Office of Inspector General
Corporation for National and Community Service

Pre-Audit Survey of the North Dakota State Commission on National and Community Service

OIG Report Number 04-21

Prepared by:

Clifton Gunderson LLP
4041 Powder Mill Road
Beltsville, MD 20705

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 04-21

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

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Clifton Gunderson LLP to perform a pre-audit survey of the North Dakota 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 pre-audit survey covered the period October 1, 2002, through March 31, 2004.

The Commission was awarded AmeriCorps Formula, AmeriCorps Competitive, Program Development and Training, and Administrative grants totaling $426,244 for the period October 1, 2002, through March 31, 2003. During the survey program years, the auditors noted the following:

- The Commission should improve its review and approval of the administrative match on Financial Status Reports.

- The Commission did not document its consideration of past performance or financial risk assessments during the subgrantee selection process.

- The Commission should improve its documentation of communications with its subgrantees and improve its review of subgrantee audits.

The auditors did not recommend that a full-scope audit be performed. They recommended that the Corporation follow up with the Commission to address the findings related to grant administration and subgrantee monitoring, and 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 Clifton Gunderson LLP did not comply, in all material respects, with generally accepted government auditing standards.

Pre-Audit Survey of the
North Dakota State Commission on National and Community Service
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Clifton Gunderson LLP
Certified Public Accountants & Consultants

May 26, 2004

Office of Inspector General
Corporation for National and Community Service

At your request, Clifton Gunderson LLP (CG) performed a pre-audit survey of the North Dakota State Commission on National and Community Service (Commission). We audited funds received by the Commission from the Corporation for National and Community Service (Corporation) for Program Years 2002-2003 and 2003-2004 (through March 31, 2004). Specifically, we performed the procedures requested by the Office of Inspector General (OIG) that were listed in Attachment D of the Statement of Work. 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 report on the recommended scope of additional audit procedures to be performed at the Commission.

Results in Brief

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

- The Commission administers an open, competitive process to select national service subgrantees. However, the Commission should improve its documentation of the risk assessment process.
- The Commission has developed adequate policies and procedures to administer the Corporation's grant funds. However, the Commission should improve its review and approval of the administrative match reported on the Financial Status Reports (FSRs).
- The Commission has established controls to evaluate and monitor subgrantees. However, the Commission should improve its process for documenting its communications with its subgrantees. In addition, we recommend that the Commission improve its review of subgrantee audits.

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The section of this report entitled "Findings and Recommendations" describes the weaknesses noted above in further detail, makes recommendations for corrective actions, and addresses additional issues noted during the survey.

Based on our preliminary assessments and the nature of our findings, we recommend the performance of limited audit procedures to address the findings related to grant administration and subgrantee monitoring. Additionally, we recommend that the Corporation follow up with the Commission to determine that appropriate corrective actions are implemented to address the conditions reported herein, and that the Corporation consider these conditions in its oversight and monitoring of the Commission.

Background

Corporation for National and Community Service

The National and Community Service Trust Act of 1993, Pub. L. No. 103-82, 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 and 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 subgrantees' compliance with grant requirements. Commissions are also responsible for providing training and technical assistance to AmeriCorps programs that receive grants directly from the Corporation, 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 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.

North Dakota Commission on National and Community Service

The Commission is located in Bismarck, North Dakota. Since its inception in 2002, the Commission has received AmeriCorps grant funds from the Corporation. The Commission is an independent division of the North Dakota Workforce Development Council (Council), which is part of the North Dakota Department of Commerce (NDDoC). The NDDoC serves as the fiscal agent for the Commission. The Commission and the Council share professional and support staff on an equal basis. The Director and Administrative Officer of the Workforce Development Division of NDDoC are full-time employees and devote 50 percent of their time to the Council and 50 percent to the Commission. In addition, the Commission has a full-time Program Officer.

Working together, the Council and the Commission leverage resources, coordinate efforts, and support comprehensive cross-stream planning and program implementation. However, the Council and the Commission are independent of one another. The Commission staff is also supplemented with support from NDDoC's Office Manager and two Account/Budget Specialists, as needed.

The State operates on a biennial fiscal period. Therefore, the State is subject to an OMB Circular A-133 audit every two years. The last A-133 audit performed was for the period ended June 30, 2002, before the Commission was established. There was only one finding related to NDDoC. The finding related to the presentation of the Schedule of Expenditures of Federal Awards. Adjustments were made to the schedule and there were no questioned costs. There were no internal control findings related to NDDoC in the June 30, 2002, A-133 report.

The Commission provided the following information for Program Years 2002-2003 and 2003-2004 (through March 31, 2004):

Program Year	Total Corporation Funding	Number of Subgrantees	Number of Subgrantees Subject to A-133 Audits[1]
2002-2003	$282,666	0[2]	0
2003-2004	$168,578	2	1

Appendix A contains more detailed information on funding received from the Corporation during Program Years 2002-2003 and 2003-2004.

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 AmeriCorps grants and for monitoring the fiscal activity of subgrantees. The primary purpose of this pre-audit survey is to provide a preliminary assessment of:

[1] This determination is based solely on the dollar value of Federal awards passed through the Commission for each program year. Remaining subgrantees could be subject to an OMB Circular A-133 audit if they receive additional Federal grant funds from sources other than the Corporation.

[2] In the initial year of funding, the two subgrantees received funding directly from the Corporation.

- 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 report 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 and programmatic requirements;

- reviewing OMB Circular A-133 reports and current program year grant agreements for the Commission;

- obtaining information from Commission management to complete flowcharts documenting the hierarchy of AmeriCorps grant funding for Program Years 2002-2003 and 2003-2004 (through March 31, 2004); and

- performing procedures to achieve the 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 examinations of a limited sample of source documents. Finally, we summarized the 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 May 26, 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.

We provided a draft of this report to the Commission and the Corporation. Responses to our findings and recommendations by the Commission and the Corporation are included as Appendices C and D, respectively, in this report.

FINDINGS AND RECOMMENDATIONS

Selecting Subgrantees

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

The Commission administers an open, competitive process to select national service subgrantees. The Commission advertises funding availability through a newspaper legal advertisement, which is supplemented by direct mail and e-mail to nonprofit, educational, faith-based, and other organizations. The Commission also holds community meetings across the State to raise awareness. In addition, selection officials sign conflict-of-interest statements annually, receive an instruction package, and use a standard form to evaluate each applicant. However, we identified the following area for improvement within the subgrantee selection process:

Risk Assessment
During review of the subgrantee selection process, there was minimal documentation related to risk assessment. According to 45 CFR § 2550.80(b)(1), each State must "[a]dminister a competitive process to select national service programs to be included in any application to the Corporation for funding." In discussions with Commission staff, they stated that they performed a risk assessment by holding meetings, conference calls, discussions, etc. However, there is minimal documentation of risk assessment in the files. The Commission indicated that the Corporation found the same issue in the Administrative Standards review completed in April 2004 and that the Commission was working on improving its documentation.

Recommendation
We recommend the Commission continue to improve its documentation of risk assessment procedures performed on potential subgrantees.

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." 45 CFR § 2541.400(a).

The Commission has developed and implemented procedures that are intended to provide reasonable assurance that grant funds received from the Corporation are properly administered. Procedures are in place to withhold funding payments if subgrantees do not submit Financial Status Reports in a timely manner, to manage cash drawdowns and disbursements to subgrantees, and to ascertain whether subgrantees have met their matching requirements. The Commission's personnel have adequate skills and experience managing and administering Corporation grant funds. However, we identified the following areas for improvement within the grant administration process:

Matching or Cost Sharing
Per 45 CFR § 2541.200(b)(1), "[a]ccurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant." The time charged to the grant for the Administrative Officer was not coded properly during February and March of 2004, which resulted in a misstatement of approximately $3,200 for the administrative match. The Commission has corrected this and stated that it would file a correct Financial Status Report (FSR) on Form 269 when it is due on June 30, 2004. Since the error occurred after the filing of the December 31, 2003, FSR, it did not impact any amounts reported to the Corporation. In addition, the error was discovered during the Director's regular review of the Commission match.

Recommendation
Since the error was not discovered for two months, we recommend that the Director conduct a monthly review of the Commission match.

Matching or Cost Sharing
As previously discussed, the NDDoC serves as the fiscal agent for the Commission. NDDoC's Office Manager and two Account/Budget Specialists assist the Commission, as needed. However, the Commission has not tracked this effort until recently and it has not been included in the match. As specified in 45 CFR § 2541.240(c)(2), "[w]hen an employer other than a grantee, subgrantee, or cost-type contractor furnishes free of charge the services of an employee in the employee's normal line of work, the services will be valued at the employee's regular rate of pay exclusive of the employee's fringe benefits and overhead costs."

Recommendation
We recommend the Commission quantify the level of effort provided by NDDoC personnel and report it as match.

Financial Reporting
During follow up on Matching or Cost Sharing, we discovered that the match was incorrectly reported on the June 30, 2003, and December 31, 2003, FSRs. This error was discussed with the Account/Budget Specialists at the NDDoC and revised FSRs were prepared and submitted. Per 45 CFR § 2541.200(b)(1), "[a]ccurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant." As previously discussed, the NDDoC serves as the fiscal agent for the Commission, and the FSRs filed by NDDoC personnel are based on a computer-generated report.

Recommendation
We recommend that Commission personnel compare the information on the FSR to the computer generated report before the NDDoC files the FSR with the Corporation. The Commission is ultimately responsible for FSR reporting.

Financial Reporting
During review of subgrantee files, we discovered that the first quarterly FSR filed by one of the subgrantees was not filed until the end of the second quarter. Per 45 CFR § 2541.410(b)(4), "[w]hen reports are required on an quarterly or semiannual basis, they will be due 30 days after the reporting period." During the first quarter that the subgrantees began receiving funding from the Commission (October 1 to December 31, 2003), they encountered

problems accessing the Corporation's Web Based Reporting System (WBRS), and one of the subgrantees was unable to submit its FSR on time. The problem was corrected and an FSR for the two quarters ended March 31, 2004, was submitted on April 26, 2004. The subgrantees are now reporting on a timely basis. This issue has been remedied and no further action is required.

Evaluating and Monitoring Subgrantees

The Commission is responsible for monitoring subgrant-supported activities to assure compliance with applicable Federal requirements and 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. In addition, the Commission currently has a Request for Proposal (RFP) to hire a firm to assist with the fiscal monitoring of subgrantees, the development of a fiscal monitoring guide and work papers, and additional training for staff. However, we identified the following areas for improvement related to the evaluation and monitoring of subgrantees:

Communications with Subgrantees
During the review of the subgrantee files, it was noted that the Commission has conducted site visits of the subgrantees and is in continuous contact with them. However, since the Commission is so new and there are only two subgrantees, much of the communication has been informal. As part of the grant administration process, "[r]ecipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award." 45 CFR § 2543.51(a).

Recommendation
We recommend the Commission maintain more complete documentation of its communications with subgrantees. We suggest including notes of phone conversations and e-mail printouts in subgrantee files.

Subgrantee Financial Audits
In accordance with 45 CFR § 2543.26(a), "[r]ecipients and subrecipients that are institutions of higher education or other non-profit organizations . . . shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507) and revised OMB Circular A-133, 'Audits of States, Local Governments, and Non-Profit Organizations'." One of the Commission's subgrantees was subject to an A-133 audit and had a finding related to the potential violation of certain restrictive provisions of its grants. This conduct occurred and this audit report was released during the time period that the Corporation was directly funding the subgrantee. The Commission's other subgrantee is not subject to an A-133 audit (per verbal information from the subgrantee) and has never undergone a financial audit.

Recommendation
We recommend that the Commission review the next audit report of the subgrantee that was subject to an A-133 audit to see if this issue has been remedied. If not remedied, the Commission should consider this issue in its decision to approve funding for 2004-2005. We

also recommend that the Commission require the other subgrantee to have a limited scope audit to assist the Commission in monitoring the subgrantee in accordance with OMB Circular A-133.

Additional Observations

We also noted the poor financial condition of both of the Commission's subgrantees. Both entities have current liabilities that far exceed current assets. This indicates that the subgrantees may have insufficient funds to pay expenses on a continual basis and may not be able to continue to operate during the grant award period. We recommend that State personnel with a financial background review the subgrantees' financial reports to assess their financial condition. Such a review will help the Commission determine if there are any disclosures or findings that should be considered in deciding to approve funding.

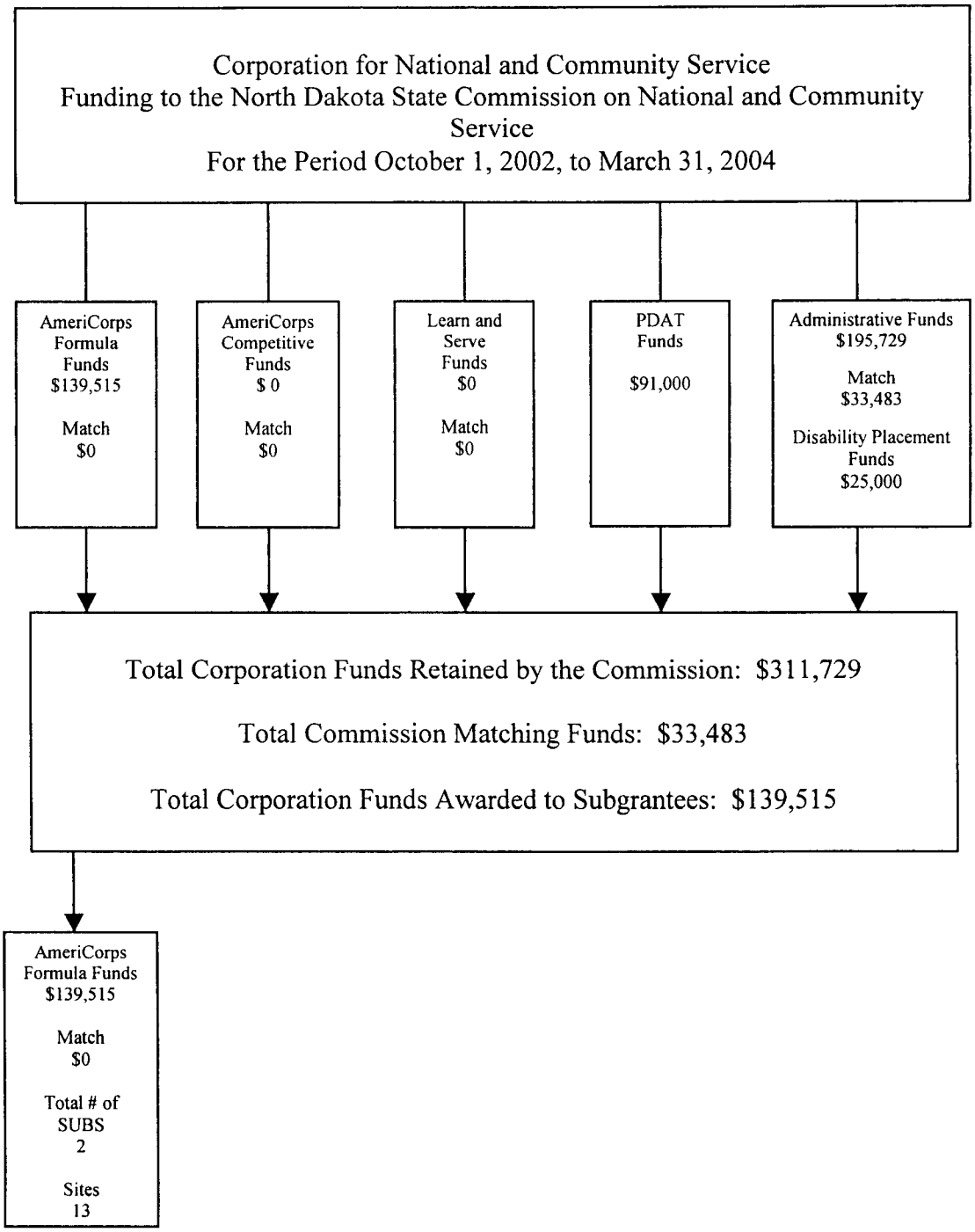
This report is intended solely for the information and use of the Office of Inspector General, the management of the Corporation for National and Community Service, the management of the North Dakota State Commission on National and Community Service, and the United States Congress. It is not intended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

Clifton Gunderson LLP

Calverton, Maryland

APPENDIX A

COMMISSION FUNDING



APPENDIX B

DETAILED ENGAGMENT 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. The purpose of this objective was to provide reasonable assurance that transactions are properly recorded and accounted for to:

- permit the preparation of reliable financial statements and Federal reports;
- maintain accountability over assets; and
- ensure compliance with Federal laws, regulations, and other compliance requirements.

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

Selecting Subgrantees

Our objectives were to make a preliminary assessment of:

- the adequacy of the systems and controls used by the Commission to select national service subgrantees to be included in an application to the Corporation;
- 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 subgrantees; and
- 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 selection officials signed conflict-of-interest forms for each subgrantee applicant, and if the Commission maintained these forms.

Administering Grant Funds
Our objectives were to:

- make a preliminary assessment of the adequacy of the systems and controls used 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 maintenance of financial systems, records, supporting documentation, and 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 submitted reports.

In order to achieve the above objectives, we reviewed accounting records, Financial Status Reports, and progress reports submitted by subgrantees, as well as Financial Status Reports submitted by the Commission to the Corporation, to give a preliminary assessment of their accuracy.

Evaluating and Monitoring Subgrantees
Our objectives were to:

- make a preliminary assessment of the adequacy of the systems and controls by the Commission, in conjunction with the Corporation, to implement a comprehensive, non-duplicative 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 used to assess subgrantee compliance with Corporation regulations (e.g., procedures 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 these 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 Commission documentation for site visits. We reviewed the documentation to preliminarily assess the adequacy of the procedures performed by the Commission to assess 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.

September 14, 2005

J. Russell George
Inspector General
Attention: Ms. Carol Bates, Audit Manager
Corporation for National and Community Service
Office of Inspector General
1201 New York Avenue, NW, Suite 830
Washington, DC 20525

Dear Mr. George:

Thank you for the opportunity to respond to the draft report on the results of North Dakota's pre-audit survey of the North Dakota Commission on National and Community Service.

We appreciate the pre-audit survey being conducted early in our start-up process. The State Commission is interested in administering the very best AmeriCorps programs possible and is fully committed to providing effective control and accountability for all grant and sub grant funding, real and personal property and other assets.

Findings and Recommendations:

1. Risk Assessment

   Recommendation: We recommend the Commission continue to improve its documentation of risk assessment procedures performed on potential sub grantees.

   Response: The North Dakota State Commission agrees with this recommendation. We feel that the process is in place. What is lacking, or was lacking, was formal documentation of the process and findings of the assessment. We are now having our sub grantees complete a Risk Assessment Survey and having our Fiscal Officer provide input and comment on the Risk Assessment.

2. Matching Cost Sharing:

   Recommendation: We recommend that the Director conduct monthly review of Commission Match.

Response: We agree with this recommendation. Our State reporting system has improved and we fully expect to have timely financial reports of Commission expenditures and match to support the monthly review.

3. Match or Cost Sharing:

   Recommendation: We recommend the Commission quantify the level of effort provided by the NDDoC personnel and report it as match.

   Response: We agree with this recommendation, but recognize that this is a double edged sword. Personnel from NDDoC provide the fiscal support to the Commission. I requiring them to track their time and effort, we are placing additional administrative burden on them and increasing their cost associated with this support. In addition, being a State Agency and having to have our budgets approved by the North Dakota State Legislature we open the door to questioning why the State of North Dakota should be providing this additional match and may end up having an indirect cost allocation applied to our Commission funding.

4. Financial Reporting:

   Recommendation: We recommend the Commission personnel compare information on the FSR to the computer generated report before the NDDoC files the FSR with the Corporation.

   Response: We agree with this recommendation. The error in question was the result of a decision make by the NDDoC Account Specialist to report match only to the level required. The FSR was corrected and the individual who made this decision is no longer in the employ of NDDoC. We do not expect that this would occur in the future and will review and compare information on the FSR to the computer generated reports.

5. Communications with Sub grantees:

   Recommendation: We recommend the Commission maintain more complete documentation of its communications with sub grantees. We suggest including notes of phone conversations and e-mail printouts in sub grantees files.

   Response: We agree with this recommendation. We have implemented a written procedure and policy requiring the use of formal communications and posting of communications to the sub grantees file. We recognize that in the past the communications was informal and posting to the file of e-mail and phone contacts with sub grantees did not occur.

6. Sub grantee Financial Audits:

   Recommendation: We recommend that the Commission review the audit report of the sub grantee that was subject to an A-133 audit when it becomes available to see if the issues have been remedied. If not remedied, the Commission should consider this issue in its decision to approve funding for 2004 – 2005. We also recommend that the Commission require the other sub grantees to have a limited scope audit to assist the Commission in monitoring the sub grantee in accordance with Circular A-133, 400(d)(3).

   Response: We agree with this recommendation and will review the A-133 Audit when it is available. In addition we will put in our contract the requirement for a limited scope audit for other sub grantees.

7. Additional Observations:

   Recommendation: We also noted the poor financial condition of both the Commission's sub grantees..... We recommend that State personnel with a financial background review sub grantee financial reports to access the financial condition of the sub grantees.

   Response: We agree with the recommendation. We will review the possibility of expanding the Request for Proposal Process to include a current financial statement of the organization. We will also need to determine how we access the expertise to interpret the financial statement if not available within NDDoC.

Again, thank you for the opportunity to respond.

Sincerely,

James J. Hirsch
Director

Corporation for
NATIONAL & COMMUNITY SERVICE

APPENDIX D

To: J. Russell George, Inspector General

From: Gregory Winn, Acting Director of Grants Management

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

Date: September 15, 2004

Subject: Response to OIG Draft Audit Report 04-21 and Management Decision, Pre-Audit Survey of the North Dakota State Commission on National and Community Service

We have reviewed the draft Pre-Audit Survey of the North Dakota State Commission and this response also serves as the Corporation's Management Decision. We agree with the auditors' recommendations and the Commission has indicated they are implementing the policies and procedures recommended in the report. Within the next four months, th Corporation will follow up with the Commission to confirm that corrective action is complete.