Office of Inspector General
Corporation for National and Community Service

Pre-Audit Survey of the New York State Commission on National and Community Service

OIG Report Number 04-19

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This report was issued to Corporation management on September 28, 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 28, 2005, and complete its corrective actions by September 28, 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 04-19

Pre-Audit Survey of Corporation for National and Community Service Grants
Awarded to the
New York State Commission on National and Community Service

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 New York State Commission on National and Community Service (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 covered Program Years 2001–2002 and 2002–2003.

The Commission was awarded Corporation AmeriCorps Formula, Program Development and Training, and Administrative grants totaling $45,907,802 for Program Years 2001-2002 and 2002-2003. During the survey program years, the auditors noted the following:

- The Commission did not formally or consistently consider past performance for applicants that had previously received grants;
- The Commission did not maintain adequate documentation to support its review of applicant and subgrantee OMB Circular A-133 reports;
- The Commission did not have adequate procedures to ensure that subgrantees submitted Financial Status Reports (FSRs) in a timely manner;
- The Commission did not periodically reconcile FSRs to cash drawdown balances; and
- The Commission did not adequately monitor subgrantees, performed only limited programmatic monitoring, and conducted no fiscal monitoring of tested subgrantees.

The auditors recommended performing a full-scope audit for Program Years 2001-2002 and 2002-2003.

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 Commission and 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.

OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
PRE-AUDIT SURVEY OF THE
NEW YORK STATE COMMISSION ON NATIONAL AND COMMUNITY SERVICE

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June 23, 2004

Office of Inspector General
Corporation for National and Community Service

Cotton & Company LLP performed a pre-audit survey of the New York State Commission on National and Community Service in accordance with the terms of the February 23, 2004, statement of work 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 in 2003. 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 controls 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

Alan Rosenthal, CPA
Partner

SUMMARY OF RESULTS

We were 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 New York State Commission on National and Community Service (Commission) to administer its AmeriCorps grants and monitor the fiscal activity of subgrantees. The primary objectives of this 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 have made the following preliminary assessments regarding the Commission's systems for administering its AmeriCorps grants:

- The Commission did not formally or consistently consider past performance for applicants that had previously received grants.
- The Commission did not maintain adequate documentation to support its review of applicant and subgrantee OMB Circular A-133 reports.
- The Commission did not have adequate procedures to ensure that subgrantees submitted Financial Status Reports (FSRs) in a timely manner.
- The Commission did not periodically reconcile FSRs to cash drawdown balances.
- The Commission did not adequately monitor subgrantees, performed only limited programmatic monitoring, and conducted no fiscal monitoring of tested subgrantees.

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

Based on the results of our preliminary assessment, we recommend performance of a full-scope, incurred-cost audit to address the issues identified herein for Program Years 2001-2002 and 2002-2003. We assessed the Commission's systems for administering its AmeriCorps grants, and its policies and procedures for monitoring subgrantee fiscal activity. We determined that the Commission was operating at a medium risk level for both years audited. At a minimum, we recommend that the Corporation perform limited testing of fiscal compliance for a sample of subgrantees, follow up with the Commission to determine that it has taken appropriate corrective actions to address other conditions noted in this report, and 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, especially addressing needs related to poverty. In return for their service, program participants may receive a living allowance and post-service educational benefits.

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 also are responsible for providing training and technical assistance for the service programs. State commissions are prohibited from directly operating national service programs.

New York State Commission on National and Community Service

The Governor of New York issued Executive Order 179, establishing the New York State Commission on National and Community Service, on December 30, 1993. The Commission was located in the State Office of the Budget at that time. In 1999, the Commission became part of the Office of Youth Development (OYD) in the New York State Office of Children and Family Services (OCFS).

The Division of Administration of OCFS provides support to the Commission in the areas of financial management, human resources, facility management, contract management, and audit and quality control. The Bureau of Financial Operations within OCFS provides numerous financial services for the Commission through an online system that facilitates proper segregating, recording, and reporting of financial transactions. Policies and procedures for all program and internal control aspects are documented by the Commission, the State of New York, and OCFS.

The OCFS maintains an internal system of budgetary, financial, and management controls fully in compliance with approved practices, guidelines, policies, procedures, and laws.

The Commission has seven full-time employees, six program administrators, and an administrative secretary. The assistant commissioner of OCFS is operating as acting Executive Director until human resource issues are resolved and the full-time Executive Director position is filled.

The Commission is subject to annual Office of Management and Budget (OMB) Circular A-133 audits performed for the State. Its grants have not, however, been selected as major programs and, therefore, have not been subjected to detailed testing. The OCFS is tested annually as part of the New York State Single Audit and, accordingly, its internal controls are tested.

We reviewed findings applicable to OCFS from the 2002 and 2003 New York State Single Audits for applicability to the Commission. We noted one finding in both years regarding use of an incorrect accumulator code on some of the vouchers tested. Each employee was responsible for determining the appropriate accumulator code for use in the Payroll Allocation System, which matches work functions performed during a pay period. In response to the 2002 comment, OCFS instituted a certification on time sheets. The 2003 audit noted, however, that the certifications lacked appropriate language regarding certification of accumulator codes. The OCFS indicated that it will strengthen the review of vouchers.

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

Program Year	Expenditures of Corporation Funding	Commission Matching Funds
2001-2002	$20,257,465	$12,689,325
2002-2003	$25,199,617	$14,136,203

OBJECTIVES, SCOPE, AND METHODOLOGY

We were engaged by the OIG to provide an assessment of systems and procedures in place at the Commission for administering its AmeriCorps grants and monitoring the fiscal activity of its subgrantees. The primary purposes of this 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 (including fiscal monitoring of AmeriCorps State 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 provisions, the Corporation's *State Administrative Standards Instrument*, and other information to gain an understanding of legal, statutory, and programmatic requirements.

- Reviewing OMB Circular A-133 reports and Corporation and Commission grant agreements for Program Years 2001-2002 and 2002-2003.

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

- Conducting inquiries, observations, investigations, recalculations, evaluations, and examinations of a limited sample of source documents to meet the objectives and methodology specified in Appendix B.

As part of the procedures performed, we documented and tested internal controls in place at the Commission. We summarized results of our work to develop the findings and recommendations presented in this report. We discussed all findings with Commission management during an exit conference on June 23, 2004. Additionally, we provided a draft of this report to the Commission and the Corporation. Commission and Corporation responses to our findings and recommendations will be included in the final report as Appendices C and D, respectively.

RESULTS OF FIELDWORK

Internal Controls

According to 45 CFR § 2541.200, the Commission must maintain financial management systems that provide for "[a]ccurate, current, and complete disclosure of the financial results of financially assisted activities." The Commission must also provide "[e]ffective control and accountability . . . for all grant and subgrant cash, real and personal property, and other assets."

As part of OCFS, the Commission had documented controls, guidelines, and policies for all major processes reviewed, with multilayered clearance and approval for all documented procedures. The Commission's intranet site maintains all non-AmeriCorps policies; AmeriCorps-specific procedures are maintained by the Commission.

Program administrators review quarterly vouchers from subgrantees and compare costs to Periodic Expense Reports (PERs). The Commission's stated procedures include comparing vouchered invoices to supporting documentation on a sample basis during site visits. Program administrators and Bureau of Contract Management (BCM) staff follow guidance provided by the voucher processing procedures for performing quarterly reviews.

The Commission also reviews quarterly vouchers and PERs to ensure that the subgrantees' reported matching is accurate. Also, BCM uses an automated System that can test the matching requirement. The Commission's stated procedures include reviewing program match files during site visits and conducting sample testing over matching expenditures to verify allowability and proper valuation of the match previously reported.

Before funds are drawn down for Administrative, Program Development and Training (PDAT), and Disability grants, the Commission prepares purchase orders, which are then approved by the OCFS Office of Finance. The Office of the State Comptroller (OSC) follows drawdown requirements for all Corporation grants.

The OCFS Bureau of Financial Operations (Finance) and the Office of Budget Management (Budget) prepare financial reports for the Commission using OSC accounting system reports. The Commission, through OCFS, files financial reports (SF 269s) to the Corporation on the Commission's grants on a semi annual basis. The Commission prepares FSRs for AmeriCorps grants using subgrantee FSRs submitted online in the Web-Based Reporting System (WBRS).

Selecting Subgrantees

As stated in 45 CFR § 2550.80(b), each State commission must "[a]dminister a competitive process to select national service programs to be included in any application to the Corporation for funding."

All documents related to the Request for Proposal (RFP) process, including policies, Notices of Funding Availability (NOFAs), RFPs, sample questions and answers, and review instruments, are created in advance by the Commission and are approved through the OCFS clearance process.

The Commission publishes the NOFA through required mechanisms, including the New York State *Contract Reporter*, the OCFS website, and the OCFS online bidder list. It also mails NOFAs to individuals and organizations upon request.

The Commission conducts bidders' conferences and technical assistance workshops throughout the State. It provides complete application guidelines to prospective subgrantees as well as printed information at the technical workshops.

Proposals undergo an initial review for completeness of key document requirements to ensure that only complete proposals advance in the review process. Reviewers may be solicited from Commission members, OCFS's Youth Leadership and Service Council members, OCFS staff, other State agencies, and faith-based and community organizations. OMB Circular A-133 reports for applicants are sent to OCFS's Office of Audit and Quality Control (AQC) for review, and the Commission is notified when follow-up on report issues is deemed necessary. Each new or re-compete application is assessed by a peer review team of three persons, including one Commission staff member. Reviewers are required to sign a conflict-of-interest and confidentiality agreement form for each application reviewed.

All applications that receive a rating of excellent are sent to the Corporation for competitive approval. Once the Corporation makes competitive decisions, the Commission revises its funding recommendations based on the number of organizations needing funding and the amount of formula funding available. It then presents these recommendations to the Commission's Board for approval.

Continuation applications (those within the three-year grant cycle) have a less rigorous application process. The program administrator conducts the review, considering reporting history and monitoring visit results as part of the rating process. The Commission Board has ultimate approval authority. The Commission notifies all applicants of award decisions.

Issue: The Commission did not formally or consistently consider past performance for applicants that had previously received grants.

The Commission's monitoring visit results are not formally considered in the evaluation process for re-compete applicants. It does consider accomplishments reported by subgrantees in their proposals, but, unless subgrantees identify negative results, this type of information is not formally provided to, or considered by, the peer review team. While program administrators may be familiar with problem organizations and may consider this information in their evaluations, this is not an official procedure, and it may be applied inconsistently.

Without consistent consideration given to past performance, the Commission may approve additional funding to subgrantees that have not historically performed adequately. Also, if the Commission does not consider past performance information uniformly for all applicants, it might appear to be biased if it declines funding to one organization with negative performance while awarding additional funding to another with similar performance.

As stated in 45 CFR § 2517.500:

> In reviewing an application for a grant or a subgrant . . . a State Commission . . . will apply the following criteria: . . . [t]he quality of the leadership of the program, past performance of the program, and the extent to which the program builds on existing programs.

Additionally, 45 CFR § 2541.430 states that if a subgrantee materially fails to comply with any term of an award, the awarding agency may wholly or partly suspend the current award or withhold future awards for the program.

Recommendation: We recommend that the Commission develop procedures to formally consider the past performance of re-compete applicants in the peer review process and provide information on subgrantee progress toward its goals, timeliness of reporting programmatic and financial data, accuracy of reporting, attendance at events and meetings, issues raised at site visits, and any other known issues. By developing such procedures, the Commission can ensure that it has a sound basis for denying funding to organizations that did not adequately utilize prior Corporation funding.

Issue: The Commission did not maintain adequate documentation to support its review of applicant and subgrantee OMB Circular A-133 reports.

The Commission maintained limited documentation to support the procedures it performed to review OMB Circular A-133 reports. The review of this information was the Commission's primary tool for evaluating the financial capacity and capability of organizations during the proposal review process for both new and existing subgrantees. While the Commission did prepare a spreadsheet summarizing this information, it did not indicate which review steps it performed for each OMB Circular A-133 report.

We reviewed a sample of approved new applicants. One of two applicants reviewed submitted an outdated OMB Circular A-133 report that did not cover the most recent fiscal year. We expanded our testing by reviewing the OMB Circular A-133 summary report prepared by AQC for all applicants in the Program Year 2003-2004 RFP process to determine if the Commission accepted other outdated reports and used them in its financial capability assessment. Four other organizations submitted outdated reports. The summary report did not indicate if more recent information was requested and reviewed.

We also reviewed the Program Year 2002-2003 OMB Circular A-133 summary report and noted that an outdated report from 1999 was submitted. We concluded that this list was incomplete. The reviewer did not indicate if an OMB Circular A-133 report or other financial report was reviewed for 17 of 52 subgrantees, or if any comments or follow-up action was performed or necessary. For these 17, it is not evident that any such review or analysis occurred. The Commission may have granted funds to organizations not capable of adequately managing the financial aspects of a grant, thus putting Corporation funds at risk.

Section 21 of the AmeriCorps Grant Provisions, entitled "Financial Management Provisions," states that a recipient of a Federal grant is required to ensure that subrecipients have A-133 audits when required and issue decisions and ensure follow-up on audit findings in a timely manner.

In addition, OMB circulars require grant funds to be accounted for using an adequate financial management system that is sufficient to permit preparation of reports and tracking of funds to expenditure-level detail. Without adequate documentation, we were unable to determine whether the applicants or subgrantees maintained financial management systems that completely disclosed financial results of Federally-funded activity. Without such documentation, we were also unable to determine whether records were maintained that adequately identified the source and application of funds provided, and whether records contained information pertaining to subgrantee awards in accordance with 45 CFR § 2541.200.

Recommendation: We recommend that the Commission create a standardized OMB Circular A-133 review checklist to provide an efficient way to document review procedures performed, ensure that current reports are evaluated using online resources where possible, and ensure that information provided to program administrators is complete.

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 AmeriCorps Fiscal Manual is provided to all program directors and includes detailed information on allowable and allocable costs, financial records to be used as source documentation, applicable cost principles, as well as the Commission's payment review process.

The Commission requires its subgrantees to submit Periodic Expense Reports (PERs), Quarterly Income Reports, and FSRs via the Web Based Reporting System (WBRS) by the 20th of the month following the end of the report period. A calendar is provided to the subgrantees with required reporting dates. Each program administrator maintains a program monitoring chart showing the timeliness of submission of all required reports.

Payment vouchers are received quarterly from subgrantees and are reviewed by program administrators. The administrators compare the payment vouchers to corresponding PERs to ensure that costs were incurred within the budgeted period, the amount requested agrees with the PER balance, minimum matching requirements are met, and expenditures are within the budgeted amounts. Supporting documentation for expenditures is reviewed only during fiscal site monitoring visits that, according to Commission policy, are to be performed yearly. As advances are provided to subgrantees for first-quarter operating expenditures, subgrantee payments for the second, third, and fourth quarters are adjusted to recover advances.

The Commission also requires subgrantees to submit periodic progress reports. Program administrators use a progress report review instrument to evaluate the quality of progress reports received and provide recommendations for improvements.

Issue: The Commission did not have adequate procedures to ensure that subgrantees submitted FSRs in a timely manner.

We tested 10 subgrantees from Program Years 2001-2002 and 2002-2003. Of the 23 required quarterly FSRs during these years, six were submitted after the Commission's required due date, and three of these missed the Corporation's deadline. As a result, the Commission's aggregate FSRs were also submitted late. Accordingly, the Commission and the Corporation were not able to conduct timely reviews of costs claimed, which are necessary to prevent the misallocation of Corporation funds.

According to AmeriCorps Grant Provision 16(a)(i), entitled "Financial Status Reports," the FSRs are due April 30 for the period ending March 31, and October 31 for the period ending September 30. A grantee must set its own deadlines for its respective subgrantees.

Based on the subgrantee agreement and AmeriCorps policies posted on WBRS, the Commission required its subgrantees to submit quarterly FSRs no later than 20 days after the end of the period.

Recommendation: We recommend that the Commission strengthen its procedures to actively follow up with subgrantees on late FSR submissions. While the Commission reminds subgrantees by e-mail, phone calls, and letters that late reporting may impact funding renewal and may result in penalties, these steps do not appear to be adequate. More stringent requirements, such as enforcing penalties, may be necessary.

Issue: The Commission did not periodically reconcile FSRs to cash drawdown balances.

Material differences existed between balances reported on the FSRs and the cash drawdown balances reported. It appears that the Commission had drawn down excess cash for the disability and formula grants. While we realize that expenditures reported on FSRs were gathered from subgrantee reports and were not actual expenditures incurred under this grant, and that timing issues may have caused some of the differences, the Commission was unable to specifically explain the differences. The reconciliation of this information is outlined below:

Program	Reporting Period	FSR	Cash Drawdown	Difference
Disability	12/31/2003	$89,217	$91,525	$(2,308)
Competitive	3/31/2004	38,310,859	35,884,528	2,426,331
Formula	3/31/2004	13,208,293	13,626,299	(418,006)
Homeland Security	3/31/2004	1,111,363	881,367	229,996
		$52,719,732	$50,483,719	$2,236,013

Expenditures reported on FSRs were not properly supported by the State accounting system and were not actual expenditures incurred under this grant. Periodic reconciliation ensures that amounts reported to the Corporation are accurate, overpayments to subgrantees are identified, requests for additional obligations or deobligations can be made promptly, and officials with first-hand knowledge are available to respond to questions or support decisions made.

According to OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*, Attachment, Paragraph (3)(b), continuing Federal awards must be reconciled at least annually, and program performance and financial reports must be evaluated. The circular requires, among other items, that Financial Status Reports (SF-269) be reviewed.

Recommendation: We recommend that the Commission develop a formal policy to ensure that it reconciles cumulative claimed costs per FSRs to cumulative drawdowns made by the Commission at least annually. The policy should include procedures requiring differences to be investigated and resolved, with explanations documented.

Evaluating and Monitoring Grants

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

To track monitoring efforts taken by the program administrators, the Commission developed a program monitoring checklist, which is updated each time site visits are performed, reports are submitted, and reports are reviewed. This checklist allows for an assessment of whether monitoring efforts are consistent with the program risk level.

At the beginning of each program year, the Commission conducts a risk assessment of each subgrantee using a risk assessment form, which appears to be a best-practice document. Based on results of the risk assessment, a monitoring plan is then created. In addition to reviewing reports, as described earlier, the policy requires daily monitoring of critical or high-risk subgrantees, at least one site visit each year for all subgrantees (with higher-risk subgrantees receiving more than one visit), and the applicable monitoring tool sections completed. In Program Year 2001-2002, the Commission distributed risk assessment questionnaires to subgrantee Executive Directors and fiscal officers, requiring them to complete the questionnaire and certify that all financial internal controls were in place.

Issue: The Commission did not adequately monitor subgrantees, performed only limited programmatic monitoring, and conducted no fiscal monitoring of tested subgrantees.

The Commission has an aggressive monitoring policy that involves full financial and programmatic monitoring of subgrantees. We noted during testing of a sample of subgrantees, however, that the Commission did not follow its stated policy. Specifically, it did not examine support for claimed expenditures for any of the subgrantees in our sample. The Commission explained that Program Year 2002-2003 was an unusual year, with a lack of Corporation funding and State travel restrictions. Such conditions can, however, heighten the risk of subgrantee misuse of Corporation funds. Many of the monitoring issues also existed in Program Year 2001-2002. Audit testing showed the following specific results:

- The Commission's monitoring policy requires reviewing subgrantee financial records during monitoring site visits to ensure the accuracy and allowability of financial information reported on FSRs. Based on our sample testing of 10 subgrantees for Program Years 2001-2002 and 2002-2003, none of the subgrantees received a fiscal review of their accounting records and supporting documents. This is the only control established to test allowability and propriety of costs for subgrantee expenditures claimed; thus, there is the risk that subgrantees were paid for unallowable expenses, and inappropriate match was claimed during the period under review. Additionally, the Commission could not ensure the accuracy and allowability of expenditures listed on subgrantee FSRs and, as a result, on the Commission's aggregate FSR submitted to the Corporation.

- The Commission's policy requires at least one annual site visit to subgrantees that received a moderate or high-risk rating during the risk assessment process. Based on our review of five subgrantees in Program Year 2002-03, three subgrantees rated as moderate risk did not receive any programmatic or financial site visits.

- Of the six subgrantees tested that received a programmatic site visit from the Commission, a maximum of six member files were reviewed, rather than the minimum 10 files required by Commission policy. Also, the modules for Program Management Review and Program Effectiveness Review were not completed at three of the subgrantees, and operating site visits with member interviews were not conducted.

  Auditors' Additional Comment to Commission's Response:
  This issue is based on documented policies and procedures in operation during our pre-audit survey. The Commission's response is based upon revisions made subsequent to the audit period. Accordingly, the Commission's response does not affect our reporting of the issue noted.

- Management oversight of monitoring activities performed by program administrators is lacking. The Executive Director retired in December 2002. Subsequently, management responsibilities previously performed by the Executive Director were divided among program administrators. With these additional responsibilities, program administrators devoted only half of their time to monitoring activities.

Without regular monitoring, subgrantee site visits, and visits to operating sites, the Commission could not ensure that subgrantees were operating the AmeriCorps program in compliance with Corporation requirements. For example, it could not determine if members received orientation and training, were eligible to perform service, prepared time and attendance records as required, received living allowances on an incremental basis, and did not perform prohibited activities.

According to 45 CFR § 2541.400(a), grantees are responsible for managing the day-to-day 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 cover each program, function, or activity.

Additionally, Section 4.3 of the *Reference Manual for Commission Executive Directors* requires commissions to evaluate whether subgrantees comply with legal, reporting, financial management, and grant requirements and ensure follow through on issues of noncompliance.

Recommendation: We recommend that the Commission comply with its policies for monitoring subgrantees, continue to conduct a risk assessment of each subgrantee, and conduct monitoring appropriate for each risk level. We recommend that key controls, such as validating costs and member testing, be performed for all subgrantees. Such tests could be conducted on-

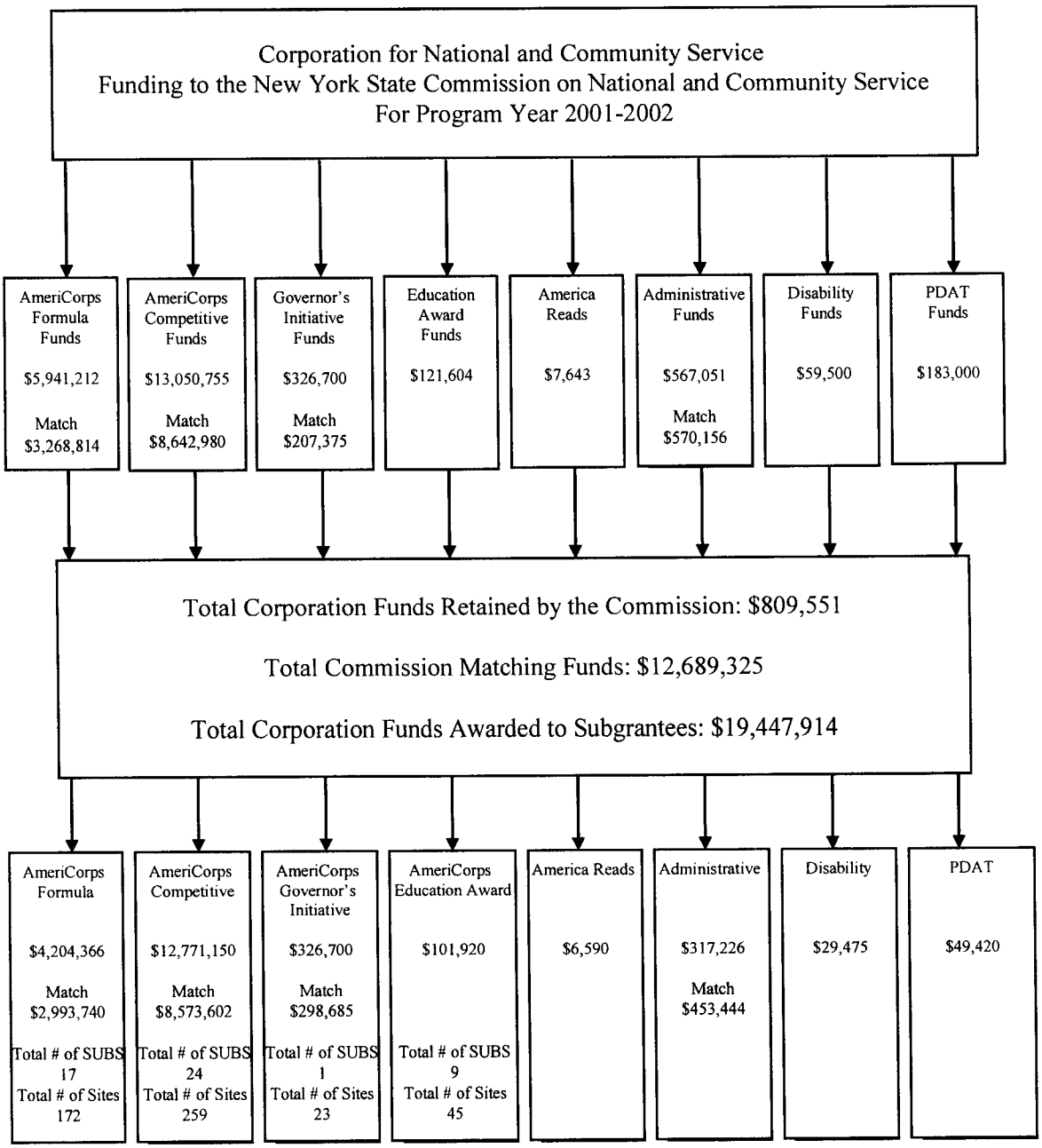
site or off-site. The Program Monitoring Tool appears to be an excellent form to document most monitoring and should be used regularly.

It is our understanding that the Executive Director position is still expected to be filled. We also understand that fiscal site visits will be performed by contracted auditors. These responsibilities are critical to an effective monitoring program. We also recommend that training for fiscal monitoring be obtained for program administrators, even if those tasks will be performed by external personnel. We understand that many of the subgrantees are large organizations with complex accounting systems. However, it is beneficial for program administrators to become more comfortable with the fiscal aspects of grant administration to adequately support contracted financial monitoring and to follow up on issues raised.

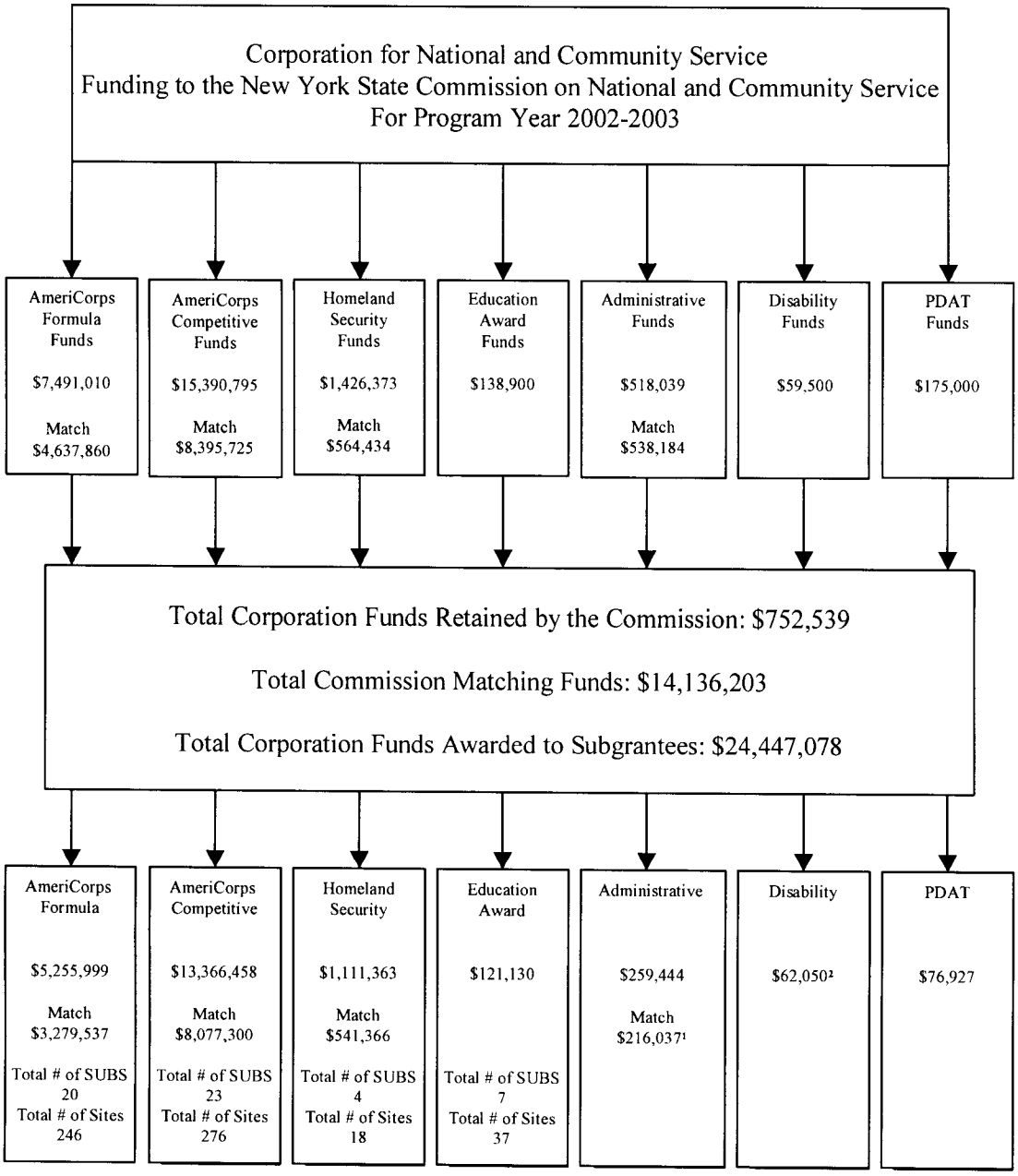
APPENDIX A

FUNDING HIERARCHY FLOWCHARTS

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



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



Note 1: The Commission's cumulative match contribution met the minimum matching requirement.

Note 2: Due to the carryover of Corporation funds from previous program years, the Commission's expenditures appear to, but do not exceed, the funds obtained from the Corporation during the current program year.

APPENDIX B

DETAILED ENGAGEMENT OBJECTIVES AND METHODOLOGY

Office of the Inspector General
Corporation for National and Community Service
State Commission Pre-Audit Survey
New York State Commission on National and Community Service
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. Through inquiry, observation, and inspection of documents, we tested the Commission's controls related to the control environment. We also reviewed operating procedures in place regarding allowable costs, eligibility, matching, period of availability of Corporation funds, procurement, suspension, debarment, program income, subgrantee monitoring, and Commission reporting to the Corporation. We performed limited testing over key controls. This included sampling and reconciling drawdown activity to supporting voucher documentation. We reconciled amounts reported, claimed, and reimbursed at both the subgrantee and Commission levels.

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 related to selecting subgrantees were functioning as designed.

To achieve these objectives, we interviewed key Commission and OCFS management and documented procedures performed by the Commission during the pre-award financial and programmatic risk assessment of potential subgrantees. We reviewed documented procedures related to the RFP solicitation, review, and approval process of both new and renewal applicants. We reviewed sample documentation for the entire process. This included reviewing

risk assessment tools, training tools, reviewer packages, recommendation summaries and packages provided to the Commission Board, A-133 review spreadsheets, correspondence, and memoranda.

We also conducted tests to determine if the Commission's systems and controls for selecting subgrantees were functioning as designed. Our testing methodology included selecting a judgmental sample of subgrantee selection files and reviewing file documentation for evidence of selection criteria, as defined by Commission interviews, policies and procedures, and known best practices. This included selecting new applicants, recompetes, a renewal (continuation of existing grant), and denied applicants to examine documents used during the Commission's selection process.

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 related to maintenance of financial systems, records, supporting documentation, and reporting of 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 OCFS management and reviewed their documented policies and procedures to administer grant funds. We also gained an understanding of manual and automated systems used by Commission and OCFS personnel to administer grant funds through inquiry, observation, and system walkthroughs.

We also conducted tests to determine if the Commission's systems and controls related to administering grant funds were functioning as designed. Our testing methodology included selecting a judgmental sample of subgrantee files. From this sample, we examined Financial Status Report submission status for timeliness and observed the controls over grant expenditures and subgrantee match information. We also compared amounts reported on

FSRs to cash drawdowns by the Commission for any material discrepancies. We reviewed procedures used by the Commission to control subgrantee grant expenditures and controls over data entry into the Web Based Reporting System (WBRS).

EVALUATING AND MONITORING GRANTS

Our objectives were to:

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

- 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 management and reviewed the documented program monitoring policy. We tested the Commission's systems 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 examining site visit documentation, as well as evidence of other monitoring procedures. We discussed subgrantee deficiencies with Commission management. We reviewed training documents and member contracts to determine proper monitoring over prohibited member activities.

We also inquired about awareness of the Corporation's Government Performance and Results Act goals and then reviewed subgrantee evaluation files to ensure the inclusion of program accomplishments. We reviewed other corroborating documentation to verify that policies and procedures were in operation.

APPENDIX C

NEW YORK STATE COMMISSION ON NATIONAL AND COMMUNITY SERVICE RESPONSE

New York State
Office of
Children & Family
Services

George E. Pataki
Governor

John A. Johnson
Commissioner

Capital View Office Park

52 Washington Street
Rensselaer, NY 12144-2796

September 20, 2004

Mr. J. Russell George
Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW
Suite 830
Washington, DC 20525

Dear Inspector General George:

Enclosed you will find the response from the New York State Office of National and Community Service to the Pre-Audit Survey Draft Report.

New York appreciates the consideration given by your office to both our answers outlined and the strategies that we have developed in response to your report. We believe that we have provided clarification or taken corrective action that adequately addresses the issues identified in the report.

Thank you.

Sincerely,

Sally A. Herrick
Assistant Commissioner
Office of Youth Development

Enc.

An Equal Opportunity Employer

Response to Pre-Audit Survey Draft Report
New York State Office of National and Community Service

The following information is being provided in response to the Pre-Audit Survey Draft Report issued by Cotton and Company that identified issues requiring explanations or documentation.

I. Internal Controls Over Grant Management

Report: The Report acknowledges that "As part of OCFS, the Commission had documented controls, guidelines, and policies for all major processes reviewed, with multilayered clearance and approval for all documented procedures."

Response: The New York State Commission has had a long history of being a leader in the nation for managing high-quality and high-performing AmeriCorps programs. As part of a multi-billion dollar agency, policies and procedures are clearly defined, and the staff of Office of National and Community Service (ONCS) has been in compliance and historically has met or exceeded the requirements set forth for contract management including monitoring. The New York Commission successfully met all Commission Administrative Standards during the review that took place in 2001.

It is important to point out that the 2002-03 program year that was included in the Pre-Audit was an extraordinary year nationally in the administration of the AmeriCorps program. The Corporation for National and Community Service (Corporation) and State commissions were forced to work closely together with programs on numerous and frequent assignments addressing the funding issues at the Federal level. It should also be noted that in the 2002-03 program year, a member enrollment pause was instituted and programs could not enroll members from November 2002 through March 11, 2003. Most of the programs in the New York State portfolio did not have any members enrolled or had limited enrollment. The Commission staff diligently and passionately focused on assisting the programs through this critical time. It was not "business as usual". Even the Corporation made accommodations to address the immediate needs of the programs.

It was also an extraordinary year on the State level, and travel restrictions were instituted during 2002-03 due to fiscal constraints of the State budget.

However, all ONCS policies and procedures are now in affect. Program and fiscal monitoring functions have resumed per stated procedures.

II. Selecting Subgrantees

Report: The report states that the Commission did not formally or consistently consider past performance for applicants that previously received grants. The report recommends that the Commission develop procedures to formally consider past performance of re-compete applications in the peer review process and provide information about subgrantee progress toward its goals, timeliness of reporting programmatic and financial data, accuracy of reporting, attendance at events and meetings, issues raised at site visits, and any other known issues. Thus, the Commission can assure that it has a sound basis for denying funding to organizations that did not adequately utilize prior Commission funding.

Response: The New York State Office of Children and Family Services Bureau of Contract Management (BCM) recommends that the method that ONCS can utilize to include past performance of re-compete applicants resides with the use of the OCFS Fiscal Sanction Policy, which is current practice. Under this policy, OCFS initiates a Fiscal Sanction against a contractor when they have not responded to requests to repay or resolve fiscal balances due OCFS. If a contractor is on the Fiscal Sanction List, OCFS will not enter into any agreement or make any cash payments until the outstanding issues are resolved. This list is updated daily and all contracts are checked against the list prior to finalization.

This recommendation is based on BCM's experience with the Office of the State Comptroller. BCM notes that considering past performance in the evaluation process for a particular segment of the bidding population is unfair, inequitable and inappropriate. Considering the past performance of AmeriCorps re-competes, but not that of organizations that have never been awarded an AmeriCorps grant is unfair. Deducting evaluation points for negative AmeriCorps past performance inherently puts a new bidder at an advantage since past performance would be based entirely on a well-written proposal.

For new and recompeting programs, it must be noted that the Commission follows the Corporation's 2000 Guidelines on Conducting An Effective Grant Review Process - the same exact process CNCS uses. The guidance does not include the review of Past Performance as a criteria within either the Peer Review Process or the Staff Review Process for performance, other than what is described in the proposal.

The ONCS review of continuation applications for 2nd and 3rd years does include agency history, including subgrantee progress toward its goals, timeliness of reporting programmatic and financial data, accuracy of reporting, attendance at events and meetings, issues raised at site visits, and any other known issues are known and considered by staff.

ONCS has worked with agencies that were having significant issues meeting financial, administrative or programmatic obligations to either remedy any issues, opt out of the application process in subsequent years, or be denied funding. As a last resort, ONCS does have procedures that address programs that are delinquent regarding requirements or are ultimately out of compliance. In fact, one AmeriCorps program was closed in 2001-02 due to financial management issues.

New York's portfolio has changed throughout the 10-year history of the ONCS, with only four agencies still being funded that were in the ONCS original portfolio in 1994.

Documentation: 2000 Corporation for National and Community Service Guidelines On Conducting An Effective Grants Review Process
AmeriCorps Continuation Review Form
Fiscal Sanction Policy PPM 1814.0

Report: The report states that the Commission did not maintain adequate documentation to support its review of applicant and subgrantee OMB Circular A-133 Reports. The report recommends that the Commission create a standardized OMB Circular A-133 review checklist to provide an efficient way to document review procedures performed, ensure that current reports are evaluated using online resources where possible, and ensure that information provided to program administrators is complete.

Response: Review of all A-133 Audits was indeed accomplished by the Bureau of Audit and Quality Control (AQC) and outcomes were provided to the Commission. The AQC written procedures for the Review of A-133's were reviewed with the auditors and a recommendation was made to have a review sheet or check list documenting the review attached to each audit. AQC has recently instituted a policy wherein a new instrument will be utilized in the review and evaluation of sub-recipient audit reports. This information is maintained and monitored systematically, utilizing a comprehensive on-line reporting process. This will address the timeliness and appropriateness of the submission of A-133's OCFS including the Commission.

ONCS will institute a process to deal with the audit findings that are forwarded to it. For example, ONCS would review the findings and corrective action plans and contact would be made with the contractor to make sure the corrections were made. If the findings were major, a field visit to the contractor might be warranted to review the problem and/or to assure the corrective actions were taken. If ONCS had questions regarding the nature of the finding, we could confer with AQC. Together we would be able to determine the risk level of the finding.

In addition, the Commission will revise its Application Checklist that is used for the initial review of applications to not only verify the receipt of the A-133 but also include the date of the audit submitted.

Documentation: Revised Application Checklist
Audit Checklist

III. Administering Grant Funds

Report: The report states that the Commission did not have adequate procedures to ensure that subgrantees submitted FSRs in a timely manner. The report recommends that the Commission strengthen its procedures to actively follow up with subgrantees on late FSR submissions. The report notes that while the Commission reminds subgrantees by e-mail, phone calls, and letters that late reporting may impact funding renewal and may result in penalties, these steps do not appear to be adequate. More stringent requirements, such as enforcing penalties, may be necessary.

Response: This recommendation was implemented effective with the 2004-05 AmeriCorps Contracts. The Appendix C Payment and Reporting Schedule used in the 2004-05 AmeriCorps Contract states, "The contractor must submit all claims for each period of this AGREEMENT no later than 60 days after the end date of each period of this AGREEMENT. OCFS shall not be responsible under this AGREEMENT for reimbursing the Contractor for any expenditures incurred and submitted 60 subsequent to the end of each period." This clause gives ONCS the ability to withhold payment for untimely submission of Financial Status Reports (FSR's), since contractors are required to include them with their claim submissions.

Due to the fact that reports are due to CNCS 30 days from the end of the claim period, ONCS is now considering changing the above language to include "20 days for financial reports and 60 days for claims."

The Corporation Provisions state: "Requests for extensions of reporting deadlines will be granted when 1) the report cannot be furnished in a timely manner for reasons legitimately beyond the control of the grantee and 2) the Corporation receives a request explaining the need for an extension."

"Extensions of deadlines for FSRs (SF 269a) may only be granted by the Office of Grants Management, and extensions of deadlines for Progress Reports may only be granted by the AmeriCorps Program Office."

ONCS has either submitted FSRs on time or requested that an extension be granted by the CNCS Grants Office. It must be noted here that reports historically were submitted electronically through the Web-Based Reporting System (WBRS). The WBRS system required that ALL subgrantee reports be submitted before a grantee report could be submitted. Submission dates are recorded in the system. However, when a commission reopens a document to make any revisions or updates, a new submission date would be recorded that would appear to indicate that the report was not submitted on time. For example, if a program was granted an extension, they would have to submit a report to the Commission with zeroes because the Commission could not submit its aggregate report unless every program was included. When the program finally submitted its report based on the extension it was granted, the Ccommission would have to re-open its aggregate FSR to include that program, thus changing the Commission submission date on WBRS.

Extensions on financial reports have been granted via a telephone conversation with the CNCS Grants Office, and therefore may not be documented at the Commission. However, the Commission has always received extensions from the grants office as necessary, and has not submitted late financial reports to CNCS. A review of the Corporation's records should demonstrate that the Commission is not delinquent in reporting. In the future, if necessary, all requests will be made in writing and approvals will be maintained in ONCS files.

ONCS policy and contract language allows programs 20 days to submit financial reports for each quarter. This provides a challenge for programs, given that some may have to go to legislative bodies, central offices and/or have multiple sites that must be included. However, given the fact that our CNCS reporting deadline is 30 days after the period, we must maintain the tight deadlines. That being said, ONCS is instituting new policies starting with the 2004-05 program year. Those policies are reflected in contract language and within the updated Fiscal Manual that is being provided to all programs at our mandatory fiscal training in September.

New language has been added to the NYS AmeriCorps Contract and the Fiscal Manual:

> ***Late Program and Financial Reports*** *- When a report is 5 days overdue, the signatory of the contract will be sent a letter from OCFS stating the reporting requirements of the grant have not been met.*

In the past, staff has corresponded with AmeriCorps program staff when reports were late. Sending formal letters and notifying the signatories of contracts that the program is out of compliance will address the timely submission of FSR's.

It is not the practice at the NYS Office of Children and Family Services to impose financial penalties on grantees for late reporting, beyond the withholding of funds until required reports are received.

Report: The report states that the Commission did not periodically reconcile FSRs to cash drawdown balances. The report recommends that the Commission develop a formal policy to ensure that it reconciles cumulative claimed costs per FSRs to cumulative drawdowns made by the Commission at least annually. The policy should include procedures requiring differences to be investigated and resolved, with explanations documented.

Response: ONCS, in consultation with OCFS Division of Administration, is in the process of developing new financial reporting procedures that will address the reconciliation of reports. We are reviewing several options and are consulting with the NYS Office of the State Comptroller. ONCS will choose the option that best suits its needs.

It is our understanding that CNCS is developing new procedures and new financial reporting forms that will require reporting of cash drawdowns as well as expenditures that will address this issue on a national level. ONCS will comply with any requirements as they are implemented.

We are currently developing a closeout schedule for 00ASCNY033 and 00ASFNY033, which ended in March 2004. As part of the closing routine, we will reconcile FSRs as submitted by programs with expenditures, as reported by the State Comptroller, and subsequent drawdowns of Federal monies. The final FSR will reconcile drawdowns from the Comptroller's Office. We will be notifying programs of discrepancies and closing all programs in balance. This will become part of the regular closeout procedure.

OCFS will institute a semiannual reconciliation of all FSRs to DHHS drawdowns.

IV. Evaluating and Monitoring Grants

Report: The report states that the Commission did not adequately monitor subgrantees, performed only limited programmatic monitoring, and conducted no fiscal monitoring of tested subgrantees. The report recommends that the Commission comply with its policies for monitoring subgrantees, continue to conduct a risk assessment of each subgrantee, and conduct monitoring appropriate for each risk level. The report recommends that key controls, such as validating costs and member testing, be performed for all subgrantees. Such tests could be conducted onsite or offsite. The Program Monitoring Tool appears to be an excellent form to document most monitoring and should be used regularly.

Response: As was stated, the 2002-03 program year was extraordinary for AmeriCorps. We are putting forth that monitoring for the 2001-2002 year was performed within the policies and procedures held by OCFS and the Commission (as will be presented in the Evaluating and Monitoring Grants section of this document), that the 2002-2003 program year was an anomaly, and that for the 2003-04 program year, an aggressive program and fiscal monitoring schedule is in place.

Additionally, the fact that the auditors included two Education Award Only programs in the sample (one from each year) raises the question of whether or not the sample was a valid sample since regular fiscal monitoring does not pertain to Education Award Only programs.

In order to address the 2002-03 program year, ONCS has entered into contract with four independent auditing firms to conduct independent audits of all 2002-03 programs that were assessed by program administrators as being of High Risk or Moderate Risk. Several audits have been completed and others are currently underway. We will continue include funds for future independent audits in our 2005 Administrative Budget and beyond.

As acknowledged by the auditors in their description of internal controls, ONCS has appropriate systems in place. ONCS program administrators are currently aggressively conducting programmatic and fiscal monitoring for all programs. All testing procedures included in the ONCS monitoring tools and procedures will be completed. Information gained from recent monitoring will be used during risk assessment and further audits will be conducted as necessary. We will continue to schedule independent audits so that programs will be reviewed on a cyclical basis.

Attachment: Independent Audit Schedule
ONCS Monitoring Calendar

Report: "The Commission's monitoring policy requires reviewing subgrantee financial records during monitoring site visits to ensure the accuracy and allowability of financial information reported on FSRs. Based on sample testing of 10 subgrantees from Program Years 2001-02 and 2002-03, none of the subgrantees received a fiscal review of their accounting records and supporting documents. This is the only control established to test allowability and propriety of costs for subgrantee expenditures claimed; thus there is the risk that subgrantees were paid for unallowable expenses, and inappropriate match was claimed during the period under review. Additionally the commission could not ensure the accuracy and allowability of expenditures listed on subgrantee FSRs, and as a result, on the Commission's aggregate FSR submitted to the Corporation."

Response: In 2001-02 the ONCS portfolio included 48 programs. As was discussed with the auditors, ONCS staff was diligent in monitoring these programs through site visits as well as performing regular off site review of WBRS documentation, program and fiscal reports. Six of these programs were Education Award programs leaving 42 regular operating programs subject to operating program fiscal site visits. Being fixed grant award programs, Education Awards programs are not required to receive fiscal monitoring. In total, 62 program and fiscal site visits were made during that year. There were nineteen fiscal site visits made, meaning that 45% of operating programs did receive fiscal site visits in 2001-02.

Again, in order to address the 2002-03 program year, ONCS has entered into contract with several independent auditing firms to conduct 15 independent audits of all 2002-03 programs that were assessed by program administrators as being of High Risk or Moderate Risk. Additionally, seven independent audits were conducted for 2001-02.

Report: "The Commission's policy requires at least one annual site visit to subgrantees that received a moderate or high risk rating during the risk assessment process. Based on our review of five subgrantees in Program Year 2002-03, three subgrantees rated as moderate risk did not receive any programmatic or financial site visits."

Response: While onsite monitoring did not occur, program administrators did complete Module A of the Monitoring tool (off site WBRS monitoring). Given that 2002-03 was such an anomaly, included is a Chronology of Key Dates that summarizes the work done by ONCS to assist all programs and manage funds to keep programs operational. The day-to-day work involved with the myriad requests from the Corporation to survey programs on member status is not reflected in the Chronology, but required major time commitments by ONCS staff. Program administrators also were in constant contact with program staff, assisting them with many challenges related to the enrollment pause, including working with each program and reviewing all budgets and expenses to ascertain where budgets could be modified. Program administrators also worked with programs to estimate funds not needed so that the Commission could recoup those funds to support Planning Grants in 2003-04. Program staff also processed contract amendments , extending operations from December 31, 2003 through March 31, 2004. Program administrators at the Commission were keenly aware of all program operations, budget and expenditures during this difficult time.

Again, ONCS is currently conducting monitoring functions per our Policies and Procedures Manual for the 2003-04 program year and beyond.

Report: "Of the six subgrantees tested that received a programmatic site visit from the Commission, a maximum of six member files were reviewed, rather than the minimum ten files required by Commission policy. Also, the modules for Program Management Review and Program Effectiveness Review were not completed at three of the subgrantees, and operating site visits with member interviews were not conducted."

Response: ONCS policies state, "During on-site monitoring, ONCS staff shall draw a **random** sample of program member records, based on the assumptions that a 20% sample is sufficient to draw conclusions about the characteristics of the larger population. Therefore, a sample of 20% shall be drawn, except for large programs in which a minimum sample of 10 files shall be drawn." Therefore, the 10 record minimum applies only to large programs where 20% would include more than 10 records. For smaller programs, less than 10 files can be reviewed, as 20% is sufficient.

Report: "Management oversight of monitoring activities performed by program administrators is lacking. The Executive Director retired in December 2002. Subsequently, management responsibilities previously performed by the Executive Director were divided among program administrators. With these additional responsibilities, program administrators only devoted half their time to monitoring activities."

Response: ONCS has been working with the Office of Children and Family Services (OCFS) Office of Human Resources to fill the Executive Director position. Human Resources is working with NYS Civil Service to enable OCFS to fill the position. In the meantime, Sally Herrick, Assistant Commissioner of the Office of Youth Development (OYD) is serving as the Acting Executive Director. She and her assistant, Matt B. Murell, OYD Bureau Director, will provide oversight of monitoring activities.

We appreciated the best practices that the auditors shared in relation to the ONCS Monitoring Tool.

- Fiscal Monitoring

    a. ONCS is currently working with the OCFS Bureau of Training and the New York State Office of the State Comptroller to design a course for program administrators that will include basic accounting practices and an overview of financial management of community based organizations.
    b. Walker and Company, the Corporation's Fiscal Technical Assistance and Training provider, will be providing fiscal training to NYS AmeriCorps programs on September 22, 2004 and fiscal monitoring training to NYS AmeriCorps program administrators on September 23, 2004.
    c. The Fiscal Monitoring Tool has been revised to include a checklist, or guide, that is more specific in conducting fiscal monitoring of programs.
    d. Risk Assessments will continue to be completed annually and a site visit/fiscal monitoring calendar has been developed and will be reviewed and analyzed on a "regular basis" (define).
    e. ONCS has entered into contract with an independent auditing firm to complete fiscal audits of all moderate and high risk programs that were operational in the 2002-03 program year. These auditors will specifically be charged with reviewing expenses for allowability and recommending remedies when discrepancies are found.

- Prohibited Activities

    a. The identification of prohibited activities will continue to be emphasized in program director training.
    b. Programs will be required to submit a copy of their member contract with a description of Prohibited Activities
    c. ONCS will include a questionnaire for members related to prohibited activities to be used by program administrators as part of the monitoring tool.

Documentation: Revised ONCS Program Monitoring Tool
Fiscal Monitoring Tool
Program Monitoring Calendar for 2003-04
Chronology of Key Dates that identifies the activities performed by Commission staff during 2002-03 to address the crisis in AmeriCorps funding.

Summary: The NYS Office of National and Community Service and the Office of Children and Family Services believes that steps have been taken to implement recommendations of the Pre-Audit Survey and address any issues. Given the fact that procedures were in place throughout the audit period and those issues occurred during a brief period of time, it is our contention that further testing or implementation of a full-scope audit is unnecessary.

APPENDIX D

CORPORATION RESPONSE

Corporation for
NATIONAL & COMMUNITY SERVICE

To: J. Russell George, Inspector General

From: Margaret Rosenberry, Director of Grants Management

Cc: Andrew Kleine, Acting Chief Financial Officer
Rosie Mauk, Director of AmeriCorps

Date: September 23, 2004

Subject: Response to OIG Draft Audit Report 04-19, Pre-Audit Survey of the New York Commission on National and Community Service

We have reviewed the draft Pre-Audit Survey of the New York Commission on National and Community Service. Due to the limited timeframe for response, we have not thoroughly reviewed the report. However, we discussed the report with the Commission and agree with the auditor's recommendations. Within the next four months, the Corporation will follow up with the Commission to complete a management decision and corrective action plan.