Office of Inspector General
Corporation for National and Community Service

PRE-AUDIT SURVEY OF THE DISTRICT OF COLUMBIA COMMISSION ON NATIONAL AND COMMUNITY SERVICE

OIG REPORT NUMBER 04-17

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

KPMG LLP
2001 M Street NW.
Washington, DC 20036

This report was issued to Corporation management on August 9, 2004. There are no findings in this report and therefore no audit follow up is required.

Office of Inspector General
Corporation for National and Community Service
Audit Report 04-17

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

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained KPMG LLP to perform a pre-audit survey of the District of Columbia Commission on National and Community Service. 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 2001–2002 and 2002–2003.

The Commission was awarded Corporation AmeriCorps Formula, Program Development and Training, Administrative, Disability, Citizen Corps, and Promise Fellows grants totaling $2,301,817 for Program Years 2001-2002 and 2002-2003. During the pre-audit survey program years, the auditors noted that the Commission has established effective controls for administering its Corporation grants. They recommended that a full-scope, incurred cost audit is not required.

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 KPMG LLP did not comply, in all material respects, with generally accepted government auditing standards.

PRE-AUDIT SURVEY OF THE DISTRICT OF COLUMBIA COMMISSION ON NATIONAL AND COMMUNITY SERVICE

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KPMG LLP
2001 M Street, NW
Washington, DC 20036

June 10, 2004

Office of Inspector General
Corporation for National and Community Service:

At your request, KPMG LLP (KPMG) performed a pre-audit survey of the District of Columbia Commission on National and Community Service (Commission). The audit covered funds received by the Commission from the Corporation for National and Community Service (Corporation) for Program Years 2001-2002 and 2002-2003. The primary purpose of this survey was to provide a preliminary assessment of:

- the adequacy of the Commission's pre-award selection process;
- the procedures at the Commission for the fiscal administration of Corporation grants; and
- the effectiveness of the Commission's procedures for monitoring subgrantees.

We also reported on the recommended scope of additional audit procedures to be performed at the Commission.

Results of Pre-Audit Survey

The Commission is a part of the Executive Office of the Mayor of the Government of the District of Columbia (District). The District is annually subject to an Office of Management and Budget (OMB) Circular A-133 audit performed by external auditors. However, the Corporation's grants have not been identified as major programs in any of the last three A-133 audits.

Based on the results of our limited procedures, our preliminary assessment is that the Commission has established effective controls for administering its Corporation grants and that the performance of a full-scope, incurred-cost audit is not required. Our assessment is based on the following strengths noted during our pre-audit survey fieldwork:

Selecting Subgrantees

According to 45 CFR § 2550.80(b)(1), "[e]ach State must administer a competitive process to select national service programs to be included in any application to the Corporation for funding." The Commission advertises funding availability through mailing lists, newspaper announcements, and newsletters. Selection officials sign conflict of interest statements for each application reviewed, and they receive an instruction package and use a standard form to evaluate each applicant.

Administering Grant Funds

As part of the grant administration process, "[g]rantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity." *See* 45 CFR § 2541.400(a).

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

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preparation of accurate Financial Status Reports (FSRs) that are submitted on a timely basis to the Corporation.

Evaluating and Monitoring Subgrantees

As noted above, the Commission is responsible for monitoring subgrant-supported activities to assure compliance with applicable Federal requirements and the achievement of performance goals. The Commission has established controls to evaluate and monitor subgrantees, which include reviewing program and financial reports and scheduling site visits for each subgrantee during the grant period. Commission personnel use a standard site visit report form to document the results of each visit. The Commission notifies the subgrantees of the results of these site visits, including findings on strengths, weaknesses, concerns, recommendations, and any necessary follow-up requirements.

Background

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, pursuant to the authority of the Act, 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. Through these grantees, AmeriCorps members perform service to meet educational, human, environmental, and public safety needs throughout the Nation, especially addressing those needs related to poverty. In return for this service, eligible members may receive a living allowance and post-service educational benefits.

Currently, the Corporation awards approximately three-fourths of its *AmeriCorps State/National* funds to State commissions. State commissions are required to include 15 to 25 voting members. Each commission has a responsibility to develop and communicate a vision and ethic of service throughout its State.

The commissions provide AmeriCorps funding to approved applicants for service programs within their States and are responsible for monitoring these subgrantees' compliance with grant requirements. Commissions are also responsible for providing training and technical assistance to AmeriCorps State and National Direct programs and to the broader network of service programs in the State. Commissions are prohibited from directly operating national service programs.

The Corporation's regulations describe standards for financial management systems that must be maintained by the State commissions. The standards require, in part, that the commissions maintain internal controls that provide for accurate, current, and complete disclosure of the financial and programmatic results of financially assisted activities. The commissions must also provide effective control and accountability for all grant and subgrant cash, real and personal property, and other assets.

Overview of the District of Columbia Commission

The District of Columbia Commission, located in Washington, D.C., has received AmeriCorps grant funds from the Corporation since its inception in 2000. Before the inception of the current Commission, a predecessor organization received Corporation funding; however, the scope of our pre-audit survey did not include this predecessor organization. The current Commission operates as an agency that reports to the Executive Office of the Mayor. The Commission has twelve full-time employees.

The Commission is annually subject to an OMB Circular A-133 audit. However, the Commission's Corporation grants were not identified as major programs in fiscal years 2001, 2002 or 2003.

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

Program year:		Total Corporation Funding	Number of Subgrantees	Number of Subgrantees Subject to A-133 Audits
2001-2002	$	724,345	4	*
2002-2003	$	1,077,872	8	*

*Appendix A contains more detailed information on funding received from the Corporation during Program Years 2001-2002 and 2002-2003. Subgrantees could be subject to an OMB Circular A-133 audit if they expended Federal grant funds of $300,000 from all sources.

Objectives, Scope, and Methodology

We were engaged by the Office of Inspector General, Corporation for National and Community Service, to provide an assessment of the systems and procedures in place at the Commission for administering Corporation grants and for monitoring the fiscal activity of subgrantees. The primary purpose of this pre-audit survey is to provide a preliminary assessment of:

- the adequacy of the Commission's pre-award selection process;
- the procedures used by the Commission for the fiscal administration of Corporation grants; and
- the effectiveness of the Commission's procedures for monitoring subgrantees.

We also reported on the recommended scope of additional audit procedures to be performed at the Commission.

Our survey included the following procedures:

- reviewing applicable laws, regulations, grant provisions, the Corporation's *State Administrative Standards Tool*, and other information to gain an understanding of legal, statutory, and programmatic requirements;
- reviewing OMB Circular A-133 reports, if applicable, and current program year grant agreements for the Commission;
- obtaining information from Commission management to complete flowcharts documenting the hierarchy of Corporation grant funding for Program Years 2001-2002 and 2002-2003; and
- performing procedures to achieve the following objectives, detailed in Appendix B: to assess the Commission's internal controls, selection of subgrantees, administration of grant funds, and monitoring of subgrantees, including internal controls over reporting service hours and performance accomplishments.

As part of the procedures performed, we documented and tested internal controls in place at the Commission by utilizing inquiries, observations, and an examination of a limited sample of source documents. Finally, we summarized the results of our work to support the recommendation presented in this report. We held an exit conference with Commission management on June 10, 2004.

Our procedures were performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to, and did not, perform an audit of any financial statements, and the procedures described above were not sufficient to express an opinion on the controls at the Commission, or on its compliance with applicable laws, regulations, contracts, and grants. Accordingly, we do not express an opinion on any such financial statements, or on the Commission's controls or compliance. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Findings and Recommendations

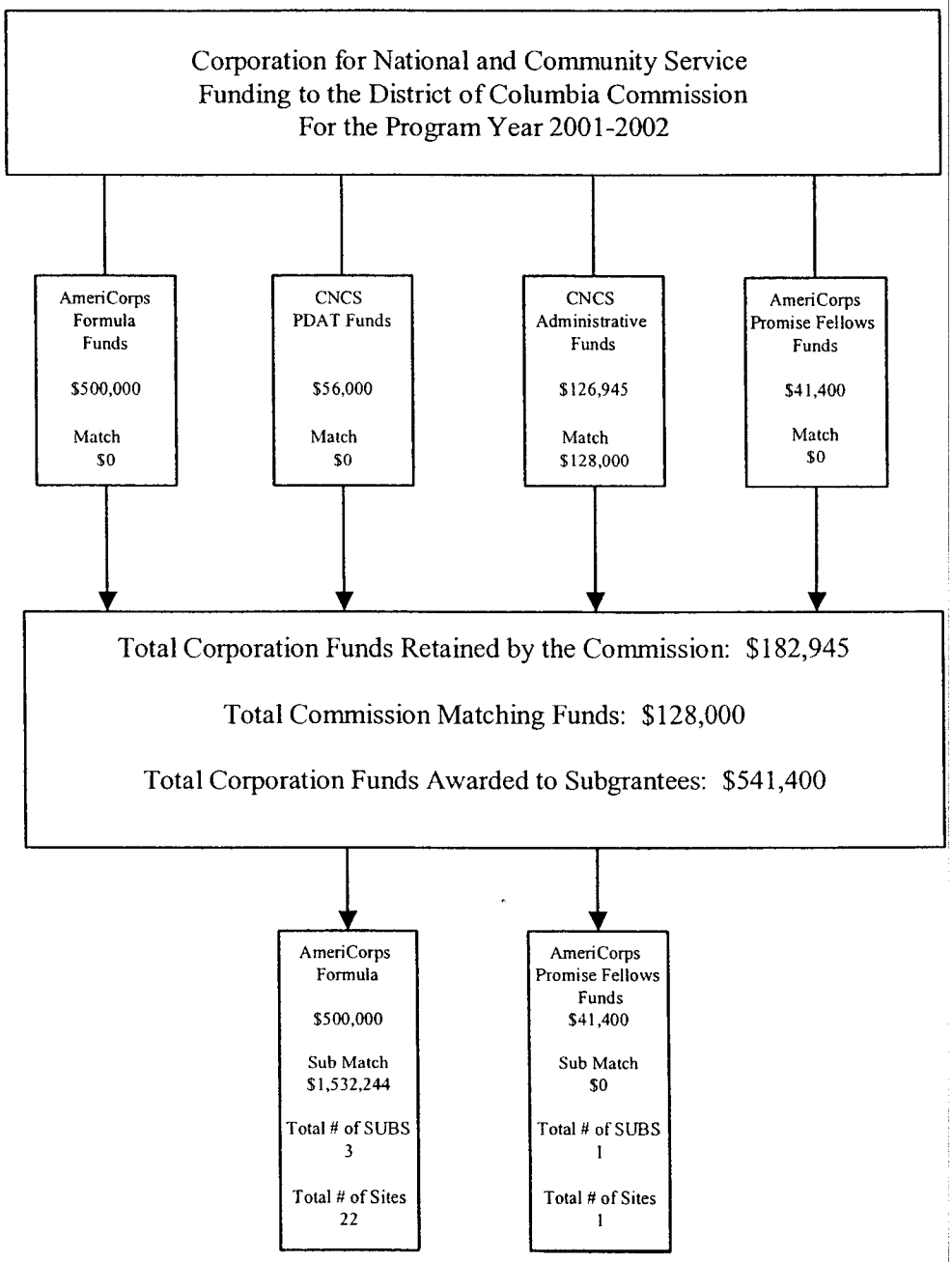
We do not have any findings or related recommendations to report.

* * * * * * *

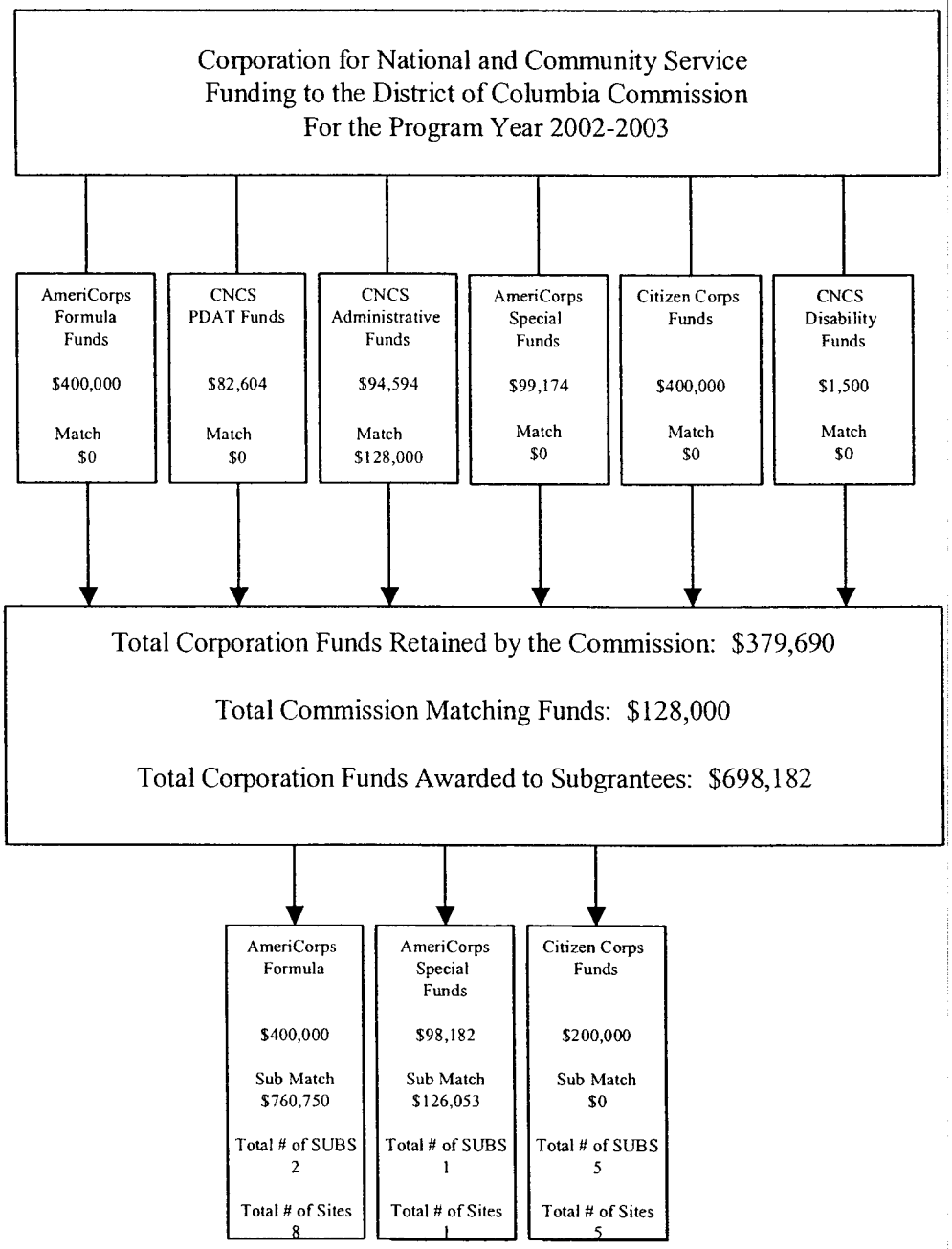
This report is intended solely for the information and use of the Office of Inspector General, the management of the Corporation for National and Community Service, the management of the District of Columbia Commission, and the United States Congress. It is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Commission Funding



Commission Funding



Detailed Engagement Objectives and Methodology

Internal Controls

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

In order to achieve the above objectives, we identified the following compliance requirements with a direct and material effect on the Commission's Corporation grant program: allowed or unallowed activities; allowable costs; eligibility; matching; period of availability of Corporation funds; suspension and debarment; subrecipient monitoring; and reporting by the Commission to the Corporation. We then interviewed key Commission personnel to assess the Commission's controls related to these requirements.

Selecting Subgrantees

Our objectives were to make a preliminary assessment:

- of the adequacy of the systems and controls utilized by the Commission to select national service subgrantees to be included in an application to the Corporation;
- as to whether the Commission evaluated the adequacy of potential subgrantee financial systems and controls in place to administer a Federal grant program prior to making the award to the subgrantees; and
- as to whether Commission involvement in the application process involved any actual or apparent conflict of interest.

In order to achieve the above objectives, we interviewed key Commission management personnel and documented procedures performed by the Commission during the pre-award financial and programmatic risk assessment of potential subgrantees. We also reviewed documentation to determine if conflict of interest forms for each subgrantee applicant tested were signed by selection officials annually and maintained by the Commission.

Administering Grant Funds

Our objectives were to:

- make a preliminary assessment of the adequacy of the systems and controls utilized by the Commission to oversee and monitor the performance and progress of funded subgrantees;
- make a preliminary assessment as to whether the Commission's organizational structure, staffing level, and skill mix are conducive to effective grant administration;
- make a preliminary assessment as to whether the Commission provided adequate guidance to subgrantees related to the maintenance of financial systems, records, and supporting documentation, and the reporting of subgrantee activity;
- make a preliminary assessment of the adequacy of financial systems and documentation maintained by the Commission to support oversight of subgrantees and required reporting to the Corporation (including Financial Status Reports, progress reports, enrollment and exit forms, and change of status forms); and,

- determine whether the Commission has procedures in place to verify the accuracy and timeliness of reports submitted by subgrantees.

In order to achieve the above objectives, we reviewed Financial Status Reports and progress reports submitted by subgrantees, as well as Financial Status Reports submitted by the Commission to the Corporation, to preliminarily assess the accuracy of the submitted reports.

Evaluating and Monitoring Subgrantees

Our objectives were to:

- make a preliminary assessment of the adequacy of the systems and controls utilized by the Commission, in conjunction with the Corporation, to implement a comprehensive, nonduplicative evaluation and monitoring process for subgrantees;
- determine whether the Commission has an established subgrantee site visit program in place and make a preliminary assessment of the effectiveness of its design in achieving monitoring objectives;
- make a preliminary assessment of the adequacy of the Commission's procedures to assess subgrantee compliance with Corporation regulations (e.g., regulations governing eligibility of Members, service hour reporting, prohibited activities, payment of living allowances to Members, and allowability of costs incurred and claimed under the grants by subgrantees, including reported match);
- make a preliminary assessment of the adequacy of the Commission's procedures for obtaining, reviewing and following up on findings included in subgrantee OMB Circular A-133 audit reports, where applicable;
- determine whether program goals are established, and whether results are reported and compared to program goals; and,
- make a preliminary assessment of the adequacy of the procedures in place to evaluate whether subgrantees are achieving their intended purpose.

In order to achieve the above objectives, we documented the procedures performed by the Commission to evaluate and monitor individual subgrantees. In addition, we judgmentally selected subgrantees and obtained the Commission's documentation for site visits. We reviewed the documentation to preliminarily assess the adequacy of the procedures performed by the Commission to maintain financial and programmatic compliance and related controls at the sites. We also determined whether the Commission received and reviewed OMB Circular A-133 audit reports from subgrantees.