Office of Inspector General
Corporation for National and Community Service

Pre-Audit Survey of the Arizona Governor's Commission On Service and Volunteerism

OIG Report Number 04-12

Prepared by:

COTTON & COMPANY LLP
333 North Fairfax Street, Suite 401
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This report was issued to Corporation management on April 1, 2004. Under the laws and regulations governing audit follow up, the Corporation is to make final management decisions on the report's findings and recommendations no later than October 1, 2004, and complete its corrective actions by April 1, 2005. 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
Audit Report 04-12

Pre-Audit Survey of Corporation for National and Community Service Grants Awarded to the Arizona Governor's Commission on Service and Volunteerism

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation) retained Cotton & Company LLP to perform a pre-audit survey of the Arizona Governor's Commission on Service and Volunteerism. The objectives of the pre-audit survey were to evaluate: (1) the adequacy of the pre-award selection process; (2) the administration of grant funds; and (3) grant monitoring. The audit period included Program Years 2000–2001 and 2001–2002.

The Commission was awarded Corporation AmeriCorps Formula, Program Development and Training, and Administrative grants totaling $5,777,235 for Program Years 2000-2001 and 2001-2002. During the pre-audit survey program years, the auditors noted the following: the Commission did not have documentation to prove that subgrantee monitoring information was used to select subgrantees for renewal, the site visit monitoring tool did not adequately document the Commission's monitoring efforts, and controls were inadequate to ensure that AmeriCorps members were informed of prohibited activities. The auditors do not recommend that a full-scope audit be performed. They recommended that the Corporation follow up with the Commission to determine that corrective actions have been implemented.

The Office of Inspector General has reviewed the report and the work papers supporting the auditors' conclusions. Our review of the auditors' work papers disclosed no instances where Cotton & Company LLP did not comply, in all material respects, with generally accepted government auditing standards.

The Office of Inspector General provided the Arizona Governor's Commission on Service and Volunteerism and the Corporation with a draft of this report for their review and comment. Their responses are included in their entirety as Appendices C and D, respectively.

Background

The Corporation for National and Community Service, pursuant to the National and Community Service Trust Act, as amended, awards grants and cooperative agreements to State commissions, nonprofit entities, tribes, and territories to assist in the creation of full-time and part-time national and community service programs. Currently, under the Act's requirements, the Corporation awards approximately three-fourths of its AmeriCorps*State/National funds to State commissions. The State commissions, in turn, fund and oversee the subgrantees that execute the programs. Through these subgrantees, AmeriCorps members perform service to meet educational, human, environmental, and public safety needs.

OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
PRE-AUDIT SURVEY OF THE
ARIZONA GOVERNOR'S COMMISSION ON SERVICE AND VOLUNTEERISM

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January 23, 2004

Office of Inspector General
Corporation for National and Community Service

Cotton & Company LLP performed a pre-audit survey of the Arizona Governor's Commission on Service and Volunteerism (Commission). The pre-audit survey was performed in accordance with the terms of the statement of work dated June 24, 2003, by and between Cotton & Company and the Office of Inspector General (OIG), Corporation for National and Community Service (Corporation).

The primary survey objectives were to evaluate the:

- adequacy of the Commission's pre-award selection process;
- procedures for fiscal administration of Corporation grants; and
- effectiveness of Commission procedures for monitoring subgrantees, including AmeriCorps member activities, service hours, statistics, and other information related to program accomplishments.

We also issued a letter to the OIG concerning our conclusions on audit risk and recommendations as to the nature and scope of additional procedures.

We conducted our procedures in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an audit of financial statements, the objective of which would be the expression of an opinion on the Commission's controls or on its compliance with laws and regulations. Accordingly, we do not express such an opinion. Further, our procedures were not sufficient to express an opinion on the Commission's internal control or on its compliance with laws, regulations, contracts, and grants. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

This report is intended solely for the information and use of the OIG and is not intended to be, and should not be, used by anyone other than the OIG.

COTTON & COMPANY LLP

Sam Hadley, CPA
Partner

SUMMARY OF RESULTS

Cotton & Company LLP was engaged by the Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), to provide an assessment of the systems and procedures in place at the Arizona Governor's Commission on Service and Volunteerism (Commission) for administering AmeriCorps grants and monitoring the fiscal activity of subgrantees. The primary purposes of the pre-audit survey were to evaluate the adequacy of the:

- internal controls over grant management;
- pre-award selection process;
- administration of grant funds; and
- evaluation and oversight of subgrantees.

Based on results of procedures performed, we offer the following preliminary assessments regarding the Commission's systems for administering AmeriCorps grants:

- No documentation existed to prove that the Commission used subgrantee monitoring results in the renewal selection process.

- The site visit monitoring tool did not adequately document the Commission's monitoring efforts.

- The Commission had inadequate controls to ensure that AmeriCorps members were informed of prohibited activities.

The findings and recommendations presented in this report describe these matters in detail.

During the period of our pre-audit survey, the Commission's AmeriCorps grants were not audited as a major program under Office of Management and Budget (OMB) Circular A-133.

Based on the results of our preliminary assessment, we do not recommend performing a full-scope audit for Program Years 2000-2001 and 2001-2002. We recommend that the Corporation follow up with the Commission to determine that appropriate corrective actions have been taken to address conditions reported herein, and that the Corporation considers these conditions in its future oversight and monitoring of the Commission.

BACKGROUND

The Corporation for National and Community Service

The National and Community Service Trust Act of 1993, which amended the National and Community Service Act of 1990, established the Corporation for National and Community Service. The Corporation funds opportunities for Americans to engage in service that fosters civic responsibility, strengthens communities, and provides educational opportunities for those who make a substantial commitment to service.

The Corporation awards grants and cooperative agreements to State commissions, nonprofit entities, tribes and territories to assist in creating full-time and part-time national and community service programs. Through these grants, AmeriCorps members perform service to meet educational, human, environmental, and public safety needs throughout the nation, with special attention focused on needs related to poverty. In return for their service, program participants may receive a living allowance and a monetary award for educational purposes.

The Corporation awards approximately 75 percent of its AmeriCorps funds to State commissions. State commissions are responsible for developing and communicating a vision and ethic of service throughout their States.

Additionally, State commissions, acting as grantees, distribute funds to subgrantees to enable them to administer service programs. State commissions are responsible for monitoring subgrantee compliance with grant requirements. The commissions are also responsible for providing training and technical assistance to service programs. State commissions are, however, prohibited from directly operating service programs.

The Arizona Governor's Commission on Service and Volunteerism

The Arizona AmeriCorps programs are administered by the Arizona Governor's Commission on Service and Volunteerism, which is part of the Division for Community and Youth Development, a subdivision of the Governor's Office for Children, Youth, and Families.

The Commission voted in July 2000 to start the Arizona Foundation for Service and Volunteerism, a non profit foundation to promote long-range sustainability for the Commission. As a charitable organization under Internal Revenue Code § 501(c)(3), the Foundation's principal mission is to seek funding that will benefit the State's volunteer infrastructure.

The Commission operates with a three-person staff: an Executive Director, a Program Director, and a Training Officer. To adequately segregate duties with limited resources, many of the financial functions of the Commission, such as payments to subgrantees and cash management activities, are handled by other divisions of the Governor's office.

As part of the Arizona State Government, the Commission is included in the annual OMB Circular A-133 audit. In the past three fiscal years, however, the Commission's awards have not been selected as major programs, and the Commission has not received any other audits or reviews by the State. The Arizona State Government's A-133 audit has received an unqualified opinion for the past several years, indicating that the State's documented control environment is adequate for Federal grants management. During our review, we noted that the Commission follows State procedures and internal controls. Therefore, while Commission grants were not specifically tested, controls established by the State, and used by the Commission, appear to be adequate for administering Federal awards.

The Commission provided the following information for Program Years 2000-2001 and 2001-2002:

Funding Source and Type	Program Years			
	2000-2001 Budget	2000-2001 Actual	2001-2002 Budget	2001-2002 Actual
Administrative Grant	$ 280,785	$ 196,342	$ 240,937	$ 229,579
PDAT	113,000	226,590	123,000	38,909
AmeriCorps, including Promise Fellows	2,246,492	1,565,529	2,450,981	2,017,039
Learn and Serve	198,500	193,087	0	0
Disability Fund	0	0	123,540	16,320
State Matching Fund	1,433,969	1,865,327	1,768,011	1,792,566
Total Funding	$4,272,746	$4,046,875	$4,706,469	$4,094,413

OBJECTIVES, SCOPE, AND METHODOLOGY

The OIG engaged Cotton & Company to assess systems and procedures in place at the Commission for administering AmeriCorps grants and monitoring subgrantee fiscal activity. The primary purpose of this pre-audit survey was to evaluate the adequacy of the:

- internal controls over grant management;
- pre-award selection process;
- administration of grant funds; and
- evaluation and oversight of subgrantees, including fiscal monitoring of AmeriCorps subgrantees, the monitoring of program accomplishments and other performance statistics, and the monitoring of AmeriCorps member eligibility and service-hour reporting.

Our survey included the following procedures:

- Reviewing applicable laws, regulations, grant agreements, and provisions; the Corporation's State Administrative Standards Tool; and other information to gain an understanding of legal, statutory, and programmatic requirements.

- Reviewing the State's recent OMB Circular A-133 reports.

- Obtaining information from Commission management to complete the flowcharts in Appendix A, which show the disbursement of Corporation funding to the Commission for Program Years 2000-2001 and 2001-2002.

- To the extent possible, conducting inquiries, observations, investigations, and examinations of a limited sample of source documents to meet the objectives and methodology specified in Appendix B.

The findings and recommendations presented in this report summarize the results of our work. We discussed all findings with Commission management during an exit conference on January 23, 2004. We also provided a draft of this report to the Commission and the Corporation for their responses, which are included as Appendices C and D, respectively.

RESULTS OF FIELDWORK

Internal Control

According to 45 CFR § 2541.200(b)(1), which prescribes standards for financial management systems, the Commission must maintain systems that provide "[a]ccurate, current, and complete disclosure of the financial results of financially assisted activities . . . ." Subsection (b)(3) requires the Commission to provide "[e]ffective control and accountability . . . for all grant and subgrant cash, real and personal property, and other assets."

As an entity within the State of Arizona, the Commission follows the *State of Arizona Accounting Policy and Procedure Guide*, the *New Employee Handbook*, and other State guidance. Additional written procedures are documented in the Commission's *Grant & Financial Management Handbook*, which contains all of the grant management policies for the Commission, including general renewal application guidelines.

The Governor's Office, through the State's accounting system and State Procurement Office, provides support to the Commission in its management of Corporation funds and provides additional segregation of duties. The State accounting system has separate codes specific to each Federal grant and program year, to track Commission activity, and to track payments to each subgrantee.

In addition, the Commission has a separate database that tracks payments to each subgrantee against the subgrantee's budget, recording the date of payment and other information. The Commission must provide database information along with a payment request to the Governor's Accounting Office for payment. The Accounting Office ensures that payments are made to subgrantees only with proper approval and available grant funds. This office also is responsible for drawdowns, and prepares periodic drawdown requests based on expenditures incurred in each grant code. The Commission does not draw down Federal funds in advance of disbursement and does not provide advances to its subgrantees.

Selecting Subgrantees

Each State Commission, according to 45 CFR § 2550.80(b)(1), is required to "[a]dminister a competitive process to select national service programs to be included in any application to the Corporation for funding . . . . "

The Commission administers an open, competitive process to select national service subgrantees. It makes notification of available funding through a variety of sources, in accordance with State Procurement Office rules. The Commission also holds pre-application conferences to answer applicants'questions and clarify policies.

Review committees conduct pre-award financial and programmatic risk assessments of potential subgrantees in two separate evaluation phases. In each phase, a separate review committee is comprised of three diverse and independent committee members. Technical advisors and a procurement specialist are available for guidance.

Guidelines for the evaluation process are provided to the first review committee. After discussion, the potential subgrantees receive a score of pass or fail. Those passing phase one repeat the evaluation process with the second review committee. Successful and unsuccessful applicants are notified of the results, and evaluation documents are available for review after the award process is complete.

Issue: No documentation existed to indicate that past subgrantee monitoring results were used in the renewal selection process.

The Commission could not demonstrate that it used past subgrantee evaluations in its grant renewal selection process. Selection procedures included evaluating results of past monitoring, such as Quarterly Progress Report Feed Back Forms and site visit monitoring tools, but the selection documents did not indicate whether this information was reviewed and considered. The Commission explained that it did not realize the value of documenting everything that was reviewed for the selection process. Without this documentation, a possibility exists that past evaluations were not properly considered in the selection process, and subgrantees with poor performance could erroneously receive funding for another program year.

Recommendation: We recommended that the Commission create a standardized renewal form, such as a checklist, that documents the full evaluation process, including reviews of previous monitoring results.

Administering Grant Funds

According to 45 CFR § 2550.80(d), State commissions "will be responsible for administering the grants and overseeing and monitoring the performance and progress of funded programs."

The Commission provides reporting guidance for Financial Status Reports (FSRs), Periodic Expense Reports (PERs), and Quarterly Progress Reports to subgrantees. Subgrantee reporting due dates are set to allow for the Commission to report to the Corporation in a timely manner. The Commission electronically tracks subgrantee submissions of reports, and sends e-mails to subgrantees alerting them of report due dates. The Commission agrees PERs to expense ledgers to ensure the accuracy of FSRs.

The Commission communicates document-retention requirements to subgrantees at orientation sessions as well as during the closeout process.

As noted above, the Commission has adequate controls and segregation of duties for reimbursing subgrantee expenditures.

Evaluating and Monitoring Grants

To comply with 45 CFR § 2550.80(e), the Commission "in concert with the Corporation, shall be responsible for implementing comprehensive, non-duplicative evaluation and monitoring systems."

The Commission's AmeriCorps Program Officer reviews Quarterly Progress Reports submitted online and prepares Quarterly Report Feedback Forms for each subgrantee. The Commission evaluates Quarterly Progress Reports to measure subgrantee programmatic accomplishments. The Commission reviews monthly PERs and agrees them to subgrantee expense ledgers to determine the accuracy and propriety of costs.

The Commission conducts two-day formal site visits of subgrantees in the first year of an AmeriCorps grant. The site visit focuses on program management and compliance issues at both subgrantee and host sites. Subgrantees are provided with a site visit report outlining program strengths, weaknesses, and findings of noncompliance. The Commission tracks compliance issues until they are resolved. Additional site visits are performed on a risk basis, focusing on programs with issues based on quarterly programmatic and fiscal reports, other compliance issues, and those programs pending renewal.

The Commission has controls in place to collect and review annual subgrantee OMB Circular A-133 reports. The Commission uses a risk assessment worksheet to document this review.

Issue: Monitoring tools did not fully and clearly document efforts performed.

The site visit monitoring tool did not fully and clearly document the Commission's monitoring efforts. For example, the monitoring tool did not clearly indicate if information submitted came from the subgrantee or the Commission, if information was obtained through inquiry, or if the information was verified by Commission staff. The Commission did not detail the names of interviewees or subjects discussed during member interviews. The Commission noted that it used the monitoring tool provided by the Corporation and performed all necessary monitoring activities, but did not realize the value of the additional documentation. The additional documentation would allow future users of the monitoring tool to better understand what transpired during the site visit and more easily follow up on any issues documented.

Recommendation: We recommend that the Commission fully document details of the site visit reviews, including:

- Names of the members whose files were reviewed, with issues or concerns noted.
- Names of members and supervisors interviewed, with discussion notes.
- Identification of documents reviewed to verify the existence of controls (e.g., May 2003 bank reconciliation, three vouchers in the third quarter PER, etc.).

- Notation of procedures taken to verify information provided (e.g., persons interviewed, documents reviewed, information reconciled, etc.).

Issue: The Commission had inadequate controls to ensure that AmeriCorps members were informed of prohibited activities.

The Commission did not have strong enough controls to ensure that members were not performing prohibited activities. The Commission educates members and supervisors about prohibited activities by discussing and providing AmeriCorps handbooks and member contracts during training classes. The Commission's primary method of ensuring that members do not perform prohibited activities is through the member contract, which explicitly proscribes a list of activities.

In three of four subgrantee member contracts reviewed, the contracts did not include a complete list of prohibited activities. The complete list is provided in the member contract recommended and provided by the Commission to subgrantees. While some subgrantees may be trained regarding prohibited member activities, the Commission has no assurance that members did not perform prohibited activities without a signed member contract that lists all proscribed activities.

Recommendation: We recommend that the Commission strengthen controls to ensure that members are not performing prohibited activities by:

- Requiring subgrantees to use the standard contract recommended by the Commission, or, alternatively, requiring subgrantees to submit their contracts to the Commission for approval.

- Reviewing member contracts during site visits to ensure that approved contracts are in use.

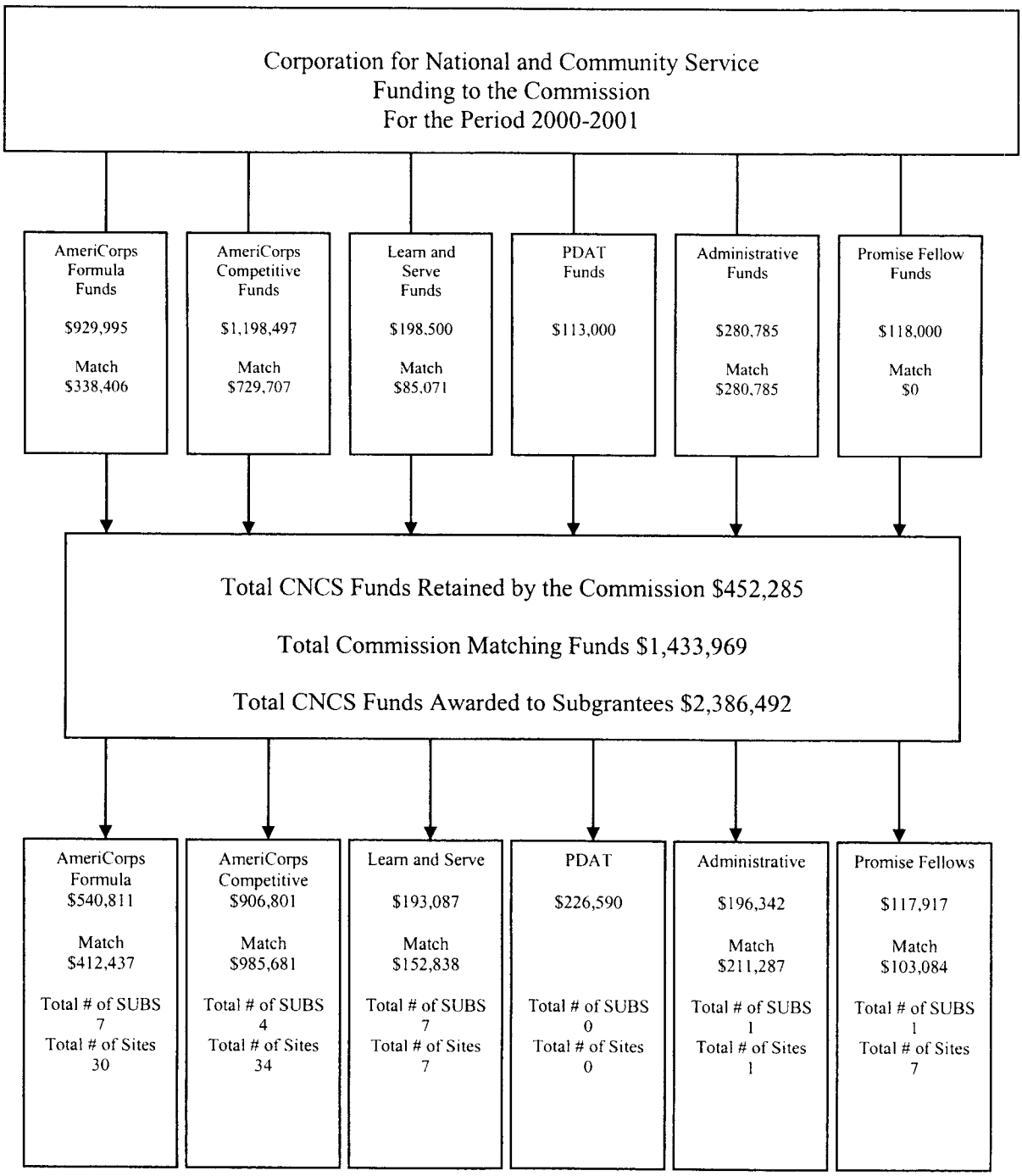
- Obtaining an alternate certification from members and supervisors that members are not participating in prohibited activities.

We also recommend that Commission site reviewers document whether AmeriCorps members know which activities are prohibited.

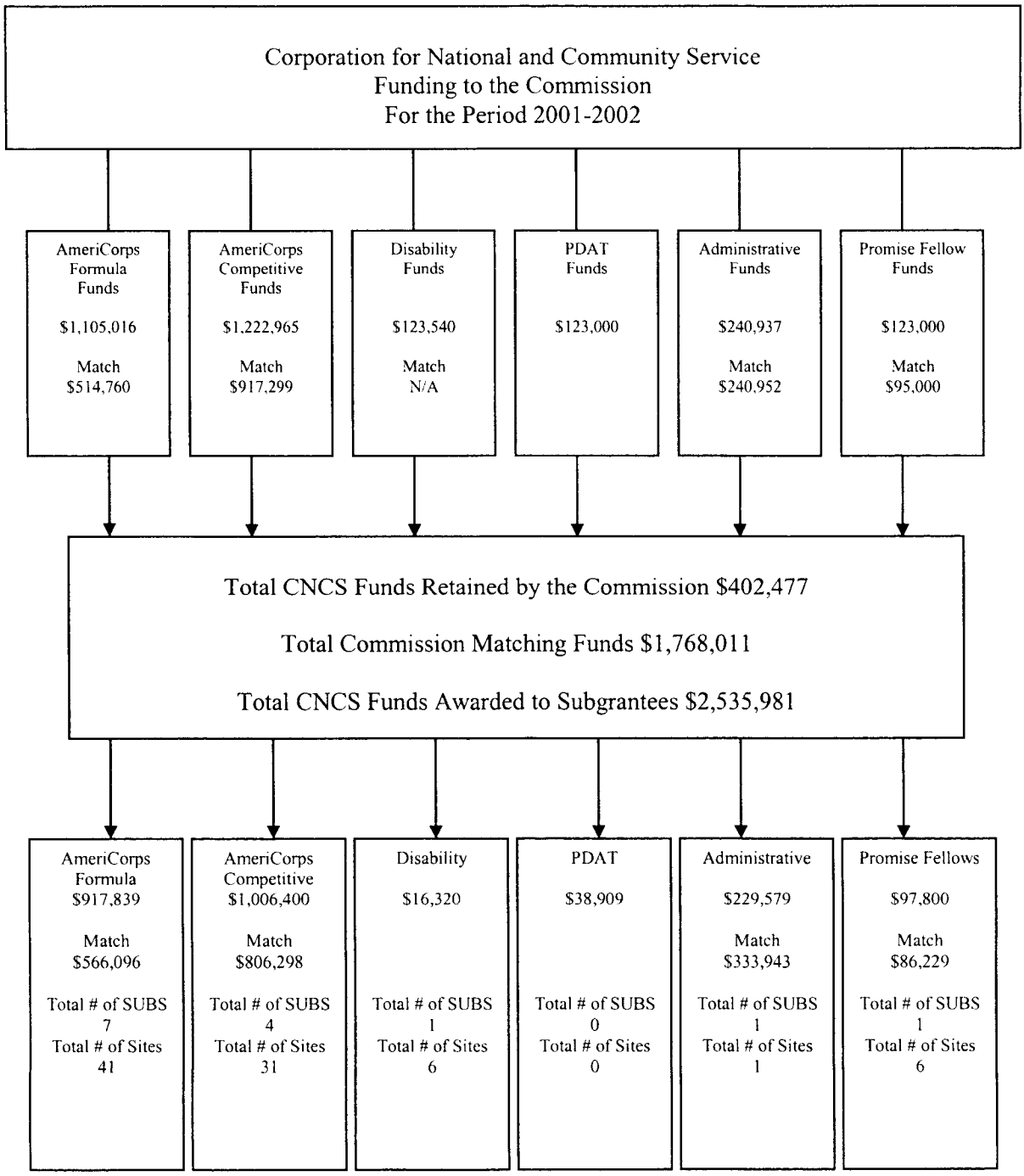
APPENDIX A

FUNDING HIERARCHY FLOWCHARTS

Office of Inspector General
Corporation for National and Community Service
State Commission Pre-Audit Survey
Arizona Governor's Commission on Service and Volunteerism
Funding Hierarchy Flowchart



Office of Inspector General
Corporation for National and Community Service
State Commission Pre-Audit Survey
Arizona Governor's Commission on Service and Volunteerism
Funding Hierarchy Flowchart



APPENDIX B

DETAILED ENGAGEMENT OBJECTIVES AND METHODOLOGY

Office of Inspector General
Corporation for National and Community Service
State Commission Pre-Audit Survey
Arizona Governor's Commission on Service and Volunteerism
Detailed Engagement Objectives and Methodology

INTERNAL CONTROL

Our objective was to assess the adequacy of financial systems and documentation maintained by the Commission to provide reasonable assurance that transactions were properly recorded and accounted for to: (1) permit preparation of reliable financial statements and federal reports; (2) maintain accountability over assets; and, (3) demonstrate compliance with laws, regulations, and other compliance requirements.

To achieve these objectives, we reviewed promulgated guidance as well as identified internal control objectives and characteristics related to the Commission's ability to ensure compliance with federal laws, regulations, and program compliance. We interviewed Commission and Governor's Accounting Office managers and reviewed related documents, including the *State of Arizona Accounting Policy and Procedure Guide*, to gain an understanding of the control environment. We also reviewed the operating procedures in place regarding allowable costs, eligibility, cash management, matching, period of availability of Corporation funds, procurement, suspension and debarment, program income, and Commission reporting to the Corporation.

We reviewed reports prepared by both Commission and Governor's Accounting Office staff, such as payment requests, accounting expenditures reports, and reports of available cash balance, for accuracy and completeness. We compared internal documents to financial reports submitted to the Corporation as well as reports submitted to the U.S. Department of Health and Human Services for drawdown activities. We reviewed subgrantee expenditure reports and Commission financial reports to note the controls on matching requirements.

SELECTING SUBGRANTEES

Our objective was to determine if the Commission had an open, competitive process to select national service subgrantees. We examined policies and procedures related to assessing the adequacy of potential subgrantee financial systems, subgrantee controls to administer a federal grant program, and processes for preventing conflicts of interest in the selection process at the Commission. We also determined if the Commission's systems and controls for selecting subgrantees appeared to be functioning as designed.

To achieve these 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 interviewed key Commission management and documented procedures performed by the Commission to select subgrantees. Next, we obtained and reviewed guidance provided to selection officials and documentation supporting the evaluation and grant awards process. We reviewed the office policies for selection of subgrantees in the Commission's *Grant & Financial Management Handbook.*

To test whether the Commission's systems and controls related to selecting subgrantees were functioning as designed, we took a judgmental sample of applicants, including new award recipients, renewals, and those denied funding. We then reviewed all supporting documentation, including conflict-of-interest forms, risk assessment tools, evaluation committee packages, correspondence, memoranda, and e-mails.

ADMINISTERING GRANT FUNDS

Our objectives were to:

- Assess the adequacy of systems and controls used by the Commission to maintain appropriate financial management systems to disburse funds and to track Commission and program expenses according to legal and grant requirements.
- Determine if the Commission's organizational structure, staffing level, and staffing mix were conducive to effective grant administration.
- Determine if the Commission provided adequate guidance to subgrantees for maintaining financial systems, records, and supporting documentation, and for reporting subgrantee activity.
- Assess the adequacy of financial systems and Commission documentation to support oversight of subgrantees and required reporting to the Corporation, such as FSRs, enrollment and exit forms, change-of-status forms, and audit reports.
- Determine if the Commission had procedures in place to verify the accuracy and timeliness of reports submitted by subgrantees.

To achieve the above objectives, we interviewed key Commission and Governor's Accounting Office managers, and documented policies and procedures used to administer grant funds. We also gained an understanding of both manual and automated systems used by Commission and Governor's Accounting Office personnel to administer grant funds. We obtained and reviewed the Commission's official policies and procedures related to administering grant funds, as established in the Commission's *Grant & Financial Management Handbook.*

We then discussed controls over grant expenditures and subgrantee match information with Commission management. We reviewed documents supporting the established controls over matching. We also tested whether the Commission's systems and controls related to

administering grant funds were functioning as designed. We reviewed FSRs for a judgmental sample of subgrantees to test for timeliness of submission. We also reviewed financial reports prepared by the Governor's Accounting Office and reconciled them to amounts reported on FSRs.

EVALUATING AND MONITORING GRANTS

Our objectives were to:

- Identify and assess the adequacy of systems and controls used by the Commission to implement a comprehensive evaluation and monitoring process for its subgrantees.

- Determine if the Commission had an established subgrantee site visit program in place and assess the effectiveness of its design in achieving monitoring objectives.

- Determine the adequacy of Commission procedures to assess subgrantee compliance with Corporation regulations (e.g., eligibility of members, service-hour reporting, prohibited activities, payment of living allowances to members, and allowability of costs claimed under grants by subgrantees).

- Assess the adequacy of Commission procedures for obtaining, reviewing, and following up on findings included in subgrantee single audit reports, where applicable.

- Determine if program goals were established, and if program results and performance statistics were accurately reported and compared to these goals.

- Assess the adequacy of procedures in place to evaluate whether subgrantee programs were achieving their intended purposes.

To achieve these objectives, we interviewed key Commission managers and documented policies and procedures used by the Commission for monitoring and evaluating subgrantees, including controls over obtaining and reviewing subgrantee OMB Circular A-133 reports. We obtained and reviewed Commission policies and procedures related to monitoring and evaluating subgrantees, as established in the Commission's *Grant & Financial Management Handbook.*

To determine if established controls were in place, we judgmentally selected a sample of subgrantees and reviewed monitoring documentation, including site visit monitoring tools. We also reviewed training documents and member contracts to determine if proper monitoring of prohibited member activities was being conducted.

We tested the Commission's processes and controls related to evaluating and monitoring subgrantees to determine if they were functioning as designed. Our testing methodology

included selecting a judgmental sample of subgrantee files and reviewing documentation to verify that policies and procedures were in place and functioning properly. We further determined if the Commission had received and reviewed OMB Circular A-133 audit reports from subgrantees.

We then discussed the Corporation's Government Performance and Results Act goals with Commission management. For a judgmental sample, we reviewed subgrantee evaluation files to ensure that they included program accomplishment information.

APPENDIX C

ARIZONA GOVERNOR'S COMMISSION ON SERVICE AND VOLUNTEERISM

STATE OF ARIZONA

JANET NAPOLITANO
GOVERNOR

GOVERNOR'S OFFICE FOR CHILDREN, YOUTH AND FAMILIES

LISA L. GLOW
DIRECTOR

March 23, 2004

Office of Inspector General
Corporation for National and Community Service

The Arizona Governor's Commission on Service and Volunteerism (Commission) received the Pre-Audit Survey prepared by Cotton & Company LLP on February 24, 2004. As per your request, the Commission has prepared its response to issues 1-3 as follows:

Issue #1: No documentation existed to indicate that past subgrantee monitoring results were used in the renewal selection process.

Arizona Response:

The Governor's Office for Children, Youth & Families (GOCYF) has created a standardized Renewal Checklist that documents the full evaluation process, including reviews of previous monitoring results for each subgrantee. Please see attached "Renewal Checklist."

The GOCYF has amended its office-wide policy and procedures in the Grants and Financial Management Handbook to include this additional documentation in the renewal process. Please see page 20 of the attached "Procurement Process" section of the Grants and Financial Management Handbook.

Subsequently, the Commission has incorporated the Renewal Checklist and has implemented these additional steps in the current renewal process:

1700 WEST WASHINGTON STREET, SUITE 101, PHOENIX, AZ 85007
MAIN PHONE: 602-542-4043
FACSIMILE: 602-542-3520
[illegible]

- The Commission included a "Review Process & Criteria" section in the 2004-2005 Continuation Application & Guidelines. Please see pages 2-3 of the attached "2004-2005 Continuation Application & Guidelines."

- The Commission convened a formal "Renewal Review Team" and will document the process in the grant file upon award of renewals. Award of renewals is subject to the Corporation for National and Community Service notice of awards in late summer of 2004.

- Each reviewer utilized the Reviewer Comment Sheet. Please see attached "Reviewer Comment Sheet."

- The Commission completed the Renewal Checklist for each subgrantee during the review process and will include in each grant file.

Issue #2: Monitoring tools did not fully and clearly document efforts performed.

Arizona Response:

The Governor's Office for Children, Youth & Families (GOCYF) and the Commission has revised the site visit monitoring tool to fully and clearly document monitoring efforts. Please see attached "Site Visit Monitoring Tool."

The revised site visit monitoring tool includes the following additions:

- An area for names of the members whose files were reviewed with space for issues or concerns (page 5).

- An area to detail the names of members and supervisors interviewed with space for discussion notes (page 2).

- Revised comment portion of each section indicating user to "cite evidence showing compliance, record pertinent findings, and document materials reviewed."

Subsequently, the Commission will utilize the revised site visit monitoring tool for the 2003-2004 site visits that are scheduled for May and August 2004.

Issue #3: The Commission had inadequate controls to ensure that AmeriCorps members were informed of prohibited activities.

Arizona Response:

The Commission is strengthening controls to ensure that members are not performing prohibited activities by:

- Requiring subgrantees to submit their member contracts to the Commission for approval. The requirement was included in the 2004-2005 Continuation Application & Guidelines. Please see pages 3 and 9 of attached "2004-2005 Continuation Application & Guidelines."

- Documenting the review of member contracts to ensure that approved contracts are in use and strengthening the prohibited activities section of the site visit monitoring tool. Please see pages 14 (l) and 15 (s) of attached "Site Visit Monitoring Tool."

- Mandating that programs add a certification statement on the member time logs verifying that members did not participate in any prohibited activities. This policy will be phased in during the current 2003-2004 program year and required in 2004-2005 program year.

Please let us know if you have questions or need additional information.

Sincerely,

Lauren Kielsmeier
Executive Director
Arizona Governor's Commission on Service and Volunteerism

APPENDIX D

CORPORATION RESPONSE

Corporation for
NATIONAL & COMMUNITY SERVICE

To: Russell George, Inspector General

From: Margaret Rosenberry, Director of Grants Management

Cc: Michelle Guillermin, Chief Financial Officer
Rosie Mauk, Director of AmeriCorps

Date: March 22, 2004

Subject: Response to OIG Draft Audit Report 04-12 and Management Decision, Pre-Audit Survey of the Arizona Governor's Commission On Service and Volunteerism

We have reviewed the draft Pre-Audit Survey of the Arizona Governor's Commission on Service and Volunteerism. This serves as both our response to the draft report and the Corporation's Proposed Management Decision. We agree with the auditors' recommendations and the Commission is implementing all three of them. Within the next four months, the Corporation will follow up with the Commission to confirm that corrective action is complete.