similar audits have not already taken place. The results of OIG's work at the New Mexico Commission do not seem to warrant this additional audit effort.

cc: Wendy Zenker
Tony Musick