OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

Summary of Eighteen State Commission Pre-Audit Survey Reports

OIG Audit Report Number 00-42
August 14, 2000

This report was issued to Corporation management on September 27, 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 March 26, 2001, and complete its corrective actions by September 27, 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
Summary of Eighteen State Commission Pre-Audit Survey Reports
OIG Report Number 00-42

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Office of Inspector General
Corporation for National and Community Service
Summary of Eighteen State Commission Pre-Audit Survey Reports
OIG Report Number 00-42

CORPORATION FOR NATIONAL SERVICE

Background and Purpose

State commissions play an important role in the oversight of AmeriCorps programs and expenditures. Currently the Corporation for National Service awards approximately two-thirds of its AmeriCorps State/National funds to state commissions. Most state commissions receive additional funding for Learn and Serve America or other Corporation-funded initiatives. 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 their 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.

CNS OIG has initiated a series of pre-audit surveys intended to provide basic information on the state commissions' operations and funding. The surveys consist of on-site reviews at the state commissions and generally last one to two weeks. They 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. The surveys are also intended to provide information on other audit coverage that may be afforded by the Single Audit Act requirements. Using this information, we assess risk and determine the timing, nature and scope of future OIG audit work.

We agreed with Congressional committee staff to periodically provide a cross-cutting analysis of the results of the state commission pre-audit surveys to provide insight on the strengths and weaknesses of the state commissions. This report summarizes the conditions and other information revealed by the first 18 pre-audit surveys[1].

Summary of Results

We selected the first state commissions for survey work intending to cover large and small commissions and commissions that were considered by the Corporation to be well-run and those

[1] Appendix A lists the 18 state commissions and corresponding OIG audit report number. Appendix B provides information on the objectives, scope and methodology for this summary report and for the individual pre-audit surveys upon which it is based.

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reputed to be in other categories.[2] Review of the first eighteen reports indicates that we achieved the cross section that we were seeking. Table 1 indicates that we surveyed commissions for which CNS funding for program year 1999 ranged from less than $1 million (Delaware and Wyoming) to over $10 million (Washington). The number of subgrantees ranged from a low of four (Delaware) to a high of 55 (Ohio). Their staffing ranged from 1 FTE (Wyoming) to 10 (Ohio).

Strengths

As illustrated in Table 2, the survey procedures revealed that, during the program years covered by our surveys, only 1 of the 18 commissions, Tennessee, had established systems that provide reasonable assurance that 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 were adequate. However, all 18 state commissions had established systems to provide reasonable assurance that training and technical assistance is made available and provided to subgrantees.

Eleven of the 18 commissions had established systems that were described as providing reasonable assurance that the pre-award and grant selection procedures were adequate. Most administered an open, competitive process to select national service subgrantees. However, half of the commissions did not always retain sufficient documentation to support their grant-making process, in particular, conflict of interest forms signed by individuals reviewing applications.

Nine of the surveyed commissions, or 50 percent, had systems characterized as adequate for the fiscal administration of CNS grant funds. Many of them, however, did not review and maintain subgrantee financial status reports (FSRs) or obtain them from the subgrantees in a timely manner.

Weaknesses

Assessment of the Commissions' systems for monitoring subgrantees proved to be the most problematic area in the pre-audit survey assessments (as illustrated in Table 3). Clearly, more emphasis needs to be placed on the commissions' responsibility for oversight of their subgrantees. Further, although many of the commissions utilize site visit monitoring checklists fashioned after a model provided by a Corporation-funded training and technical assistance organization, documentation maintained at the Commission level was often insufficient to allow us to assess the extent of the monitoring that was performed. Likewise, at one third of the state commissions, we found little or no evidence that subgrantee audit reports were routinely reviewed by commission staff.[3]

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[2] To the extent possible, the surveys covered systems in place at the Commission for all years of CNS funding as described in Appendix B.

[3] Tables 4 and 5 provide information on the findings reported in each of the 18 state commission pre-audit survey reports.

In addition to the specific recommendations for improving monitoring at individual state commissions, we recommended that the Corporation revise its guidance to state commissions to specify minimum monitoring procedures to be performed, as well as minimum documentation requirements. The Corporation has not responded to this recommendation.

We also recommended improvements in fiscal administration policies and procedures at most of the commissions. Findings in the area of fiscal administration were most often related to review of and receipt dates for subgrantee financial status reports as shown in Table 3.

Single Audit Act Coverage

As illustrated in Table 6, we found that only three of the 18 commissions have been audited as separate entities or tested as major programs as defined by OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations.

Summary of Responses by State Commissions and the Corporation to the Pre-Audit Survey Reports

We provided individual draft reports to each state commission surveyed and to the Corporation and considered their responses when finalizing the reports. Each final report includes the responses received. In a number of cases, the state commissions have disagreed with our reports, but 13 of the 18 indicated that they have initiated corrective actions in response to our findings and recommendations. Because we are scheduling commissions for audit based on risk and will be performing audit work over the next several years (rather than immediately for all commissions), each of our survey reports recommends that the Corporation follow-up to see that the conditions reported have been effectively corrected.

The Corporation responded to 12 of the 18 reports. Generally, the Corporation's responses have indicated that CNS will consider the reports during their administrative monitoring and oversight reviews to be performed on a three year cycle. The Corporation performed six administrative reviews during FY 1999 and, as of July 31, 2000, reported that three had been completed during FY 2000. Another seven administrative reviews are scheduled during the final months of this fiscal year. OIG has not been provided with a schedule or plan that would indicate how the Corporation plans to complete the administrative standards reviews on a three year cycle. The Corporation's responses also indicate that CNS will request the Commissions to report corrective actions to them on a semiannual basis.

The Corporation's response to this summary report argues against, among other things, further CNS OIG audit work for certain state commissions. It is important to clarify that, even before beginning the pre-audit surveys, CNS OIG had intended 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 us to determine the timing of and the extent of our future audit work at each state commission. The timing and the scope of the work will be based on the conditions and other information reported in the pre-audit surveys, other information, including other audit coverage under Federal Requirements, and OIG's assessment of risk. We will also consider the Commission's corrective actions and the Corporation's oversight efforts. In

accordance with OIG policies and the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," we will coordinate with, and build on the work of, the State Auditors Offices or that of other independent auditors.

The Corporation's response is included in its entirety in Appendix C. Further OIG analysis and comments on the response are presented in Appendix D.

Luise Jordan

Inspector General

August 14, 2000

Office of Inspector General
Corporation for National Service
Pre-Audit Surveys of State Commissions
Table 1: Summary of State Commission
PY 1999 Staffing, Funding and Subgrantee Information.

State Commission	Staffing in FTEs	CNS Funding	Awarded to Subgrantees	Type of Subgrantees (Number)
(Dollars in Thousands)				
Delaware	3	$ 965	$ 687	AmeriCorps (3) Learn and Serve America (1)
Illinois	3	4,629	4,292	AmeriCorps (18) Learn and Serve America (7) Other (12)
Iowa	3	1,250	1,009	AmeriCorps (8)
Kentucky	4	3,694	3,365	AmeriCorps (10) Learn and Serve America (5)
Minnesota	5	3,495	3,301	AmeriCorps (12) Promise Fellows (1)
Missouri	3	1,998	1,877	AmeriCorps (14) Promise Fellows (4)
New Hampshire	4	1,613	1,259	AmeriCorps (6)
New Jersey	4	5,146	4,270	AmeriCorps (12)
North Carolina	7	2,940	2,586	AmeriCorps (9) Learn and Serve America (13) Other (1)
Ohio	10	3,591	3,125	AmeriCorps (20) Learn and Serve America (8) Other (27)
Pennsylvania	6	4,046	3,812	AmeriCorps (11) Learn and Serve America (10) Other (2)

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Pre-Audit Surveys of State Commissions
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PY 1999 Staffing, Funding and Subgrantee Information.

State Commission	Staffing in FTEs	CNS Funding	Awarded to Subgrantees	Type of Subgrantees (Number)
(Dollars in Thousands)				
Rhode Island	4	3,225	2,965	AmeriCorps (7) Learn and Serve America (14) Promise Fellows (1)
Tennessee	5	3,848	3,476	AmeriCorps (15) Learn and Serve America (15) Other (22)
Virginia	4	2,383	2,051	AmeriCorps (7)
Washington	6	10,895	10,295	AmeriCorps (10) Learn and Serve America (1) Other (5)
West Virginia	5	2,575	2,211	AmeriCorps (8)
Wisconsin	5	2,195	1,921	AmeriCorps (7) Learn and Serve America (12)
Wyoming	1	896	747	AmeriCorps (4) Learn and Serve America (6)

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Table 2: Adequate Systems of Management Controls
By State Commissions

State Commission	Adequate Pre-Award Selection Process	Adequate Fiscal Management of CNS Grant Funds	Adequate Monitoring of Subgrantees	Adequate Management Controls Over Training and Technical Assistance
Tennessee	√	√	√	√
Iowa	√	√		√
New Jersey	√	√		√
Pennsylvania	√	√		√
Rhode Island	√	√		√
West Virginia	√	√		√
Wisconsin	√	√		√
New Hampshire		√		√
Wyoming	√			√
Virginia		√		√
Ohio			√	√
North Carolina	√			√
Washington	√			√
Illinois	√			√
Missouri				√
Kentucky				√
Minnesota				√
Delaware				√

√ -Adequate

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Pre-Audit Surveys of State Commissions
Table 3: Analysis of State Commission Findings
By Category, Finding and Frequency of Occurrence
(All Findings for the 18 State Commissions)

Category	Finding	Frequency	Finding No.[1]
Grant Award	Adequacy of applicants' financial systems not considered in the selection process.	9	G4
	Conflict of interest forms not maintained.	9	G9
	Documentation in support of grantee application rejections not available for review.	4	G10
	Inadequate documentation to support subgrantee selection process.	3	G1
	Documentation supporting grant making decisions not available in all cases.	3	G2
	Documentation of ads for availability of funds not maintained.	2	G7
	No written policies and procedures to ensure consistent communication to selection officials for previously funded applicants.	2	G12
	Documentation supporting the selection review process inconsistent and incomplete.	1	G3
	No public advertising of program funds.	1	G5
	Limited advertising of funding availability.	1	G6
	Availability of 1998 program year funds not advertised – reasons not documented.	1	G8
	No procedures to determine if subgrantees have been suspended or disbarred by the Federal government.	1	G11
	Subgrantee selection procedures do not identify data to be provided by previously funded applicants.	1	G13

[1] The finding number corresponds to the findings listed by state commission in Table 5

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Pre-Audit Surveys of State Commissions
Table 3: Analysis of State Commission Findings
By Category, Finding and Frequency of Occurrence
(All Findings for the 18 State Commissions)

Category	Finding	Frequency	Finding No.
Fiscal Administration	Financial Status Reports (FSRs) submitted untimely or late or unable to determine submission date.	11	F2
	All required FSRs were not maintained and/or portions missing from others.	7	F3
	Lack of evidence of FSR and matching reconciliation review.	6	F4
	No support for review of subgrantee FSRs and no comparison of FSRs to accounting systems and/or documentation during site visits.	3	F1
	Lack of review of matching and earmarking requirements.	1	F5
	No written procedures for review of matching requirements.	1	F6
	Inadequate documentation to support Commission's in-kind match amount.	1	F7
	Learn and Serve FSRs prepared on a cash basis.	1	F8
	Lack of review of subgrantees' expense reimbursement reports.	1	F9
	Documentation supporting expenditures missing.	1	F10
	Lack of procedures to determine the accuracy of information processed through the state's financial systems.	1	F11
	Funds not tracked using budget line items.	1	F12
	Staff levels inadequate to perform all required duties.	1	F13

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Table 3: Analysis of State Commission Findings
By Category, Finding and Frequency of Occurrence
(All Findings for the 18 State Commissions)

Category	Finding	Frequency	Finding No.
Monitoring	Monitoring system needs improvement. Site visit documentation missing.	9	M6
	Lack of documentation of review of subgrantee OMB A-133 or other audit reports.	6	M13
	No written procedures for follow-up on deficiencies at subgrantees.	5	M2
	No comprehensive schedule for planned and actual site visits is maintained.	4	M5
	No review of OMB A-133 audit reports.	4	M10
	No requirement for submission of OMB A-133 audit reports.	3	M9
	Sample size determination not documented.	3	M21
	No evidence of review of subgrantee financial systems, Member timesheets, expense documentation during site visits.	2	M8
	Not all subgrantee OMB A-133 audit reports were obtained.	2	M12
	Information from Member surveys is not documented and maintained.	2	M17
	Monitoring checklist not documented for specific Member files and expense items reviewed.	2	M19
	No procedures to determine if subgrantees are performing prohibited activities.	2	M22
	No written procedures for monitoring subgrantees.	1	M1
	Lack of timely communication and follow-up on deficiencies found during site visits.	1	M3
	No written procedures to ensure subgrantees correct deficiencies.	1	M4
	Subgrantee financial systems and expense documentation not reviewed during site visits.	1	M7

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Table 3: Analysis of State Commission Findings
By Category, Finding and Frequency of Occurrence
(All Findings for the 18 State Commissions)

Category	Finding	Frequency	Finding No.
Monitoring	Subgrantee OMB A-133 or other audit reports not maintained.	1	M11
	Subgrantee progress reports not formally verified during site visits.	1	M14
	Unable to determine if progress reports were received timely.	1	M15
	Review of progress reports and submission of results to subgrantees not in conformance with Council procedures.	1	M16
	Member service hours not tested.	1	M18
	Procedures to select Members for testing not documented.	1	M20
	No procedures to determine if Members' living allowances are correctly paid.	1	M23
	Actual dates of site visits not documented.	1	M24
	Procedures for Learn and Serve subgrantees do not include site visits or submission of written feedback on quarterly progress reports.	1	M25

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Table 4: Summary of State Commissions Findings
By Commission and Number of Findings in Each Category

State Commission	State Responses (See 1, 2, & 3 Below)	Number of Findings in Each Category		
		Grant Award	Fiscal Administration	Monitoring
Delaware	2, 3	5	4	2
Illinois	2, 3	2	2	3
Iowa	2, 3	1	-	1
Kentucky	Unable to respond to draft report within the 30 day comment period	4	3	3
Minnesota	2, 3	3	1	4
Missouri	1, 3	3	4	6
New Hampshire	2, 3	5	2	7
New Jersey	2, 3	1	1	3
North Carolina	2, 3	3	3	3
Ohio	2, 3	3	2	7
Pennsylvania	1, 3	-	2	4
Rhode Island	2	-	2	2
Tennessee	1	1	1	-
Virginia	No formal response	2	-	2
Washington	2, 3	1	3	2
West Virginia	2, 3	-	1	2
Wisconsin	2	3	3	2
Wyoming	1, 3	1	2	4

1. The Commission's response agreed with the findings and recommendations in the pre-audit survey report.
2. The Commission disagreed in whole or in part with the findings and recommendations in the pre-audit survey report.
3. The Commission's response indicated that it initiated or planned to initiate corrective action in response to the findings and recommendations in the pre-audit survey report.

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Pre-Audit Surveys of State Commissions
Table 5: Summary of Conditions Reported
By State Commission

Delaware Community Service Commission		
Category	Finding	Finding Number
Grant Award Process	Inadequate documentation to support subgrantee selection process.	G1
	Adequacy of applicants' financial systems not considered in the selection process.	G4
	Availability of 1998 program year funds not advertised – reasons not documented.	G8
	Conflict of interest forms not maintained.	G9
	Documentation in support of the pre-1998 grantee application rejections not available for review.	G10
Fiscal Administration	No support for review of subgrantee FSR's and no comparison of FSR's to accounting systems and/or documentation during site visits.	F1
	Fourteen FSR's submitted untimely or late and unable to determine submission date of four others.	F2
	All required FSR's were not maintained and portions missing from others from 1995 – 1997.	F3
	Administrative and Program Development and Training funds not tracked using budget line items.	F12
Monitoring	Monitoring system needs improvement. Information excluded from site visit documentation.	M6
	Lack of documentation of review of subgrantee OMB A-133 or other audit reports.	M13

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Table 5: Summary of Conditions Reported
By State Commission

Illinois Commission on Community Service		
Category	Finding	Finding Number
Grant Award Process	No public advertising of program funds.	G5
	Documentation in support of the pre-1998 grantee application rejections not available for review.	G10
Fiscal Administration	FSR's submitted untimely or late and unable to determine submission date of four others.	F2
	Lack of review of subgrantees' expense reimbursement reports.	F9
Monitoring	No comprehensive schedule for planned and actual site visits is maintained.	M5
	Not all subgrantee OMB A-133 audit reports were obtained.	M12
	Information from Member surveys is not documented and maintained.	M17

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Table 5: Summary of Conditions Reported
By State Commission

Iowa Commission on Volunteer Service		
Category	Finding	Finding Number
Grant Award Process	Conflict of interest forms not maintained.	G9
Monitoring	Monitoring system needs improvement. Site visit documentation missing.	M6

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Table 5: Summary of Conditions Reported
By State Commission

Kentucky Commission on Community Volunteerism and Service		
Category	Finding	Finding Number
Grant Award Process	Documentation supporting grant making decisions not available in all cases.	G2
	Adequacy of applicants' financial systems not considered in the selection process.	G4
	Documentation of ads for availability of funds not maintained.	G7
	Conflict of interest forms not maintained.	G9
Fiscal Administration	FSR's submitted untimely or late and unable to determine submission date.	F2
	All required FSR's were not maintained and portions were missing from others.	F3
	Lack of evidence of FSR and matching reconciliation review.	F4
Monitoring	Monitoring system needs improvement. Information excluded from site visit documentation.	M6
	Lack of documentation of review of subgrantee OMB A-133 or other audit reports.	M13
	Member service hours not tested.	M18

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Table 5: Summary of Conditions Reported
By State Commission

Minnesota Commission on National and Community Service		
Category	Finding	Finding Number
Grant Award Process	Inadequate documentation to support subgrantee selection process.	G1
	Adequacy of applicants' financial systems not considered in the selection process.	G4
	No written policies and procedures to ensure consistent communication to selection officials for previously funded applicants.	G12
Fiscal Administration	No written procedures for review of matching requirements.	F6
Monitoring	No written procedures for monitoring subgrantees.	M1
	No written procedures for follow-up on deficiencies at subgrantees.	M2
	Monitoring checklist not documented for specific Member files and expense items reviewed.	M19
	Sample size determination not documented.	M21

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Table 5: Summary of Conditions Reported
By State Commission

Missouri Community Service Commission		
Category	Finding	Finding Number
Grant Award Process	Adequacy of applicants' financial systems not considered in the selection process.	G4
	Conflict of interest forms not maintained.	G9
	No procedures to determine if subgrantees have been suspended or disbarred by the Federal government.	G11
Fiscal Administration	FSR's submitted untimely or late or unable to determine submission date.	F2
	All required FSR's were not maintained and/or portions missing from others.	F3
	Lack of review of matching and earmarking requirements.	F5
	Documentation supporting expenditures missing.	F10
Monitoring	No written procedures for follow-up on deficiencies at subgrantees.	M2
	No comprehensive schedule for planned and actual site visits is maintained.	M5
	Subgrantee financial systems and expense documentation not reviewed during site visits.	M7
	No requirement for submission of OMB A-133 audit reports.	M9
	No review of OMB A-133 audit reports.	M10
	Information from Member surveys is not documented and maintained.	M17

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Table 5: Summary of Conditions Reported
By State Commission

New Hampshire Commission on National and Community Service		
Category	Finding	Finding Number
Grant Award Process	Adequacy of applicants' financial systems not considered in the selection process.	G4
	Limited advertising of funding availability.	G6
	Conflict of interest forms not maintained.	G9
	Documentation in support of grantee application rejections not available for review.	G10
	No written policies and procedures to ensure consistent communication to selection officials for previously funded applicants.	G12
Fiscal Administration	FSR's submitted untimely or late or unable to determine submission date.	F2
	Lack of evidence of FSR and matching reconciliation review.	F4
Monitoring	No written procedures for follow-up on deficiencies at subgrantees.	M2
	No comprehensive schedule for planned and actual site visits is maintained.	M5
	No evidence of review of subgrantee financial systems, Member timesheets, expense documentation during site visits.	M8
	No requirement for submission of OMB A-133 audit reports.	M9
	No review of OMB A-133 audit reports.	M10
	No procedures to determine if subgrantees are performing prohibited activities.	M22
	No procedures to determine if Member's living allowances are correctly paid.	M23

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Table 5: Summary of Conditions Reported
By State Commission

New Jersey Commission on National and Community Service		
Category	Finding	Finding Number
Grant Award Process	Adequacy of applicants' financial systems not considered in the selection process.	G4
Fiscal Administration	FSR's submitted untimely or late or unable to determine submission date.	F2
Monitoring	Monitoring system needs improvement. Site visit documentation missing.	M6
	No review of OMB A-133 audit reports.	M10
	Subgrantee OMB A-133 or other audit reports not maintained.	M11

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Table 5: Summary of Conditions Reported
By State Commission

North Carolina Commission on Volunteerism and Community Service		
Category	Finding	Finding Number
Grant Award Process	Inadequate documentation to support subgrantee selection process.	G1
	Adequacy of applicants' financial systems not considered in the selection process.	G4
	Documentation of ads for availability of funds not maintained.	G7
Fiscal Administration	No support for review of subgrantee FSR's and no comparison of FSR's to accounting systems and/or documentation during site visit.	F1
	FSR's submitted untimely or late or unable to determine submission date.	F2
	All required FSR's were not maintained and/ or portions missing from others.	F3
Monitoring	Monitoring system needs improvement. Site visit documentation missing.	M6
	Lack of documentation of review of subgrantee OMB A-133 or other audit reports.	M13
	Actual dates of site visits not documented.	M24

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Table 5: Summary of Conditions Reported
By State Commission

Ohio Governor's Community Service Council		
Category	Finding	Finding Number
Grant Award Process	Documentation supporting the selection review process inconsistent and incomplete.	G3
	Conflict of interest forms not maintained.	G9
	Subgrantee selection procedures do not identify data to be provided by previously funded applicants.	G13
Fiscal Administration	Lack of evidence of FSR and matching reconciliation review.	F4
	Lack of procedures to determine the accuracy of information processed through the state's financial system.	F11
Monitoring	No written procedures for follow-up on deficiencies at subgrantees.	M2
	Monitoring system needs improvement. Site visit documentation missing.	M6
	No requirement for submission of OMB A-133 audit reports.	M9
	No review of OMB A-133 audit reports.	M10
	Unable to determine if progress reports were received timely.	M15
	Review of progress reports and submission of results to subgrantees not in conformance with Council procedures.	M16
	Procedures for Learn and Serve subgrantees do not include site visits or submission of written feedback on quarterly progress reports.	M25

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Table 5: Summary of Conditions Reported
By State Commission

Pennsylvania Commission on National and Community Service		
Category	Finding	Finding Number
Fiscal Administration	FSR's submitted untimely or late or unable to determine submission date.	F2
	Staff levels inadequate to perform all required duties.	F13
Monitoring	No written procedures to ensure subgrantees correct deficiencies.	M4
	No comprehensive schedule for planned and actual site visits is maintained.	M5
	No evidence of review of subgrantee financial systems, Member timesheets, expense documentation during site visits.	M8
	Subgrantee progress reports not formally verified during site visits.	M14

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Table 5: Summary of Conditions Reported
By State Commission

Rhode Island Service Alliance: A Commission for National and Community Service		
Category	Finding	Finding Number
Fiscal Administration	Lack of evidence of FSR and matching reconciliation review.	F4
	Learn and Serve FSR's prepared on a cash basis.	F8
Monitoring	Monitoring system needs improvement. Site visit documentation missing.	M6
	Procedures to select Members for testing not documented.	M20

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Table 5: Summary of Conditions Reported
By State Commission

Tennessee Commission on National and Community Service		
Category	Finding	Finding Number
Grant Award Process	Conflict of interest forms not maintained.	G9
Fiscal Administration	All required FSR's were not maintained and/or portions missing from others.	F3

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Table 5: Summary of Conditions Reported
By State Commission

Virginia Commission on National and Community Service		
Category	Finding	Finding Number
Grant Award Process	Conflict of interest forms not maintained.	G9
	Documentation in support of grantee application rejections not available for review.	G10
Monitoring	Lack of timely communication and follow-up on deficiencies found during site visits. Follow-up results not documented.	M3
	Sample size determination not documented.	M21

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Table 5: Summary of Conditions Reported
By State Commission

Washington Commission on National and Community Service		
Category	Finding	Finding Number
Grant Award Process	Documentation supporting grant making decisions not available in all cases.	G2
Fiscal Administration	No support for review of subgrantee FSR's and no comparison of FSR's to accounting systems and/or documentation during site visits.	F1
	FSR's submitted untimely or late and unable to determine submission date.	F2
	All required FSR's were not maintained and/or portions missing from others.	F3
Monitoring	Monitoring system needs improvement. Information excluded from site visit documentation.	M6
	Lack of documentation of review of subgrantee OMB A-133 or other audit reports.	M13

Office of Inspector General
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Table 5: Summary of Conditions Reported
By State Commission

West Virginia Commission on National and Community Service		
Category	Finding	Finding Number
Fiscal Administration	FSR's submitted untimely or late or unable to determine submission date.	F2
Monitoring	Not all subgrantee OMB A-133 audit reports were obtained.	M12
	No procedures to determine if subgrantees are performing prohibited activities.	M22

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Table 5: Summary of Conditions Reported
By State Commission

Wisconsin National and Community Service Board		
Category	Finding	Finding Number
Grant Award Process	Documentation supporting grant making decisions not available in all cases.	G2
	Adequacy of applicants' financial systems not considered in the selection process.	G4
	Conflict of interest forms not maintained.	G9
Fiscal Administration	FSR's submitted untimely or late or unable to determine submission date.	F2
	All required FSR's were not maintained and/or portions missing from others.	F3
	Lack of evidence of FSR and matching reconciliation review.	F4
Monitoring	Monitoring system needs improvement. Site visit documentation missing.	M6
	Lack of documentation of review of subgrantee OMB A-133 or other reports.	M13

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Table 5: Summary of Conditions Reported
By State Commission

Wyoming Commission for National and Community Service		
Category	Finding	Finding Number
Grant Award Process	Adequacy of applicants' financial systems not considered in the selection process.	G4
Fiscal Administration	Lack of evidence of FSR and matching reconciliation review.	F4
	Inadequate documentation to support Commission's in-kind match amount.	F7
Monitoring	No written procedures for follow-up on deficiencies at subgrantees.	M2
	Lack of documentation of review of subgrantee OMB A-133 or other reports.	M13
	Monitoring checklist not documented for specific Member files and expense items reviewed.	M19
	Sample size determination not documented.	M21

Office of Inspector General
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Table 6: State Commissions Audited as a Major
Program Under Single Audit Act Requirements

State Commission	Audited as a Major Program in the State's Annual Audit (Years Audited)	Audited as a Separate Entity Under Single Audit Act Requirements (Years Audited)
New Hampshire	June 30, 1998	
Rhode Island AmeriCorps Learn and Serve and Administration Grants		 September 30, 1995, 1996, 1997, 1998 September 30, 1995 and 1996
Washington	June 30, 1998	

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State Commissions

The tables and statistics for this report were compiled from the 18 pre-audit survey reports:

Commission	*OIG Report Number*
Delaware Community Service Commission	00-06
Illinois Commission on Community Service	00-32
Iowa Commission on Volunteer Service	00-07
Kentucky Commission on Community Volunteerism and Service	00-11
Minnesota Commission on National and Community Service	00-31
Missouri Community Service Commission	00-17
New Hampshire Commission on National and Community Service	00-19
New Jersey Commission on National and Community Service	00-26
North Carolina Commission on Volunteerism and Community Service	00-08
Ohio Governor's Community Service Council	00-15
Pennsylvania Commission on National and Community Service	00-14
Rhode Island Service Alliance: A Commission for National and Community Service	00-27
Tennessee Commission on National and Community Service	00-09
Virginia Commission on National and Community Service	00-18
Washington Commission on National and Community Service	00-10
West Virginia Commission on National and Community Service	00-16
Wisconsin National and Community Service Board	00-29
Wyoming Commission for National and Community Service	00-35

Appendix B describes the objectives, scope and methodology used for these pre-audit surveys.

State Commission
Pre-Audit Surveys
Objectives, Scope and Methodology

Summary Report

CNS OIG agreed with Congressional committee staff to periodically provide a cross-cutting analysis of the results of the state commission pre-audit surveys to provide insight on the strengths and weaknesses of the state commissions. This report summarizes the conditions and other information revealed by the first 18 state commission pre-audit survey reports.

We engaged the independent accounting firm of L. G. Birnbaum and Company to review and analyze the reports and to compile the information in the Tables that accompany OIG's summary report. The firm independently referenced the draft report and the data in the Tables.

The State Commission Pre-Audit Surveys

The purpose of the Office of Inspector General's pre-audit surveys of the individual state commissions is to provide a preliminary assessment of their systems and procedures for administering their AmeriCorps and other CNS funding. The procedures are less in scope than an audit and are intended to provide for a preliminary assessment of:

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

The results of the survey aid OIG in determining future audit work to be performed at each commission.

The survey methodology was developed by KPMG, LLP under contract to OIG during fiscal year 1999. KPMG and OIG requested and were provided information from the Corporation regarding guidance provided to State Commissions. Development of the methodology included discussions with Corporation staff including representatives of its Department of Evaluations and Effective Practices. OIG actively participated in the design of the procedures.

The 18 surveys summarized in this report were performed by two independent accounting firms under contract to OIG: KPMG, LLP and Urbach, Kahn and Werlin PC. The pre-audit surveys include the following procedures:

- reviewing applicable laws, regulations, grant provisions, the Corporation's State Commission Reference Manual, and other information to gain an understanding of legal, statutory and programmatic requirements;

State Commission
Pre-Audit Surveys
Objectives, Scope and Methodology

- 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 CNS grant funding for program years 1995 through 99; and

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

Each commission's internal controls are documented and tested using inquiries, observations, and examination of a limited sample of source documents. The results of our work are summarized to develop the findings and recommendations for each commission.

Although the work performed does not constitute an audit, the procedures, described herein, are performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We provide drafts of each report to the individual commission and to the Corporation for comment and include their responses in the final report.

Objective and the Procedures Performed for each area

Internal Controls

Our objective is 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 identify the compliance requirements with a direct and material effect on the commission's AmeriCorps and other grant program, as follows: activities allowed or unallowed and allowable costs; cash management; eligibility; matching; period of availability of Corporation funds; and reporting by the commission to the Corporation. We then interview key commission personnel to assess the commission's controls surrounding these requirements.

Selecting Subgrantees

Our objectives are 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;

State Commission
Pre-Audit Surveys
Objectives, Scope and Methodology

- 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 interview key commission management and documented procedures performed by the commission during the pre-award financial and programmatic risk assessment of potential subgrantees. We also review 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 the Grant Funds

Our objectives are 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 review 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.

State Commission
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Evaluating and Monitoring Grants

Our objectives are 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 document the procedures performed by the commission to evaluate and monitor individual subgrantees. In addition, we judgmentally select subgrantees and obtain the commission's documentation for site visits. We review 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 determine whether the commission receives and reviews OMB Circular A-133 audit reports from subgrantees.

Providing Technical Assistance

Our objectives are 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;

State Commission
Pre-Audit Surveys
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- 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 document the procedures performed by the commission to identify and satisfy training needs for the subgrantees and commission employees. We also obtain summaries of training costs incurred during the current year to ensure they properly relate to training activities that were made available to all subgrantees.

CORPORATION
FOR NATIONAL
SERVICE

TO: Luise S. Jordan, Inspector General

THRU: Anthony Musick, Chief Financial Officer

FROM: Deborah R. Jospin, Director, AmeriCorps
Bruce H. Cline, Director, Grants Management

DATE: September 13, 2000

SUBJECT: Response to OIG Draft Report 00-42: Summary of Eighteen State Commission Pre-Audit Survey Reports

We have reviewed the draft report summarizing information from the first 18 state commission pre-audit surveys. It is important to note that the Inspector General's surveys reviewed only a portion of commissions' overall responsibilities. The National and Community Service Act lists specific duties of these governor-appointed commissions. Commissions select and administer the AmeriCorps subgrant program; they also take a leadership role in other national service and volunteer activities in the state, work collaboratively with government, businesses, and the non-profit community to develop national service plans for the state, and coordinate the activities of other Corporation and national service programs in the state. They are managed by commissioners appointed by their governor, and their activities and operations reflect the needs and priorities of the respective state.

The 18 state commissions referenced in this review were created in 1994 and 1995. These commissions began operations immediately: establishing state priorities for national service, reviewing program proposals, selecting programs, preparing an application to the Corporation, and providing a wide range of support services to their subgrantees. Although some of the commissions were well funded and amply staffed, many were not. Many began operations with minimal systems in place to meet the programmatic and administrative requirements of these new federal grants. Therefore, we are pleased with the progress made by the commissions since their inception.

The Corporation and the commissions have been working on ways to strengthen grant management. Over the last seven years, several fiscal and program management improvements have been put in place to prudently manage and monitor the awarding of federal funds. This has taken place as we have devolved more responsibility to states for the administration of national service programs. As one Governor has stated, "AmeriCorps has been successful precisely because it is not a top-down Washington program. In fact, it is one of the most far-reaching experiments in local control government has ever supported."

In addition, the Corporation, with input from the commissions, developed State Administrative Standards to assess and monitor commission activities. The Standards are becoming the primary tool the Corporation uses to monitor state commissions. To date, 13 state commissions have been reviewed using this tool and the rest will be reviewed by the end of 2002. The eleven individual standards that comprise this tool were developed over a two-year period and were pilot tested before being finalized in 1999. The purpose of the Standards is to ensure that each State commission has proper management systems in place for the administration of federal funds. The Standards review process consists of a self-assessment by the Commission using the same tool the reviewers use, advance technical assistance to the grantee, a week-long visit by a four-to-six member review team, and written feedback. Following the review, appropriate training or technical assistance is made available to address any weaknesses identified.

The Commissions are responding to the pre-audit surveys and the recommendations contained therein. In many cases, the commissions have implemented the recommendations contained in the audit report and the Corporation is following up with each State Commission as part of on-going monitoring activities, including the State Administrative Standards review.

The Corporation does want to express its concerns about the decisions to conduct full-scope audits on many of the commissions. Despite the OIG's finding that ten[1] of the 18 commissions surveyed had adequate fiscal management processes in place for administration of Corporation grant funds, OIG is recommending full or limited scope audits for 17 of the commissions. Because many of the survey findings relate to non-financial management issues, we recommend that they be resolved administratively and be verified through subsequent Administrative Standards and other program reviews. This approach would be less burdensome, more economical, and would provide adequate assurance that identified problems have been addressed and resolved.

OIG discusses this matter on page 3 of the report.

We feel compelled to note that a significant number of findings are minor administrative issues, e.g. failure to maintain all conflict of interest forms, failure to date stamp all reports, failure to record the names of members whose files were reviewed during site visits, and lack of written documentation of established procedures. Additionally, the auditors noted that a number of problems occurred in earlier years and have since been resolved.

Additionally, the Corporation notes the following in the report:

- We have concerns that the OIG may be making some adverse findings without identifying, on a consistent basis, the specific requirements with which commissions must comply. The pre-audit surveys rely heavily on the *Reference Manual for Commission Executive Directors and Members* as the basis for making findings of non-compliance. This manual is a training and technical assistance tool, it is not

OIG comments on this matter are in Appendix D.

[1] Table 2 included in the draft report left Ohio out of the list of commissions that have "Adequate Fiscal Management of CNS Grant Funds." The Pre-audit Survey Report of the Ohio Commission stated that the Commission did have adequate fiscal management of CNS grant funds.

legally binding, and includes many advisory provisions that are not requirements. It is described in the introduction as a "bundle of resources [and] not a step-by-step formal guide..." To the extent that the manual contains references to requirements in statutes, regulations, and grant provisions, the bases for these requirements are the referenced legal rules and not the Manual itself. Moreover, the pre-audit surveys tend to refer generally to "Corporation guidelines" without specifically identifying the requirements at issue. If OIG is going to rely on findings in the pre-audit surveys in determining whether to undertake more extensive audits of commissions, it is imperative that the basis for each finding be clearly identified and constitute a requirement rather than a suggestion or recommendation.

- The OIG incorrectly states that "the Corporation, historically, has not carried out a comprehensive, risk-based program for grantee financial and programmatic oversight and monitoring." The Corporation carries out a documented monitoring program and expanded it in 1999 with an explicit, risk-based tool to set site visit priorities. We have committed considerable resources to monitoring activities, including staff training, developing monitoring tools, and travel. Limited resources have prevented the Corporation from conducting as much monitoring as it has desired, but we have made concerted and successful efforts to visit those grantees identified as high priority in our monitoring plans.

OIG comments on this matter are in Appendix D.

- The OIG's statement that "the Corporation lacks a management information system that maintains comprehensive information on its grants, including those to state commissions and their subgrantees" is misleading. In fact, the Corporation maintains management information systems for NCSA grants that encompass all key pre- and post award action, including review of applications, generating notices of grant award, monitoring, audits, and close out. We also maintain separate management information systems for DVSA grants. The Corporation recognizes areas for improvement in these systems and is working with a private contractor to develop a state-of-the-art management information system for all Corporation grants.

OIG comments on this matter are in Appendix D.

- The OIG's statement that "Many [commissions] did not review and maintain subgrantee financial status reports" is overly broad and misleading. Although the surveys indicate that at some individual commissions not all reports were maintained and not all were reviewed, no report indicated that any commission completely failed to maintain subgrantee financial status reports.

See Table 3

- The OIG states that the Corporation did not respond to the recommendation to specify minimum monitoring procedures to be performed and maintain minimum documentation. This is misleading. Corporation responses to that recommendation are due with the management decisions on the individual audits. The first time the recommendation appears is in a pre-audit survey report for which a management decision is due later this fall. However, to the extent that monitoring is construed to mean site visits, the OIG is correct -- we purposefully do not set minimum monitoring procedures and documentation requirements. The responsibility for monitoring subgrantees lies with each state commission. Because we hold the grantee (i.e., the

OIG comments on this matter are in Appendix D.

State) accountable for its subgrantees, we expect each State commission to define site visit procedures, documentation, and frequency following state requirements.

- Finally, the statement that the "OIG has not been provided with a schedule or plan that would indicate how the Corporation plans to complete the administrative standards review on a three-year cycle" is correct. The Corporation's plans have, as could be expected, evolved throughout the pilot and early implementation phases. The Corporation provided a schedule for FY 2000 to the OIG, and received acknowledgement of that receipt on July 10, 2000. The Corporation has indicated that it will complete the State Administrative Standard reviews within three years. The specific schedule of which States will be reviewed in 2001 and 2002 has not been finalized. One of the factors that the Corporation will consider in scheduling these reviews is the information provided in the pre-audit surveys.

Overall we disagree with the conclusions and tenor of this summary report. The report was "to provide a cross-cutting analysis of the results of the state commission pre-audit surveys to provide insight on the strengths and weaknesses of the state commissions." Rather, the report catalogues findings, omits reporting the many instances when earlier problems were resolved by grantees, fails to note the significant and continuing improvements of state commissions, and overlooks the positive efforts of the Corporation to improve grantee oversight. We feel strongly that data gleaned from these surveys can be used to inform both the Corporation and its grantees, and we hope that future reports will more accurately capture the positive findings and trends in addition to areas for improvement.

OIG comments on this matter are in Appendix D.

Cc: Wendy Zenker

OIG Comments on Specific Items Noted in The Corporation's Response to the Summary Report

CNS Response: On page 2 of its response, (Appendix C) CNS expresses concerns that OIG "may be making some adverse findings without identifying, on a consistent basis, the specific requirements with which commissions must comply. The pre-audit surveys rely heavily on the *Reference Manual for Commission Executive Directors and Members* as the basis for making findings of non-compliance. This manual is a training and technical assistance tool, it is not legally binding, and includes many advisory provisions that are not requirements."

OIG comment: The objectives, scope and methodology for the surveys (Appendix B) clearly indicate that the pre-audit surveys are not based on the Reference Manual. Furthermore, review of the findings (Tables 3 and 5) reveals they are basically conditions that *common sense* indicates, warrant correction or improvement -- regardless of the specific criteria cited in the report.

We cited the Reference Manual in the reports as criteria in certain findings because we wanted to "tailor" them to CNS guidance to the commissions and that was the guidance material provided to us for our use by the Corporation. Now, CNS responds that the Reference Manual is "not legally binding." Therefore, for reports issued in FY 2001 and future years, we will replace citations from the Reference Manual with other criteria including additional citations to OMB requirements, the Corporation's regulations, and its Administrative Standards issued in FY 2000.

CNS Response: On page 3 of its response, the Corporation takes issue with OIG's statement that "the Corporation, historically, has not carried out a comprehensive, risk-based program for grantee financial and programmatic oversight and monitoring." CNS asserts that it has a documented monitoring program and, expanded it in 1999 with an explicit, risk-based tool to set site visit priorities.

OIG Comment: OIG does not dispute that the Corporation may have made some improvements in certain areas of its monitoring. However, we have yet to find, or to receive evidence of, an effective and comprehensive monitoring and oversight program.

CNS Response: Also on page 3, the response describes OIG's statement that ". . . the Corporation lacks a management information system that maintains comprehensive information on its grants, including those to state commissions and their subgrantees" as misleading.

OIG Comment: OIG acknowledges that CNS has some systems that maintain certain grant-related data. However, CNS' grant systems are a patchwork of systems and databases and are not comprehensive. The quality of and location of CNS' grant files is unpredictable. Therefore, OIG does not consider the statement misleading. The Corporation's recent project to define the requirements for a grants management system further ratifies OIG's statement.

CNS Response: The Corporation, quoting out of context, cites OIG's statement that, "Many of them [the state commissions], however, did not review and maintain subgrantee financial status reports (FSRs) or obtain them from the subgrantees in a timely manner" as overly broad and misleading.

OIG Comment: OIG's statement summarizes findings F1 through F4 in Table 3 under the Fiscal Administration category.

CNS Response: CNS characterizes as misleading the following paragraph of the summary report,

> "In addition to the specific recommendations for improving monitoring at individual state commissions, we recommended that the Corporation revise its guidance to state commissions to specify minimum monitoring procedures to be performed, as well as minimum documentation requirements. The Corporation has not responded to this recommendation."

The Corporation goes on to argue that no response is required because the deadlines for management resolution have not been reached. In addition, the response indicates that CNS ". . . purposefully [does] not set minimum monitoring procedures and documentation requirements. Because we hold the grantee (i.e., the State) accountable for its subgrantees, we expect each State commission to define site visit procedures, documentation, and frequency following state requirements."

OIG Comments: State Commission monitoring of subgrantees was the most problematic area in our pre-audit survey assessments. Often, we were unable to determine what had been looked at or the extent of the review. Given the frequency of the findings in this area, the prudent thing for CNS to do would have been to take action. The justification that a response was not due until a formal deadline arrives, equates management to flipping a switch rather than a continuous process. Moreover, CNS' statement that it purposefully does not set minimum requirements in this area seems to abrogate its responsibility to manage National Service programs and AmeriCorps Member service by providing adequate coordination, guidance and oversight. Even considering devolution of responsibility, there is a need for a mandate in writing from the Corporation requiring that monitoring be performed and setting forth basic requirements on the areas to be covered and minimum documentation requirements.

CNS Response: The response concludes by expressing the Corporation's overall disagreement with the "conclusions and tenor" of the summary report. Specifically, the Corporation objects to the listings of findings and the summary report's omission of reported corrections and improvements by the state commissions and of positive efforts of the Corporation to improve grantee oversight.

OIG Comments: The Corporation has had an opportunity to respond to each finding in each report. Because CNS has not objected to the findings in the individual reports, it is difficult to understand why the Corporation objects to a summary listing. Moreover, each report requested that CNS follow-up on each commission's corrective actions. Had OIG received independent or objective evidence of corrections and improvement, we would have considered including the information. We have received no such evidence, nor are we aware of positive efforts by CNS to improve grantee oversight. As we perform our follow-up audit work, we will report the actions taken to correct and to improve the conditions reported herein.