Office of Inspector General
Corporation for National and Community Service

Audit of the Corporation for National and Community Service's Gift Fund

OIG Report Number 04-13

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

Office of Inspector General
Corporation for National and Community Service
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Washington, DC 20525

This report was issued to Corporation management on August 31, 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 March 3, 2005, and complete its corrective actions by August 31, 2005. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

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National and Community
Service's Gift Fund

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March 31, 2004

Mr. David Eisner
Chief Executive Officer
Corporation for National and Community Service
1201 New York Avenue, NW.
Washington, DC 20525

Dear Mr. Eisner:

The Office of Inspector General has completed its audit of the Corporation for National and Community Service's Gift Fund. I am pleased to report that Office of Inspector General auditors found no significant weaknesses relating to the Gift Fund. However, our auditors did identify certain areas of noncompliance with Corporation polices and procedures that warrant corrective action.

Executive Summary

The Gift Fund is part of the Corporation's Fund Balance with the Department of the Treasury, and includes donations received from individuals and organizations to further national service. The objectives of the audit were to: (1) determine if the Gift Fund is fairly presented on the Corporation's financial statements; (2) determine if the Corporation's policies are in compliance with applicable laws and regulations; and (3) determine if employees are complying with Corporation policies and procedures. In our opinion, the Gift Fund is fairly presented on the Corporation's financial statements for fiscal years 2000 through 2003. We also found that Corporation policies and procedures comply with applicable laws and regulations. However, certain tests disclosed instances of noncompliance with Corporation policies and procedures for which we are recommending corrective action.

After the Office of Inspector General notified the Corporation of this audit, and requested documents, the Chief Financial Officer (CFO) performed an audit of Gift Fund receipts and expenditures for fiscal years 2000 through 2003. We agree with all three recommendations made in that review.[1] The Corporation's Gift Fund policies and operating procedures are being revised to reflect these recommendations.

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[1]The CFO recommended that Gift Fund procedures be revised to: (1) require gift acceptance officials to annotate checks received with their official acceptance prior to transmittal to accounting for deposit; (2) require all donations to be entered into the CEO controlled correspondence upon receipt to ensure that acceptance letters are sent in a timely manner; and (3) reflect changes in operations since the implementation of Momentum and establishment of Executive Officers.

Background

Under its authorizing legislation, the Corporation can accept and use money or property donated to it in furtherance of the purposes of the national service laws (42 U.S.C. § 12651g(a)(2)(A)). The legislation also requires the Corporation to report to Congress on the nature and amount of donations received, and how the Corporation used or disposed of such donations (42 U.S.C. § 12651d(b)(9)). The Corporation uses separate general ledger accounts to record gifts and related expenditures and to report on Gift Fund activity.

Gift Fund monies are expended by employees with purchase cards; the Corporation's Office of Grants Management and its Service Centers through the issuance of grants; and the Office of Procurement Services (OPS) through contracts for the acquisition of goods and services. The schedule below specifies Gift Fund donations and expenditures for fiscal years 2000 through 2003.

Gift Fund Donations and Expenditures Audited
Fiscal Years 2000 - 2003

Beginning Balance: Oct. 1, 1999	$ 87,274
Donations - Fiscal Years 2000-2003	1,842,519
Expenditures - Fiscal Years 2000-2003	(1,275,824)
Ending Balance: Sept. 30, 2003	$ 653,969

Objectives, Scope, and Methodology

The objectives of this audit were to: (1) determine if the Gift Fund is fairly presented on the Corporation's financial statements for fiscal years 2000 through 2003; (2) determine if the Corporation's policies are in compliance with applicable laws and regulations; and (3) determine if employees are complying with Corporation policies and procedures. The OIG reviewed the Corporation's Gift Fund policies and procedures to assess compliance with laws and regulations. The OIG also reviewed Gift Fund activity to assess Corporation compliance with its policies and procedures. We tested the CFO's policy on Gift Fund operating procedures, including: Authorization, Offer of Donation, Acceptance/Rejection of Donation, Receipt of Donation, Expenditure, and Accounting in the General Ledger.

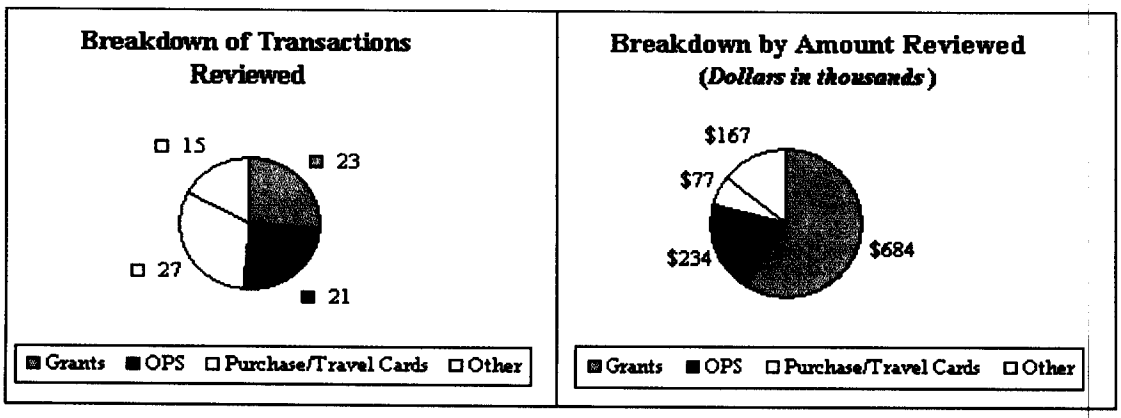
Authorization, Offer of Donation, Acceptance/Rejection of Donation, and Receipt of Donation

In determining whether gifts were solicited and accepted in accordance with Corporation policy, we reviewed $1,275,000, or 69 percent, of the donations received in fiscal years 2000 through 2003. We tested to ensure that:

(1) Only the Chief Executive Officer (CEO) or his designee(s) solicited, accepted or rejected, and expended donations;
(2) CEO delegations of authority to solicit, accept or reject, and expend donations were in writing, and remained in effect for a period not to exceed one year, or until modified in writing by the CEO;
(3) Such delegations were specific to the person and position served;
(4) Offers of donations included a description and estimated value of the donation, and any specific purpose for, or condition on, the use of the donation;
(5) The Corporation accepted the donations for the purpose of furthering the mission and goals of the Corporation;
(6) The Corporation responded to each offer in writing, and the response letter was signed by an accepting official; and
(7) Donations were valued and recorded in the general ledger upon receipt.

Gift Fund Expenditures

To assess the Corporation's compliance with its expenditure policies, applicable laws, and regulations, we reviewed $1,161,842, or 91 percent,[2] of the expenditures made in fiscal years 2000 through 2003. Once funds are committed by an authorized official, they can be used by OPS or employees authorized to use government purchase cards to make purchases. These funds can also be used by the Corporation and its Service Centers to issue grants, or to pay for other activities such as training for the Martin Luther King Day of Service. We reviewed 86 transactions and expenditures, or 26 percent, of 331 transactions from fiscal years 2000 through 2003, as follows:



[2] For this audit, the OIG significantly expanded the audit sample size beyond the size used in a typical audit to ensure the accuracy of the audit's findings. Only 9 percent of Gift Fund monies expended during the period were not audited, and this percentage consists of many small dollar transactions.

We performed our audit in accordance with generally accepted Government Auditing Standards issued by the Comptroller General of the United States.

An exit conference was held with Corporation management on June 18, 2004. The issues presented in this report were discussed. The Corporation concurred with all of the recommendations in its response to the draft report.

Results

In our opinion, the Gift Fund account balance is fairly presented on the Corporation's financial statements. The Corporation's policies comply with laws and regulations. However, the results of our tests of compliance disclosed instances of noncompliance with Corporation policies and procedures for which we are recommending corrective action.

1. Some users who are allowed access to the Corporation's Momentum accounting system to approve the expenditure of Gift Funds have not been delegated such authority, as required by CFO policy.

According to the CFO policy for acceptance and use of Gift Funds, the CEO of the Corporation has the authority to solicit, accept or reject, and expend a donation. The CEO may delegate these authorities to other officials of the Corporation, but further delegations by those officials are not permitted. All delegations of authority must be made in writing, reviewed by the Office of General Counsel, and retained in the Office of the CFO. Delegations are effective for a period not to exceed one year and must be confirmed annually and in writing by the CEO.

We compared the list of employees with Momentum user rights to the list of employees to whom the CEO has delegated authority. Three employees can currently authorize expenditures in Momentum, but have not been delegated the authority by the CEO to make Gift Fund expenditures. To ensure compliance with the CFO policy, we recommend updating access procedures for Momentum to limit Gift Fund approval access to only those officials to whom the CEO has delegated the authority to expend Gift Fund donations. Alternatively, we recommend that the CEO delegate authority to expend Gift Fund donations to the three individuals who can currently authorize Gift Fund expenditures in Momentum: the Deputy CFO for Financial Management, the Budget and Trust Operations Executive Officer, and the Budget and Trust Operations Administrative Specialist.

2. Acceptance letters were not available.

We reviewed 12 donations and noted that four acceptance letters were not available. Per CFO Policy 1029, Gift Fund Operating Procedures, Acceptance of Offer, "[w]hen an offer is accepted, the accepting official . . . must forward all relevant documents (the offer, recommendation transmittal, and acceptance letter) to the Accounting Department for informational purposes only. No financial or accounting activity will take place until the donation is actually received."

Corporation policy requires that acceptance letters include the following information:

(1) An acknowledgment of receipt of the offer;
(2) A brief description of the offer and any purpose or condition that the offeror specified for the use of donation;
(3) A statement either accepting or rejecting the donation; and
(4) A statement informing the donor that any acceptance of services or property cannot be used in any manner, directly or indirectly, that endorses the donor's products or services or appears to benefit the financial interests or business goals of the donor, and that final valuation for the Corporation's accounting purposes will be made by the CFO.

We recommend that the Corporation respond to each offer in writing, in accordance with CFO Policy 1029, Section (III)(A). The CFO's audit also noted instances where acceptance letters were not sent as required or were not sent in a timely manner. The CFO recommended revising Gift Fund procedures to require that all donations be entered into the CEO-controlled correspondence[3] upon receipt to ensure that acceptance letters are sent in a timely manner.

3. The Corporation did not comply with expenditure policies in some instances.

We reviewed 86 Gift Fund transactions and noted the following instances of noncompliance with Gift Fund expenditure policies:

a. We found one instance where an employee in the CFO Budget Office approved an obligation for an expenditure related to USA Freedom Corps, and the Deputy CFO for Financial Management authorized the actual payment. However, neither of these individuals has been authorized by the CEO to approve the expenditure of Gift Funds. CFO Policy 1029, Gift Fund Operating Procedures, Section (III)(E)(1), stipulates that "[t]he use of donations must be authorized by a Corporation employee with the delegated authority to expend such funds." During a discussion of this audit's findings, the Deputy CFO for Financial Management commented that since an authorized official approved the expenditure by signing it,[4] processing it into Momentum by non-delegated individuals is not a problem. As a result, Gift Fund expenditures can be authorized and made by employees without authority to do so. The Corporation has not complied with Policy 1029, Section (III)(E)(1), and we recommend that the Corporation comply with this policy.

b. We found one instance where an expenditure to support the National Direct Conference in San Diego, California, on February 11–14, 2002, was incorrectly charged to an account restricted to the Martin Luther King Day of Service

[3] CEO-controlled correspondence refers to those letters received by the CEO's office that require an immediate and thorough response.
[4] This expenditure involved a July 2002 memorandum of agreement, which was not approved by an authorized expending official until March 12, 2004.

initiatives. Section (III)(E)(2) of CFO Policy 1029 requires that Gift Fund expenditures comply with the Corporation's policy for acceptance and use of Gift Funds, which states, "[a]ll donations will be used to further the mission and goals of the Corporation. Restricted donations will be used as nearly as possible in accordance with the terms of the donation." In this instance, the Corporation did not expend Gift Funds according to the terms of the donation. We recommend the Corporation comply with Policy 1029, Section (III)(E)(2), and correct this transaction by removing the expenditure from the account restricted for Martin Luther King Day of Service initiatives, and recording it in the proper account (i.e., the miscellaneous unrestricted account).

c. We attempted to verify compliance with Martin Luther King Day of Service (MLK) grant terms and conditions, which require the grantee to submit a final Project Progress Report within 90 days after the end of the grant period. We did not receive requested copies of progress reports for our sample of 18 grants issued to support MLK initiatives for 2000 and 2001. Office of Management and Budget circulars and Corporation grant provisions require the grantee to submit to the Corporation timely progress and financial reports at the conclusion of the project period. Without Project Progress Reports, we cannot verify that grantees are complying with grant requirements. The Public Affairs staff, which may not typically oversee and monitor grantee activity, has been responsible for monitoring MLK grants. We recommend that personnel who have programmatic oversight and monitoring responsibility receive appropriate training in monitoring grantee activity to ensure that grantees are complying with the terms of their grant agreements.

4. Additional Recommendation

Based on our review, it appears that when Gift Funds are used, OPS follows procurement procedures that are consistent with the Federal Acquisition Regulation (FAR) and Corporation Policy Number 350, Procuring Supplies and Services, dated June 26, 2001. The FAR applies to appropriated funds but does not apply to nonappropriated funds. The Counsel to the Office of Inspector General believes that Gift Fund donations are appropriated funds, and FAR procedures should apply to Gift Fund procurements under the provisions of the National and Community Service Trust Act, as well as under Comptroller General decisions. The Corporation's General Counsel does not concur with this opinion. Nonetheless, according to the General Counsel it is the Corporation's policy to follow procurement procedures that are consistent with the FAR whenever procuring any goods or services, notwithstanding the status of the funds.

We recommend the Corporation change the Corporation's Acceptance and Use of Gift Fund policies and procedures to require adherence to the FAR when procuring goods and services.

If you have any questions about this report, please contact me at extension 390.

Sincerely,

J. Russell George
Inspector General

Copy to:
Andrew Kleine, Acting Chief Financial Officer
Bill Anderson, Deputy Chief Financial Officer for Financial Management
Frank Trinity, General Counsel

STATUS OF RECOMMENDATIONS IN PRIOR OIG AUDIT REPORT 97-30

Recommendations	Status
The Corporation should establish policies that clearly articulate:	
Who may solicit gifts, under what authority, and what constitutes an acceptable gift.	Management has prepared policies and procedures to address this issue. This issue is closed.
What constitutes an appropriate Gift Fund expenditure.	Management has prepared policies and procedures to address this issue. This issue is closed.
How receipts and expenditures will be recorded to ensure compliance with statutory, donor, and other restrictions.	Management has prepared policies and procedures to address this issue. This issue is closed.
That all Gift Fund transactions are to be recorded in the general ledger in a timely manner.	Management has prepared policies and procedures to address this issue. This issue is closed.
What supporting documentation for Gift Fund receipts and expenditures will be maintained.	Management has prepared policies and procedures to address this issue. This issue is closed.
The Corporation should ensure that staff processing the transactions are familiar with the policies and procedures, and are required to verify that appropriate approvals have been obtained before processing a deposit or payment to the Gift Fund.	Management implemented corrective action to address this issue. This issue is closed.
The Corporation should correct FY 1995 and 1996 expenditures by removing the inappropriate administrative expenses from the Gift Fund and recording them in the appropriate appropriations accounts, and by depositing all funds generated by the sale of promotional goods into the U.S. Treasury's general fund as miscellaneous receipts.	Management implemented corrective action to address this issue. This issue is closed.
The Corporation should report to the President and the Congress that its unrestricted gift expenditures exceeded unrestricted funds available.	The Corporation disagreed with this recommendation. The OIG did not concur. Our audit included a review of restricted and unrestricted receipts and expenditures. Based on our tests we found no instances where unrestricted gift expenditures exceeded unrestricted funds available. This issue is closed.

Corporation for
NATIONAL & COMMUNITY SERVICE

July 22, 2004

The Honorable J. Russell George
Inspector General
Corporation for National and
Community Service
Suite 830
Washington, DC 20525

Dear Mr. George:

Thank you for the opportunity to comment on the draft report of your audit of the Corporation's Gift Fund for fiscal years 2000 through 2003. I am pleased that the Office of Inspector General (OIG) audit found that the Gift Fund balance is fairly presented on the Corporation's financial statements and that there were no significant weaknesses relating to the Gift Fund. This is an especially noteworthy accomplishment in light of the number of issues OIG identified when it last audited the Gift Fund (OIG Audit Report 97-30).

The audit report includes several recommendations on how the Corporation can improve its Gift Fund operations. The Corporation generally agrees with these recommendations and is revising its policies and procedures accordingly. I have enclosed a status report on the Corporation's actions to date regarding the recommendations.

Sincerely,

David Eisner
Chief Executive Officer

Enclosure

cc: Michelle Guillermin, Chief Financial Officer and
Acting Chief Operating Officer
Frank Trinity, General Counsel

Status of Corrective Actions	
OIG Recommendation	**Status**
The Corporation should update access procedures for Momentum to limit Gift Fund approval access to only those officials to whom the CEO has delegated the authority to expend Gift Fund donations. Alternatively, the CEO should delegate authority to expend Gift Fund donations to the three individuals who can currently authorize Gift Fund expenditures in Momentum: the Deputy CFO for Financial Management, the Budget and Trust Operations Executive Officer, and the Budget and Trust Operations Administrative Specialist.	The Corporation's Gift Fund policy limits the approval of expenditures from the Fund to staff explicitly delegated such authority by the CEO. The policy also recognizes that staff processing transactions in the accounting system may be different then the staff who have approval authority, but was less than clear on this point. The Corporation recently revised its policies and procedures for the Gift Fund (in draft). The revised procedures clearly distinguish between *authorizing* expenditures from the Fund and *processing* an authorized transaction in the financial management system. (Corrective action complete pending issuance of revised procedures.)
The Corporation should respond to each gift offer in writing, in accordance with Corporation policy.	The Corporation has revised its Gift Fund policies and procedures. The revised draft includes a requirement that gifts be logged in to the CEO controlled correspondence system to ensure that acceptance letters are sent in a timely manner. (Corrective action complete pending issuance of revised procedures.)
The Corporation should comply with its Gift Fund operating procedures.	The Corporation has developed a check list to ensure that adherence to Gift Fund operating procedures is properly documented. In addition, the revised draft Gift Fund policies and procedures were updated to reflect the current operating environment (e.g., the implementation of the Momentum financial management system and establishment of Executive Offices) and clearly distinguish between authorizing expenditures from the Gift Fund and processing an authorized transaction in Momentum. (Corrective action complete pending issuance of revised procedures.)
The Corporation should remove the expenditure from the Martin Luther King Day of Service Gift Fund subaccount and record it in the Miscellaneous Gift Fund subaccount.	This transaction was recoded to the Miscellaneous AmeriCorps Gift Fund subaccount. (Corrective action complete)
Personnel who have programmatic oversight and monitoring responsibility receive appropriate training in monitoring grantee activity to ensure that grantees are complying with the terms of their grant agreements.	Personnel who have programmatic oversight of MLK Day grants will receive training in monitoring grantee activity to ensure compliance with the terms of grant agreements.
The Corporation should change the Acceptance and Use of Gift Fund polices and procedures to require adherence to the Federal Acquisition Regulation (FAR) when procuring goods and services.	As noted in the report, the Corporation follows the FAR when procuring goods or services with gift funds. As part of its current revisions to the Gift Fund policy the Corporation has included a requirement in the policy to follow the applicable provisions of the FAR when procuring goods and services with Gift Funds. (Corrective action complete pending issuance of revised procedures.)