Office of Inspector General
Corporation for National and Community Service

Pre-Audit Survey of the Utah Commission on Volunteers

OIG Report Number 04-16

Prepared by:

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This report was issued to Corporation management on July 29, 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 January 29, 2004, and complete its corrective actions by July 29, 2005. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

COTTON & COMPANY LLP
auditors • advisors

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April 21, 2004

Office of Inspector General
Corporation for National and Community Service

Cotton & Company LLP performed a pre-audit survey of the Utah Commission on Volunteers. We performed this pre-audit survey in accordance with terms of the statement of work dated February 23, 2004, by and between Cotton & Company and the Office of Inspector General (OIG), Corporation for National and Community Service.

The primary survey objectives 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.

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. 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

Office of Inspector General
Corporation for National and Community Service
Audit Report 04-16

Pre-Audit Survey of Corporation for National and Community Service Grants Awarded to the Utah Commission on Volunteers

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 Utah Commission on Volunteers (Commission). The objectives of the pre-audit survey were to evaluate: (1) the internal controls over grant management; (2) the pre-award selection process; (3) the administration of grant funds; and (4) the evaluation and oversight of subgrantees. The audit period included Program Years 2001–2002 and 2002–2003.

The Commission was awarded Corporation AmeriCorps Formula, Program Development and Training, and Administrative grants totaling $4,493,378 for Program Years 2001-2002 and 2002-2003. During the survey program years, the auditors noted the following: the internal controls over claimed matching costs under the Commission's administrative grant did not ensure that claimed costs are allowable and adequately supported, the Commission could not provide documentation that past performance and financial information of subgrantee applicants were considered in the selection process, the Commission did not fully and clearly document the subgrantee monitoring performed, and controls to ensure that AmeriCorps members were performing only allowable activities should be improved. The auditors did 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 Commission and the Corporation officials 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.

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OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

PRE-AUDIT SURVEY OF THE
UTAH COMMISSION ON VOLUNTEERS

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 systems and procedures in place at the Utah Commission on Volunteers 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:

- Internal controls over claimed matching costs under the Commission's administrative grant did not ensure that claimed costs are allowable and adequately supported.
- The Commission could not provide documentation that past performance and financial information of subgrantee applicants were considered in the selection process.
- The Commission did not fully and clearly document the subgrantee monitoring performed.
- Controls to ensure that AmeriCorps members were performing only allowable activities should be improved.

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 results of our preliminary assessment, we do not recommend performing a full-scope audit for Program Years 2001-2002 and 2002-2003. 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 consider these conditions in its future oversight and monitoring of the Commission.

BACKGROUND

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.

Utah Commission on Volunteers

The Utah AmeriCorps programs are administered by the Utah Commission on Volunteers, which is chaired by the Lieutenant Governor of Utah. The Utah Commission is a subdivision of the Department of Community and Economic Development (DCED).

The Commission operates with a five person staff: a full-time executive director, an executive assistant, two program managers and a part-time contract specialist. 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 the DCED accounting staff.

As part of the State of Utah, the Commission is included in the annual OMB Circular A-133 audit. In the past three fiscal years, however, the Corporation's grants have not been selected as major programs, and the Commission has not received any other audits or reviews by the State. The State'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 followed State procedures and internal controls. Additionally, DCED has been subject to audits and reviews performed by its internal audit division. These reports did not identify any weaknesses in controls over grants management. Therefore, while Commission grants were not specifically tested, controls established by the State, and used by the Commission, appeared to be adequate for administering Federal awards.

The Commission provided the following information for Program Years 2001-2002 and 2002-2003:

Funding Source and Type	Program Years			
	2001-2002 Budget	2001-2002 Actual	2002-2003 Budget	2002-2003 Actual
Administrative Grant	$ 169,082	$ 169,082	$ 168,130	$ 168,130
PDAT	133,187	124,656	91,000	91,000
Disability	30,000	30,000	30,000	9,368
AmeriCorps-Competitive	705,044	596,424	668,199	546,012
AmeriCorps-Formula	851,973	820,239	588,087	549,524
AmeriCorps-Governor's Initiative	534,561	397,826	-	-
Promise Fellows	209,400	206,150	177,000	161,225
Education Award	77,515	65,729	60,200	43,943
State Matching Fund	1,794,732	1,575,530	1,211,285	1,160,839
Total Funding	$4,505,494	$3,985,636	$2,993,901	$2,730,041

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, monitoring of program accomplishments and other

performance statistics, and 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 and other audit and review reports over the DCED.

- Obtaining information from Commission management to complete the flowcharts in Appendix A, which show disbursement of Corporation funding to the Commission for Program Years 2001-2002 and 2002-2003.

- 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 April 21, 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."

A Utah State entity, the Commission follows State accounting policies and procedures and other guidance. Additional procedures are documented in the Commission's *Policies and Procedure Manual*, which contains all of the grant management policies related to Corporation grants.

The DCED provides support to the Commission in its management of Corporation funds and provides additional segregation of duties. DCED processes subgrantee payments, other accounts payable, drawdowns, and performs cash management functions. The State accounting system has separate codes specific to each Federal grant to track Commission activity and to track payments to each subgrantee.

In addition, the Commission has a separate database, called the Grants Management Information System (GMIS), which tracks grant expenditures and funding availability, payments to each subgrantee against the subgrantee's budget, and other grant information. To initiate a payment, the Commission must provide a payment request, along with all necessary supporting documents, to the DCED Accounting Office. 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, but allows its subgrantees to advance operating expenditures required for one month at the beginning of each program year to initiate the program.

Issue: Internal controls over claimed matching costs under the Commission's administrative grant did not ensure that claimed costs are allowable and adequately supported.

The Commission recorded some revenue, instead of actual expenditures, as Commission match for its administrative grant cost-share requirement. Additionally, it did not consistently maintain documentation to support the allowability of donated goods and services as well as their valuation.

According to 45 CFR § 2541.240, *Matching or cost sharing*, claimed match must be supported by "allowable costs incurred by the grantee." Additionally, the regulation requires matching costs to be supported and verifiable in the same manner as Federally-reimbursed costs (such as invoices, time sheets, or other source documents). The regulation also requires that donated services provided by employees of other organizations be valued at the regular employee pay rates. Volunteer labor must be valued at a rate consistent with rates paid to Commission employees for the same work, according to the regulation.

As the Commission received private funding, it recorded revenue received as match and included that amount in its claimed cost sharing on the Financial Status Reports. The Commission was not aware that revenue must be used for allowable expenses before it can be recorded as match. Additionally, the Commission maintained third-party letters and documents for in-kind services. Documentation for some donations did not, however, indicate how the value was determined, and all necessary documentation to support the valuation was not always maintained.

Claiming revenue as match could result in unallowable matching costs claimed, or claiming both revenue and expenditure amounts as match. Inadequate documentation on in-kind donations could result in inaccurate valuations or claimed unallowable costs.

Recommendation: We recommend that the Commission use only actual expenditures of a period as match and ensure that the claimed value of in-kind costs is properly supported by time sheets, third-party certifications, or price lists from donating parties.

Selecting Subgrantees

According to 45 CFR § 2550.80(b)(1), State commissions are 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 administered an open, competitive process to select national service subgrantees. It provided notification of available funding through a variety of sources, in accordance with its *Policies and Procedures Manual.* The Commission also held pre-application training sessions to introduce AmeriCorps programs, answer applicant questions, and clarify policies.

The Commission's review committee was comprised equally of commissioners and individuals from partner organizations, such as Senior Corps and the Utah Department of Safety, who were experienced in managing and reviewing similar programs. They evaluated potential subgrantees in two phases. First, each review committee member performed an independent scoring of the application. Second, the members then conducted a general discussion of applications and ranked them. Commission employees also attended review sessions, to provide technical assistance.

Guidelines for the evaluation process were provided to the review committee. Successful and unsuccessful applicants were notified of the results, and evaluation documents were available for review after the award process was complete.

Issue: The Commission could not provide documentation that past performance and financial information of subgrantee applicants were considered in the selection process.

During the subgrant award process, the Commission could not provide documentation to show that information regarding the adequacy of the applicant's financial management systems, results of past OMB Circular A-133 audits, and other past performance information gained on similar projects were considered during the subgrant award process.

Per 45 CFR § 2522.410(b)(2), *Organizational Capacity,* "the Corporation will also consider an organization's capacity to carry out the program based on. . . the past performance of the organization or program"

Review committee members received all applications and documented their review of applications. Reviewers were not, however, given information outside of the formal application to include in their review. Commission employees performed format and budget reviews of each applicant, including a determination of whether a financial statement audit was included with the application. If included, this audit was not reviewed, and the results of these format and budget reviews were not considered in the selection process unless the formal review resulted in a tie.

While no documentation existed to indicate that the Commission included financial management information in the selection process, it noted that employees were aware of OMB Circular A-133

findings and significant problems with financial management and actively followed up with subgrantees to resolve these issues in the event an award was made.

Failure to include financial management history in the award process could cause the Commission to award funding to a subgrantee with an inadequate financial system or poor past performance.

Recommendation: We recommend that the Commission evaluate all aspects of subrecipient past performance and financial system adequacy, including OMB Circular A-133 audit results, and consistently document this information in the subgrantee selection process.

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 provided reporting guidance for Financial Status Reports (FSRs), Periodic Expense Reports (PERs), and Quarterly Progress Reports to subgrantees. Subgrantee reporting due dates were set to allow the Commission to report to the Corporation in a timely manner. Late or incorrectly submitted reports would result in a 2 percent penalty of total contract amount per week. The Commission reconciled PERs to Requests for Reimbursement submitted by the subgrantees to ensure the accuracy of PERs. The PERs were used to automatically generate FSRs.

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

As noted above, the Commission had 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 conducted three formal site visits of subgrantees in each program year. The site visit focused on program management and compliance issues at both subgrantee and host sites. Within four weeks of a site visit, the Commission sent a follow-up review and recommendation letter, together with site visit worksheets, to the program director. The Commission tracked compliance issues until they were resolved.

The Commission's AmeriCorps program manager reviewed Quarterly Progress Reports submitted online and prepared Progress Report Feedback (PRFs) letters for each subgrantee. The Commission evaluated Quarterly Progress Reports to measure subgrantee programmatic

accomplishments. The Commission reviewed monthly PERs and agreed them to subgrantee Request for Reimbursement forms to determine the accuracy and propriety of costs.

The Commission had adequate controls in place to collect and review annual subgrantee OMB Circular A-133 reports.

Issue: The Commission did not fully and clearly document the subgrantee monitoring performed.

The Commission did not maintain documentation to support all subgrantee monitoring efforts. Specifically:

- One site visit report and its related worksheets were missing for a subgrantee.
- Documentation was not included in subgrantee monitoring files to indicate which operating sites (i.e., the host sites) were visited or to show that corrective actions in response to site visit findings were adequately addressed. For example, site visits identified issues such as missing member eligibility documentation and inaccurate WBRS reporting of member service time; however, documentation did not exist in the files to show that corrective actions were taken.

According to 45 CFR § 2541.400(a), *Monitoring by grantees,* grantees are responsible for managing daily operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to ensure compliance with applicable Federal requirements and ensure that performance goals are being achieved. Grantee monitoring must also cover each program, function, or activity. In addition, AmeriCorps Provision (C)(26) *Retention of Records,* require grantees to retain and make available all financial records, supporting documentation, statistical records, evaluation and program performance data, member information, and personnel records for three years from the date of submission of the final Financial Status Report (SF 269A).

The Commission considered subgrantee site visits a high priority, but did not consistently document all procedures performed and retain relevant correspondence.

Recommendation: We recommend that the Commission ensure that it adequately documents and maintains evidence of all monitoring activities in its program monitoring files and develops and maintains evidence of the timely resolution of issues identified during site visits in subgrantee files.

Issue: Controls to ensure that AmeriCorps members were performing only allowable activities should be improved.

Subgrantees used member contracts that deleted part or all of the list of prohibited activities noted in the AmeriCorps sample contract and provisions. The Commission did not require its subgrantees to use the complete sample member contact provided by the Corporation, or ensure that all prohibited activities were included in the contract that was used.

Furthermore, the Commission did not have member or program director after-the-fact certifications that members did not perform prohibited activities. The Commission educated subgrantees about prohibited member activities during the application process, orientations, and other training. Members were also educated on prohibited activities during their pre-service orientation.

During a subgrantee site visit, the Commission documented its interviews with members on Member Survey #1, which was used during the first of three site visits. This survey asked members if they were instructed about prohibited activities, but did not ask if they had been asked to perform, or did perform, any of those activities. Other member surveys used for all three site visits asked members if they participated in fundraising activities, but did not ask about other prohibited activities.

Prohibited activities are identified in 45 CFR § 2520.30, *Prohibited Activities*. Commissions are required to implement controls to ensure that members are not performing prohibited activities. Without adequate controls, the possibility exists that AmeriCorps members could have perform prohibited activities.

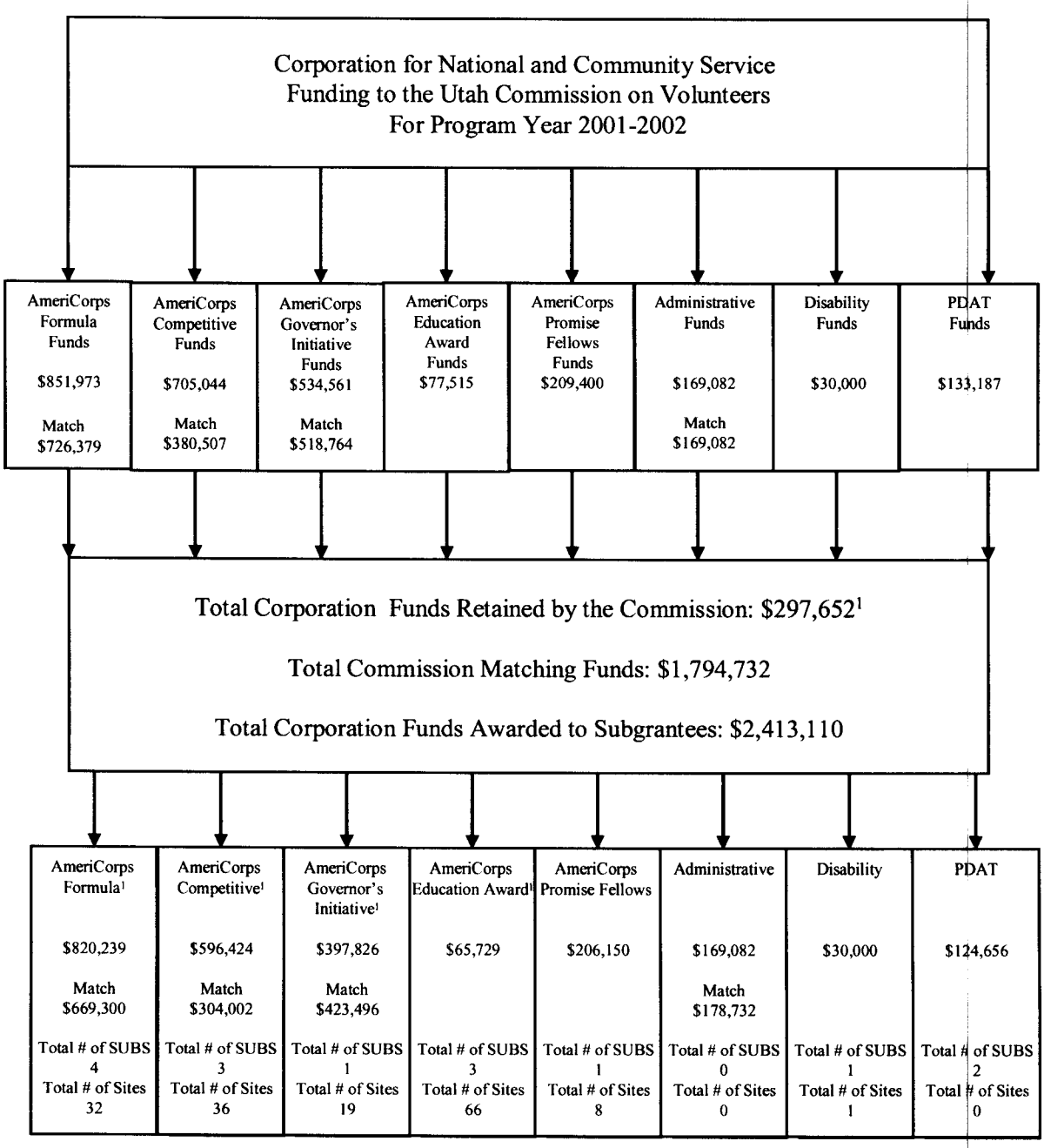
Recommendation: We recommend that the Commission strengthen controls to ensure that members do not perform prohibited activities. Possible actions could include:

- Requiring subgrantees to use a standard member contract that includes a list of all prohibited activities.
- Requiring subgrantees to submit their member contracts for Commission approval prior to use. The Commission would ensure that all prohibited activities are listed in the member contracts.
- Reviewing member contracts for content at the site visit.
- Using member surveys to determine if a member was asked to perform prohibited activities.
- Obtaining alternative certifications from members or program managers

APPENDIX A

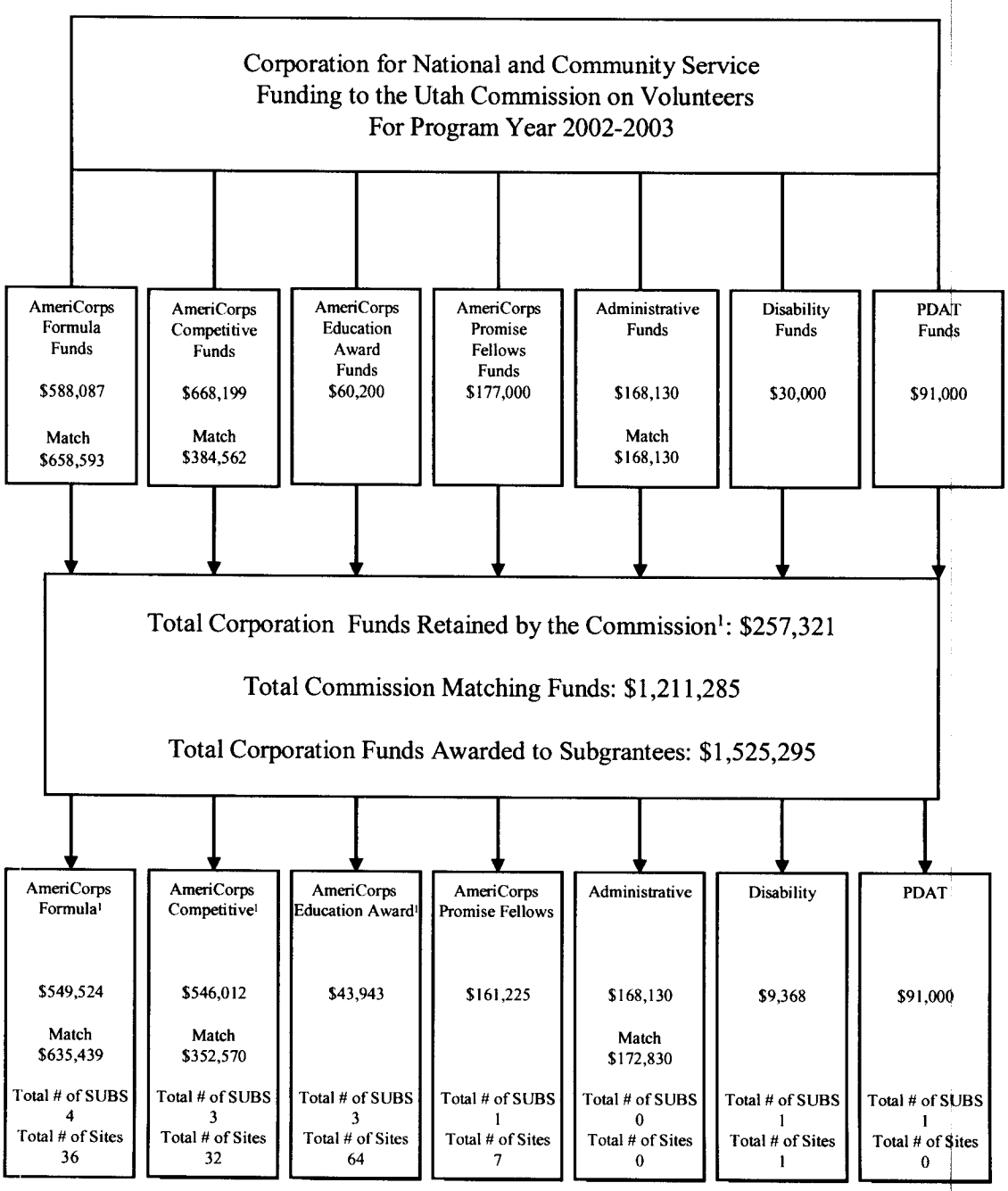
FUNDING HIERARCHY FLOWCHARTS

Office of Inspector General
Corporation for National and Community Service
State Commission Pre-Audit Survey
Funding Hierarchy Flowchart



Note 1: Upon receiving Corporation funding for AmeriCorps programs, the Commission set aside a maximum of 1% of the total funds available for administrative use, and subcontracted out the rest of the funding to its subgrantees. Since the amount is immaterial, it is not incorporated into this Funding Chart.

Office of Inspector General
Corporation for National and Community Service
State Commission Pre-Audit Survey
Funding Hierarchy Flowchart



Note 1: Upon receiving Corporation funding for AmeriCorps programs, the Commission set aside a maximum of 1% of the total funds available for administrative use, and subcontracted out the rest of the funding to its subgrantees. Since the amount is immaterial, it is not incorporated into this Funding Chart.

APPENDIX B

DETAILED ENGAGEMENT OBJECTIVES AND METHODOLOGY

Office of Inspector General
Corporation for National and Community Service
State Commission Pre-Audit Survey
Utah Commission on Volunteers
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 requirements. We interviewed Commission and Utah Department of Community and Economic Development (DCED) Accounting Office managers, and reviewed related documents, including the Commission's *Policies and Procedure Manual*, to gain an understanding of the control environment. We also reviewed 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 DCED Accounting Office staff, such as accounting revenue and expenditures status reports, and Grants Management Information System (GMIS) reports, 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 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 policies for selecting subgrantees in the Commission's *Policies and Procedures Manual.*

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, memorandums, 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 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 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 DCED 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 DCED personnel to administer grant funds. We obtained and reviewed the Commission's official policies and procedures related to administering grant funds, as established in its *Policies and Procedures Manual.*

We then discussed controls over grant expenditures and subgrantee match information with Commission management. We reviewed documents supporting 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 compared amounts reported on FSRs to cash drawdowns by the Commission for any material discrepancies.

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 its *Policies and Procedures Manual.*

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

UTAH COMMISSION ON VOLUNTEERS RESPONSE

State of Utah

OLENE S. WALKER
Governor

GAYLE McKEACHNIE
Lieutenant Governor

Utah Commission on Volunteers

SCOTT G. SNOW
Executive Director

June 14, 2004

J. Russell George, Inspector General
Corp. for National & Community Service
1201 New York Avenue, NW, Suite 830
Washington, D.C. 20525

Dear Inspector General George:

We have received the draft report on the results of your pre-audit survey of the Utah Commission on Volunteers performed by Cotton & Company LLP.

It should be noted that the four preliminary assessments mentioned in the report regarding our systems for administering AmeriCorps grants could be deemed fairly minor administrative issues – nevertheless, each of these issues have already been addressed by our Commission staff.

"*Internal controls over claimed matching costs under the Commission's administrative grant did not ensure that claimed costs are allowable and adequately supported*" seems a bit overstated. While the auditors reviewed some files and came to this conclusion, we made available additional supporting documentation which could have ensured the allowability of all claimed matching costs but the auditors did not choose to review it. Additionally, the dollar amount in question was extremely small when compared with the total amount of the claimed matching costs. Lastly, in all cases of claimed matching costs, we contend that either a direct source document or a rationale with supporting information regarding how the value was determined is included. While there may be a disagreement regarding the adequacy of some small part of our documentation of matching costs, we have already reviewed and discussed this matter with accounting staff and have determined to fully ensure the allowability of all future claimed matching costs. Again, it was only a small portion of both the dollar amount and documentation at issue and this seems to be an overstatement.

The statement that "*The Commission did not consider the past performance and financial information of subgrantee applicants in the selection process*" is inaccurate in our opinion. While documentation of this part of the process could be deemed as inadequate, in fact, staff and Review Committee members did consider past performance and general financial information of applicants when selecting new subgrantees in the most recent selection process. The lack of documentation was due to the fact that there was no major issue to consider for any of the applicants. Had there been a significant concern about past

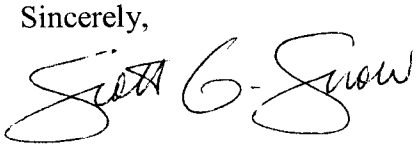
performance or financial information, it would have been discussed specifically. The lack of discussion about past performance meant that it was not an issue. We recognize that a positive control could possibly be included in the future and that additional documentation of our consideration would avoid this question altogether. In fact, we have already taken steps (including consulting Management Concepts' *Evaluating Federal Funds Management Capabilities of Recipients and Subrecipients* training course manual) to avoid any question in the future.

The statement that "*The Commission did not fully and clearly document the subgrantee monitoring performed*" could be argued. In fact, we did have the documentation but it was not readily accessible to auditors. It may be true that "documentation did not exist in the [reviewed sample] files to show that corrective action had been taken" however, the documentation did, in fact, exist although it was located in a separate file. To avoid confusion like this, we have already begun to rearrange our filing system so that all relevant documents are found easily and that documents related to monitoring and compliance issues are more readily accessible.

The issue of "*Controls to ensure that AmeriCorps members were performing only allowable activities should be improved*" is noted, however, it should also be noted that there seems to be no question by auditors that suggests members and program directors are unaware of prohibited/allowable activities. Documentation of familiarity with prohibited and allowable activities is plentiful. AmeriCorps members and program directors in Utah know the prohibited activities and to avoid them. We do however, recognize that previously our Commission staff had not specifically sought information on whether a member "had been asked to perform any of these duties." This issue had already been addressed prior to the on site visit of the auditors. Commission staff had previously recognized this fact and had already begun implementing the practice of asking each member whether they have been asked to perform or have ever performed any prohibited activities.

We appreciate the ability to comment on this pre-audit survey and the opportunity we have to administer AmeriCorps programs in Utah. This pre-audit survey experience effectively reinforced our self-confidence in our internal controls over grant management; our pre-award selection process; the administration of grant funds; and our evaluation and oversight of subgrantees. Thank you for validating our processes and procedures and for helping us ensure the accountability of these federal funds.

Sincerely,



Scott G. Snow

APPENDIX D

CORPORATION RESPONSE

Corporation for
NATIONAL & COMMUNITY SERVICE

To: J. Russell George, Inspector General

From: Margaret Rosenberry, Director of Grants Management

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

Date: July 20, 2004

Subject: Response to OIG Draft Audit Report 04-16, Pre-Audit Survey of the Utah Commission on Volunteers

We have reviewed the draft Pre-Audit Survey of the Utah Commission on Volunteers. Due to the limited timeframe for response, we have not thoroughly reviewed the report nor followed up with the Commission to discuss the recommendations. However, we agree with the auditor's recommendations and the Commission has agreed to implement corrective action. Within the next four months, the Corporation will follow up with the Commission to confirm that implementation is complete.