Office of Inspector General
Corporation for National and Community Service

AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO THE COLORADO GOVERNOR'S COMMISSION ON COMMUNITY SERVICE

OIG REPORT NUMBER 05-04

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

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This report was issued to Corporation management on January 12, 2005. 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 July 12, 2005, and complete its corrective actions by January 12, 2006. 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 05-04

Audit of Corporation for National and Community Service Grants Awarded to the Colorado Governor's Commission on Community Service

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Leonard G. Birnbaum and Company to perform an incurred-cost audit of grants awarded to the Colorado Governor's Commission on Community Service (Commission). The contract required that the audit be done in accordance with generally accepted government auditing standards.

For the grants audited, the Commission claimed costs of $10,509,601, of which the auditors questioned $1,101,703 of unallowable claimed costs. Overall, the auditors questioned 10.5 percent of claimed costs. Costs questioned for allowability represent amounts for which documentation shows that recorded costs were expended in violation of regulations or specific award conditions, or costs that require an interpretation of allowability. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions. Costs questioned for support require additional documentation to substantiate that the costs were incurred and are allowable. The auditors concluded that the Consolidated Schedule of Award Costs presents fairly the costs claimed by the Commission, except for the questioned and unsupported costs identified in the report, and the effects of any adjustments.

The Commission's response to the draft report includes significant documentation to support questioned costs. When appropriate, the auditors reviewed the support and adjusted their audit findings. The remaining support and the Commission's corrective actions will be reviewed by the Corporation as part of the audit resolution process.

The Office of Inspector General provided officials of the Colorado Governor's Commission on Community Service and the Corporation with a draft of this report for their review and comment. Their responses are included in their entirety as Appendices A and B, respectively.

Audit of Corporation for National and Community Service
Grants Awarded to the
Colorado Governor's Commission on Community Service

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REPORT SUMMARY AND HIGHLIGHTS

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Office of Inspector General
Corporation for National and Community Service

This report is issued under an engagement with the Office of Inspector General (OIG) to audit the costs claimed by the Colorado Governor's Commission on Community Service (Commission) and its subgrantees from August 1, 2000, through December 31, 2003, under the grants awarded by the Corporation for National and Community Service (Corporation). This report focuses on the audit of claimed costs, instances of noncompliance with Federal laws, applicable regulations or award conditions, and internal control weaknesses disclosed during the audit of the Commission and its subgrantees.

Results in Brief

As a result of our audit of these awards, we are questioning costs totaling $1,101,703, an amount that represents approximately 10.5 percent of the $10,509,601 in costs claimed by the Commission. Questioned costs are those for which there is documentation that the recorded costs were expended in violation of Federal laws, regulations or specific conditions of the award, or those costs which require additional support, including documentation, or require an interpretation of allowability by Corporation grant officials. Of the $10,509,601 in costs claimed by the Commission, $1,101,703 was questioned because the Commission and/or its subgrantees were unable to provide sufficient documentation to support the claimed costs. This documentation was largely associated with the Grantee's matching contributions to the Corporation's grants. Details related to questioned costs appear in the Independent Auditor's Report.

Grant Programs Audited

Our audit of the Commission covered financial transaction, compliance, and internal controls testing of the following program awards funded by the Corporation:

Program	Award Number	Award Period	Audit Period
AmeriCorps	00ASCCO006	08/01/00 to 12/31/03	09/01/00 to 12/31/03
AmeriCorps	00ASFCO006	09/01/00 to 12/31/03	09/01/00 to 12/31/03
PDAT[1]	95PDSCO006	01/01/95 to 12/31/01	01/01/01 to 12/31/01
PDAT	02PDSCO006	01/01/02 to 12/31/04	01/01/02 to 12/31/03
Administrative	94SCSCO006	01/19/94 to 03/31/01	01/01/00 to 06/30/01
Administrative	01SCSCO006	01/01/01 to 12/31/03	01/01/01 to 12/31/03
Learn and Serve	00LSCCO006	09/01/00 to 08/31/03	09/01/00 to 08/31/03
America Reads	98ARCCO006	09/01/98 to 08/31/01	10/01/00 to 08/31/01
Promise Fellows	99APSCO006	12/15/99 to 12/31/01	10/01/00 to 12/31/01
Promise Fellows	01APSCO006	12/17/01 to 12/16/04	12/17/01 to 12/31/03
Education Awards	98EDSCO006	09/01/98 to 12/31/02	10/01/00 to 12/31/02
Education Awards	01EDSCO006	09/01/01 to 08/31/04	09/01/01 to 12/31/03
Disability	01DCSCO006	01/01/01 to 12/31/03	01/01/01 to 12/31/03

Our audit of the costs claimed by the Commission under these awards disclosed the following:

	Amount	Percentage of Budget/Claimed
Award Budget	$ 12,503,676	-
Claimed Costs	10,509,601	84.1%
Questioned Costs	1,101,703	10.5%

Costs Questioned

The following summarizes the costs questioned under these awards:

AmeriCorps Grant

Unsupported costs	$ 3,516
Total Questioned – AmeriCorps	$ 3,516

Program Development Assistance & Training

Unsupported costs	$ 4,975
Total Questioned – PDAT	$ 4,975

[1] PDAT refers to Program Development Assistance and Training.

Administrative	
Unsupported match costs	$ 1,077,366
Unsupported costs	12,541
Total Questioned – Administrative	$ 1,089,907
Learn and Serve	
Unsupported costs	$ 3,305
Total Questioned – Learn and Serve	$ 3,305
Total Questioned – All Grants	**$ 1,101,703**

In most cases, we used a random sampling method to test the costs claimed. Based upon this sampling plan, questioned costs in this report may not represent total costs that may have been questioned had all expenditures been tested. In addition, we have made no attempt to project such costs to total expenditures incurred, based on the relationship of costs tested to total costs. For a complete discussion of these questioned costs, refer to the Independent Auditor's Report.

Internal Controls and Compliance

Our audit disclosed the following instances of noncompliance with Federal laws, applicable regulations, and award conditions:

- Match costs claimed by the Commission and a subgrantee were not adequately supported.
- Supporting documentation was not available for all costs claimed by the Commission and several subgrantees.
- The Commission did not submit Financial Status Reports (FSRs) on a timely basis.
- Subgrantees did not maintain all of the required AmeriCorps eligibility documentation.

The noncompliance findings concerning the lack of documentation to support matching contributions and AmeriCorps member eligibility are also considered material internal control weaknesses.[2]

[2] A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that errors or irregularities, in amounts which would be material to the financial schedules being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Purpose and Scope of Audit

Our audit covered the costs claimed under Corporation Grant Nos. 00ASFCO006, 00ASCCO006, 00LSCCO006, 94SCSCO006, 01SCSCO006, 95PDSCO006, 02PDSCO006, 97DCSCO006, 01DCSCO006, 99APSCO006, 98ARCCO006, 98EDSCO006 and 01EDSCO006.

The principal objectives of our audit were to determine whether:

- Financial reports prepared by the Commission presented fairly the financial results of the award;
- Internal controls were adequate to safeguard Federal funds;
- The Commission and its subgrantees had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, award conditions, and that members' service was appropriate to the programs;
- Award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions; and
- The Commission had established adequate oversight and informed subgrantees of the Corporation's GPRA goals.[3]

We performed the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the awards, as presented in the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A through H), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibits A through H. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. Our audit included reviews of audit reports and working papers prepared by the independent public accountants for the Commission and its subgrantees in accordance with the requirements of OMB Circular A-133. Our audit also followed up on the findings and recommendations in the Pre-Award Survey Report of the Commission dated December 6, 2000 (OIG Audit Report No. 01-25). We believe our audit provides a reasonable basis for our opinion.

[3] GPRA refers to the Government Performance and Results Act of 1993 (Pub. L. No. 103-62).

With regard to GPRA, AmeriCorps subgrantees submit semiannual progress reports to the Commission and Corporation that are used to monitor and assess program accomplishments. The Corporation maintains these progress reports on its Web-Based Reporting System. The Corporation develops program reporting guidelines that cascade from its Federal reporting requirements. The Commission does not make continuation grants available to subgrantees that do not make significant progress toward meeting their program's objectives. In summary, the process appears to be working as intended. The Commission is interested in obtaining useful reports from its subgrantees to forward to the Corporation. The Commission Program Officer assesses the adequacy of the information reported on goal accomplishment, and the Commission takes action on identified reporting deficiencies.

The contents of this draft report were disclosed to, and discussed with, the Commission at an exit conference on September 29, 2004. In addition, we provided a draft of this report to the Commission and to the Corporation for comment on October 5, 2004. Responses are included in the this report as Appendices A and B, respectively.

Background

The National and Community Service Trust Act of 1993, which amended the National and Community Service Act of 1990, established the Corporation for National and Community Service (Corporation). The Corporation funds opportunities for Americans to engage in service that fosters civic responsibility, strengthens communities, and provides educational opportunities for those who make a substantial commitment to service.

The Corporation awards grants and cooperative agreements to State commissions, nonprofit entities, tribes and territories to assist in creating full-time and part-time national and community service programs. Through these grants, AmeriCorps members perform service to meet educational, human, environmental, and public safety needs throughout the nation, with special attention focused on needs related to poverty. In return for their service, program participants may receive a living allowance and a monetary award for educational purposes.

The Corporation awards approximately 75 percent of its AmeriCorps funds to State commissions. State commissions are responsible for developing and communicating a vision and ethic of service throughout their State.

In addition, State commissions, acting as grantees, distribute funds to subgrantees to enable them to administer service programs. State commissions are responsible for monitoring subgrantee compliance with grant requirements. The commissions are also responsible for providing training and technical assistance to service programs. State commissions are, however, prohibited from directly operating service programs.

The Colorado AmeriCorps programs are administered by the Colorado Governor's Commission on Community Service (Commission), which operates out of the Colorado Community College System and under the oversight of Colorado's Office of the Lieutenant Governor. The Commission is staffed by a full-time equivalent of 3.5 employees.

During the audit period, the Corporation provided the Commission with approximately $12.5 million in funding, of which the Commission had drawn down $10.5 million. This funding includes AmeriCorps Formula Funds, AmeriCorps Competitive Funds, Administrative Funds, PDAT Funds, Promise Fellows Funds, Disability Funds, and America Reads Funds. Of this amount, the Commission distributed approximately $7.6 million to subgrantees. The Commission's subgrantees are State and local government agencies and nonprofit organizations.

Through December 31, 2003, the Corporation authorized, and the Commission had drawn down, grant funding as follows:

		Authorized	Drawdown
00ASFCO006	- AmeriCorps (Formula)	$ 2,835,304	$ 2,375,219
00ASCCO006	- AmeriCorps (Competitive)	5,540,128	4,440,609
00LSCCO006	- Learn and Serve	600,000	524,757
94SCSCO006	- Administrative Funds	526,758	526,758
01SCSCO006	- Administrative Funds	743,564	689,260
95PDSCO006	- PDAT Funds	431,235	431,235
02PDSCO006	- PDAT Funds	290,276	198,038
97DSCCO001	- Disability	3,981	3,981
01DSCCO001	- Disability	98,000	32,122
98ARCCO006	- America Reads	634,817	634,817
01APSCO006	- Promise Fellows	369,000	275,636
99APSCO006	- Promise Fellows	208,530	208,530
98EDSCO006	- AmeriCorps Education Awards	105,939	105,939
01EDSCO006	- AmeriCorps Education Awards	116,144	62,700
TOTAL		$ 12,503,676	$ 10,509,601

Report Release

This report is intended for the information and use of the Office of Inspector General, management of the Corporation for National and Community Service, the Colorado Governor's Commission on Community Service and its subgrantees, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

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Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITOR'S REPORT

We have audited the costs incurred by the Commission for the award numbers listed below. These costs, as presented in the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A through H), are the responsibility of the Commission's management. Our responsibility is to express an opinion on Exhibits A through H, based on our audit.

Program	Award Number	Award Period	Audit Period
AmeriCorps	00ASCCO006	08/01/00 to 12/31/03	09/01/00 to 12/31/03
AmeriCorps	00ASFCO006	09/01/00 to 12/31/03	09/01/00 to 12/31/03
PDAT	95PDSCO006	01/01/95 to 12/31/01	01/01/01 to 12/31/01
PDAT	02PDSCO006	01/01/02 to 12/31/04	01/01/02 to 12/31/03
Administrative	94SCSCO006	01/19/94 to 03/31/01	01/01/00 to 06/30/01
Administrative	01SCSCO006	01/01/01 to 12/31/03	01/01/01 to 12/31/03
Learn and Serve	00LSCCO006	09/01/00 to 08/31/03	09/01/00 to 08/31/03
America Reads	98ARCCO006	09/01/98 to 08/31/01	10/01/00 to 08/31/01
Promise Fellows	99APSCO006	12/15/99 to 12/31/01	10/01/00 to 12/31/01
Promise Fellows	01APSCO006	12/17/01 to 12/16/04	12/17/01 to 12/31/03
Education Awards	98EDSCO006	09/01/98 to 12/31/02	10/01/00 to 12/31/02
Education Awards	01EDSCO006	09/01/01 to 08/31/04	09/01/01 to 12/31/03
Disability	01DCSCO006	01/01/01 to 12/31/03	01/01/01 to 12/31/03

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, except for $1,101,703 in questioned costs, the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A through H and related Schedules) referred to above present fairly, in all material respects, the costs claimed by the Commission for the period August 1, 2000, to December 31, 2003, in conformity with accounting principles which differ slightly from accounting principles generally accepted in the United States of America, as explained on page 10.

In accordance with *Government Auditing Standards*, we have also issued our report, dated July 28, 2004, on compliance and on internal controls over financial reporting.

This report is intended for the information and use of the Office of Inspector General, management of the Corporation for National and Community Service, the Colorado Governor's Commission on Community Service and its subgrantees, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

Leonard G. Birnbaum and Company, LLP

Alexandria, Virginia
July 28, 2004

Colorado Governor's Commission on Community Service
Consolidated Schedule of Award Costs

Corporation for National and Community Service Awards

Program	Award Number	Award Amount	Costs Claimed by CGCCS (2000-2003)
AmeriCorps			
Formula	94ASFCO006	330,191	252,935
Formula	00ASFCO006	2,835,304	2,375,218
Competitive	00ASCCO006	5,540,128	4,440,609
Total AmeriCorps		$ 8,705,623	$ 7,068,762
Administrative			
	94SCSCO006	$ 526,758	$ 526,758
	01SCSCO006	743,564	689,260
Total Administrative		$ 1,270,322	$ 1,216,018
Program Development Assistance & Training (PDAT)	95PDSCO006	$ 431,235	$ 431,235
	02PDSCO006	290,276	187,416
Total PDAT		$ 721,511	$ 618,651
Learn and Serve	00LCSCO001	$ 600,000	$ 573,257
America Reads	98ARCCO006	$ 634,817	$ 634,817
Promise Fellows			
	99APSCO006	$ 208,530	$ 208,530
	01APSCO006	369,000	316,033
Total Promise Fellows		$ 577,530	$ 524,563
Disability			
	97DSCCO006	$ 3,981	$ 3,981
	01DSCCO006	98,000	32,122
Total Disability		$ 101,981	$ 36,103
Education Awards			
	98EDSCO006	$ 105,939	$ 30,750
	01EDSCO006	116,144	40,507
Total Education		$ 222,083	$ 71,257
Total – all programs		$ 12,833,867	$ 10,743,428

Colorado Governor's Commission on Community Service
Notes to Consolidated Schedule of Award Costs

Summary of Significant Accounting Policies

Reporting Entity

The accompanying Consolidated Schedule of Award Costs include amounts budgeted, claimed, and questioned under AmeriCorps, Administrative, and Program Development and Training grants awarded by the Corporation to the Commission for the period August 1, 2000, to December 31, 2003.

The Commission awards its AmeriCorps grant funds to numerous subgrantees that administer the AmeriCorps program and, in turn, report financial and programmatic results to the Commission.

Basis of Accounting

The accompanying Schedule has been prepared to comply with the provisions of the grant agreements between the Corporation and the Commission. The information presented in the Schedule has been prepared from the reports submitted by the Commission to the Corporation. The basis of accounting used in preparation of these reports differs slightly from accounting principles generally accepted in the United States of America as follows:

A. Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the Schedule of Award Costs include the cost of equipment purchased during the period rather than a provision for depreciation. The Commission owns all equipment purchased while it is being used in the program for which it was purchased or in other future authorized programs. However, the Corporation has a reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds therefrom, is subject to Federal regulations.

B. Inventory

Minor materials and supplies are charged to expense during the period of purchase.

Exhibit A

Colorado Governor's Commission on Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00ASCCO006
Award Number 00ASFCO006
September 1, 2000, to December 31, 2003
(Note)

AMERICORPS

Subgrantee	Claimed Costs	Questioned Costs	Reference
Boulder County Schools	$603,288	0	Schedule A-1
Bright Beginnings	597,162	0	Schedule A-2
Catholic Charities	528,336	0	Schedule A-3
Colorado Parent and Child Foundation	1,055,641	$3,516	Schedule A-4
Larimer County Workforce Center	677,161	0	Schedule A-5
Total – Detailed Audits	$ 3,461,588	$ 3,516	

Note

The total costs reported under the AmeriCorps program during the period audited include costs claimed by subgrantees that were not audited. During the period covered by our audit, the Commission had 17 AmeriCorps subgrantees. We used a sampling approach to determine which subgrantees would be subjected to detailed audits.

Schedule A-1

Colorado Governor's Commission on Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00ASCCO006
January 1, 2001, to December 31, 2003

Boulder County Schools

Approved Budget (Federal funds)	$ 741,524	Note 1
Claimed Costs	603,288	Note 2
Questioned Costs	$ 0	

Notes

1. The amount shown above as Approved Budget represents the total funding to Boulder County Schools for Program Years 2000-01 to 2002-03, according to the budget schedules for the Commission's grants.

2. Claimed costs represent expenditures reported by Boulder County Schools for Program Years 2000-01 through 2002-03.

Schedule A-2

Colorado Governor's Commission on Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00ASFCO006
January 1, 2001, to September 30, 2003

Bright Beginnings

Approved Budget (Federal funds)	$ 723,879	Note 1
Claimed Costs	597,162	Note 2
Questioned Costs	$ 0	

Notes

1. The amount shown above as Approved Budget represents the total funding to Bright Beginnings for Program Years 2000-01 to 2002-03, according to the budget schedules for the Commission's grants.

2. Claimed costs represent expenditures reported by Bright Beginnings for Program Years 2000-01 through 2002-03.

Schedule A-3

Colorado Governor's Commission on Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00ASCCO006
January 1, 2001, to September 30, 2003

Catholic Charities

Approved Budget (Federal funds)	$ 698,161	Note 1
Claimed Costs	528,336	Note 2
Questioned Costs	0	

Notes

1. The amount shown above as Approved Budget represents the total funding to Catholic Charities for Program Years 2000-01 to 2002-03, according to the budget schedules for the Commission's grants.

2. Claimed costs represent expenditures reported by Catholic Charities for Program Years 2000-01 through 2002-03.

Schedule A-4

Colorado Governor's Commission on Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00ASCCO006
September 1, 2001, to December 31, 2003

Colorado Parent and Child Foundation

Approved Budget (Federal funds)	$ 1,091,850	Note 1
Claimed Costs per FSRs	1,055,641	Note 2
Questioned Costs	$ 3,516	Note 3

Notes

1. The amount shown above as Approved Budget represents the total funding to Colorado Parent and Child Foundation for Program Years 2000-01 to 2002-03, according to the budget schedules for the Commission's grants.

2. Claimed costs represent expenditures reported by Colorado Parent and Child Foundation (CPCF) for Program Years 2000-01 through 2002-03.

3. The CPCF's accountant both accrued and was paid salary costs of $625 in June 2001. However, the accrual was not reversed when actual payment was made, resulting in the Corporation's grant being charged twice for the $625 in salary costs.

   Jeffco (Jefferson County) Public Schools, a CPCF subgrantee, operated the Family Literacy Program. The purpose of a number of grant costs incurred under the program could not be determined, or the costs were not supported by sufficient documentation. This resulted in questioned costs of $2,891.

Schedule A-5

Colorado Governor's Commission on Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00ASCCO006
January 1, 2001, to December 31, 2003

Larimer County Workforce Center

Approved Budget (Federal funds)	$ 837,209	Note 1
Claimed Costs per FSRs	677,161	Note 2
Questioned Costs	0	

Notes

1. The amount shown above as Approved Budget represents the total funding to Larimer County Workforce Center for Program Years 2000-01 to 2002-03, according to the budget schedules for the Commission's grants.

2. Claimed costs represent expenditures reported by Larimer County Workforce Center for Program Years 2000-01 through 2002-03.

Exhibit B

Colorado Governor's Commission on Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 94SCSCO006
Award Number 01SCSCO006
January 1, 2000, to December 31, 2003

ADMINISTRATIVE

Approved Budget (Federal funds)	$ 1,270,322	Note 1
Claimed Costs	1,216,018	Note 2
Questioned Costs	$ 1,089,907	Note 3

Notes

1. The amount shown above as Approved Budget represents the total funding to the Commission for its administrative grant for Program Years 2000-01 to 2002-03, according to the budget schedules for the Commission's grants.

2. Claimed costs represent the amount of reported administrative grant expenditures for Program Years 2000-01 through 2002-03.

3. The Commission incurred various expenditures for which the purpose could not be determined or there was not adequate documentation. Claimed costs of $1,089,907 are questioned.

   The Commission claimed administrative costs of $1,216,018, of which $12,541 was questioned for various reasons as explained below. The administrative grant requires a 100 percent match. Because of inadequate documentation, only $126,111 of claimed match costs were supported. As a result, $1,077,366 of match costs have been questioned.

Cost Claimed PY 2001-2003	$ 1,216,018
Direct Cost Questioned	(12,541)
Balance	1,203,477
Match Accepted	(126,111)
Match Cost Questioned	$1,077,366

In January 2004, the Colorado Lieutenant Governor's Chief of Staff charged $9,266 to the administrative grant to cover one quarter of her salary and the costs of her benefits for five months. In order to be claimed under the grant, such costs must, among other requirements, be supported by timekeeping and activity reports that document the employee's activities that are allocated to the grant. The Commission did not maintain these timekeeping and activity reports. Moreover, the PY 2003 budget approved by the Corporation contained no provision for the grant to absorb costs generated from the Lieutenant Governor's office, nor was authorization requested from the Corporation to allocate these costs to the grant.

The Commission paid $3,275 in 2003 for an individual from another State agency to assist the Lieutenant Governor's office with the coordination of Colorado Cares Day. No time sheets, payroll information, or other documentation was available to determine how this amount was derived. In addition, there were no provisions in the Corporation-approved budget to allow for such expenditures.

Exhibit C

Colorado Governor's Commission on Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 95PDSCO006
Award Number 02PDSCO006
January 1, 2001, to December 31, 2003

PROGRAM DEVELOPMENT ASSISTANCE AND TRAINING (PDAT)

Approved Budget (Federal funds)	$ 721,511	Note 1
Claimed Costs	618,651	Note 2
Questioned Costs	$ 4,975	Note 3

Notes

1. The amount shown above as Approved Budget represents the total funding to the Commission for its PDAT grant for Program Years 2000-01 to 2002-03, according to the budget schedules for the Commission's grants.

2. Claimed costs represent the amount of reported PDAT grant expenditures for the Program Years 2000-01 to 2002-03.

3. The Commission incurred various expenditures for which the purpose could not be determined or was not adequately documented, resulting in questioned costs of $4,975.

Exhibit D

Colorado Governor's Commission on Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00LSCCO006
September 1, 2000, to August 31, 2003

LEARN AND SERVE

Approved Budget (Federal funds)	$ 600,000	Note 1
Claimed Costs	573,257	Note 2
Questioned Costs	$ 3,305	Note 3

Notes

1. The amount shown above as Approved Budget represents the total Learn and Serve funding to the Colorado Department of Education (CDE) for Program Years 2000-01 to 2002-03, according to the budget schedules for the Commission's grants.

2. Claimed costs represent expenditures reported by CDE for Program Years 2000-01 through 2002-03.

3. Denver Parks and Recreation, a CDE Learn and Serve subgrantee, incurred various expenditures for which the purpose could not be determined, were inadequately documented, or were incorrectly charged to the grant, resulting in questioned costs of $3,305.

Exhibit E

Colorado Governor's Commission on Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 98ARCCO006
October 1, 2000, to August 31, 2003

AMERICA READS

Approved Budget (Federal funds)	$ 634,817	Note 1
Claimed Costs	634,817	Note 2
Questioned Costs	$ 0	

Notes

1. The amount shown above as Approved Budget represents the total America Reads funding to the Colorado Department of Education (CDE) for Program Years 2000-01 to 2002-03, according to the budget schedules for the Commission's grants.

2. Claimed costs represent expenditures reported by CDE for Program Years 2000-01 through 2002-03.

Exhibit F

Colorado Governor's Commission on Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 99APSCO006
Award Number 01APSCO006
October 1, 2000, to December 31, 2003

PROMISE FELLOWS

Approved Budget (Federal funds)	$ 577,530	Note 1
Claimed Costs	524,563	Note 2
Questioned Costs	$ 0	

Notes

1. The amount shown above as Approved Budget represents the total Promise Fellows funding to the Colorado Department of Education (CDE) for Program Years 2000-01 to 2002-03, according to the budget schedules for the Commission's grants.

2. Claimed costs represent expenditures reported by CDE for Program Years 2000-01 through 2002-03.

Exhibit G

Colorado Governor's Commission on Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 98EDSCO006
Award Number 01EDSCO006
October 1, 2000, to December 31, 2003

EDUCATION AWARDS

Approved Budget (Federal funds)	$ 222,083	Note 1
Claimed Costs	71,257	Note 2
Questioned Costs	$ 0	

Notes

1. The amount shown above as Approved Budget represents the total Education Awards funding to the Colorado Department of Education (CDE) for Program Years 2000-01 to 2002-03, according to the budget schedules for the Commission's grants.

2. Claimed costs represent expenditures reported by CDE for Program Years 2000-01 to 2002-03.

Exhibit H

Colorado Governor's Commission on Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 97DSCCO006
Award Number 01DSCCO006
January 1, 2001, to December 31, 2003

DISABILITY

Approved Budget (Federal funds)	$ 101,891	Note 1
Claimed Costs	36,103	Note 2
Questioned Costs	$ 0	

Notes

1. The amount shown above as Approved Budget represents the total Disability grant funding to the Colorado Department of Education (CDE) for Program Years 2000-01 to 2002-03, according to the budget schedules for the Commission's grants.

2. Claimed costs represent expenditures reported by CDE for Program Years 2000-01 through 2002-03.

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Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

We have audited the Schedules of Award Costs, as presented in Exhibits A through H, that summarize the claimed costs of the Colorado Governor's Commission on Community Service under the Corporation awards listed below, and have issued our report thereon dated July 28, 2004.

Program	Award Number	Award Period	Audit Period
AmeriCorps	00ASCCO006	08/01/00 to 12/31/03	09/01/00 to 12/31/03
AmeriCorps	00ASFCO006	09/01/00 to 12/31/03	09/01/00 to 12/31/03
PDAT	95PDSCO006	01/01/95 to 12/31/01	01/01/01 to 12/31/01
PDAT	02PDSCO006	01/01/02 to 12/31/04	01/01/02 to 12/31/03
Administrative	94SCSCO006	01/19/94 to 03/31/01	01/01/00 to 06/30/01
Administrative	01SCSCO006	01/01/01 to 12/31/03	01/01/01 to 12/31/03
Learn and Serve	00LSCCO006	09/01/00 to 08/31/03	09/01/00 to 08/31/03
America Reads	98ARCCO006	09/01/98 to 08/31/01	10/01/00 to 08/31/01
Promise Fellows	99APSCO006	12/15/99 to 12/31/01	10/01/00 to 12/31/01
Promise Fellows	01APSCO006	12/17/01 to 12/16/04	12/17/01 to 12/31/03
Education Awards	98EDSCO006	09/01/98 to 12/31/02	10/01/00 to 12/31/02
Education Awards	01EDSCO006	09/01/01 to 08/31/04	09/01/01 to 12/31/03
Disability	01DCSCO006	01/01/01 to 12/31/03	01/01/01 to 12/31/03

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

Compliance

Compliance with applicable Federal laws, regulations, and the provisions of the awards is the responsibility of the Commission's management. As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and terms and conditions of the awards. However, our objective was not to provide an opinion on overall compliance with such provisions. Instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, and award provisions.

Compliance Findings

The results of our tests of compliance disclosed the following instances of noncompliance. Draft report Findings Nos. 1, 3, 5, 7, 12 and 15 were removed from this final report as a result of supplemental documentation being received. The remaining findings have been renumbered.

Finding No. 1

In January 2004, an entry was made charging 25 percent of the salary of the Colorado Lieutenant Governor's Chief of Staff for five months, totaling $9,266, to the administrative grant. While we note that the Lieutenant Governor's office has oversight responsibilities for the Commission, the PY 2003 budget contained no provision for this grant to absorb costs generated from the Lieutenant Governor's office, nor was permission requested from the Corporation. Moreover, there were no contemporaneous time sheets or activity reports available that documented the totality of this individual's time. The Commission created a time allocation schedule to provide justification for these charges after questions were raised during the audit. However, it is not possible to verify the validity of the time allocation or the total hours worked. As of the spring of 2004, the individual was no longer employed as Chief of Staff by the Lieutenant Governor's office.

Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes documentation and record-keeping standards for employees who work on multiple activities or cost objectives. It requires that distribution of a portion of an individual's salary to Federal grant funding be supported by personnel activity reports that (1) reflect the employee's actual after-the-fact activity, (2) account for the total activity for which the employee is compensated, (3) are prepared at least monthly, (4) signed by employees.

Financial Management Provision 4(b) of the AmeriCorps General Provisions for Program Development and Training, Disability Placement and State Administrative Awards requires that "the Grantee must maintain adequate supporting documents for its expenditures (federal and non-federal) and in-kind contributions made under this grant. Costs must be shown in books or records [e.g., a disbursement ledger or journal], and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document."

These provisions also require that "the Grantee has full fiscal and programmatic responsibility for managing all aspects of grant and grant-supported activities, subject to the oversight of the Corporation. The Grantee is accountable to the Corporation for its operation of the AmeriCorps program and the use of Corporation grant funds. It must expend grant funds in a judicious and reasonable manner."[4] The Commission's failure to keep adequate records of this individual's work for the Commission violates OMB cost principles and the Corporation's provisions on administrative costs. Accordingly, the $9,266 charged to the grant for this individual's salary is questioned.

Recommendation

We recommend that the Commission adjust costs claimed for the $9,266 in salary charges and establish procedures to ensure that costs claimed are in conformity with administrative grant provisions. The Corporation should more closely scrutinize the legitimacy of such costs charged to the grant.

Commission's Response

The Commission disagrees with this finding and takes the position that, when the Commission was reassigned to the Office of the Lieutenant Governor, the Lieutenant Governor's Chief of Staff was assigned supervisory oversight over the Commission. Subsequently, when a position included in the Commission's budget became vacant, the Commission used these savings to cover the cost of 25 percent of the Chief of Staff's salary. The Commission notes that funds for the Chief of Staff's salary were included in the approved budget for 2004. The Commission also claims that its timekeeping practices were based on a waiver from the requirements of OMB Circular A-87 that was obtained from the U.S. Department of Education.

Auditor's Comment

The Commission's response does not provide a copy of a waiver from the requirements of OMB Circular A-87. This waiver was specifically requested at the exit conference on September 29, 2004. Accordingly, the finding and recommendation remain unchanged.

Finding No. 2

The Colorado Community College System (CCCS) is responsible for the maintenance of accounting records and supporting documentation for the Colorado Governor's Commission on Community Service. The CCCS and the Commission were unable to provide adequate supporting documentation for several non-payroll transactions, as summarized in the following table:

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[4] *See* General Provisions for Program Development and Training, Disability Placement and State Administrative Awards, Responsibilities Under Grant Administration, Section C(3)(a).

Grant	PY2001	PY2002	PY2003	Totals
01SCSCO006 – Administrative	-	-	$ 3,275	$ 3,275
02PDSCO006 – PDAT	4,975	-	-	4,975
Totals	$ 4,975	-	$ 3,275	$ 8,250

Details of these questioned costs are presented below:

Administrative

PY2003

- The Commission paid $3,275 for an individual from another State agency to assist the Lieutenant Governor's office with the coordination of Colorado Cares Day. No time sheets, payroll information, or other documentation was available to determine how this amount was derived. In addition, there was no provision in the budget for such expenditures.

PDAT

PY2001

- A journal entry for $600, described as a charge from the administrative grant to the PDAT grant for the cost of printing a registration brochure, could not be supported by documentation. It was not possible to determine how the costs were derived or to verify the nature of the expenditure.
- The Commission charged $4,375 for advance registrations for the Colorado Conference on Volunteerism, held in April 2001. Commission employees were listed as registrants along with 35 unidentified individuals. However, no voucher or other documentation was available to verify the unit cost of registration or otherwise support the cost claimed.

These conditions result in a violation of the terms and conditions of the grant and potential funding misapplications. Financial Management Provision 4(b) under Section C of the General Provisions for Program Development and Training, Disability Placement and State Administrative Awards, requires the Grantee to "maintain adequate supporting documents for its expenditures and in-kind contributions under this grant. Costs must be shown in books or records and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document."

Furthermore, grant administration responsibilities require the grantee to have "full fiscal and programmatic responsibility for managing all aspects of grant and grant-supported activities, subject to the oversight of the Corporation. The grantee is accountable to the Corporation for its operation

of the AmeriCorps program and the use of Corporation grant funds. It must expend grant funds in a judicious and reasonable manner."[5] The Commission's failure to maintain adequate supporting documentation for these transactions resulted in a violation of the terms and conditions of the grant.

Recommendation

We recommend that the Commission adjust costs claimed against its Administrative and PDAT grants for the $15,495 of inadequately documented charges and establish procedures to ensure that costs claimed conform to administrative grant provisions and Federal regulations. We recommend that the Commission provide close scrutiny over the adequacy of its documentation for all charges, and establish a methodology to ensure that costs and refunds are charged to correct cost centers and grant periods.

Commission's Response

The Commission asserts that the $3,275 payment to an individual for assistance to the Lieutenant Governor's office was a contractual payment and that further documentation is not required.

The Commission acknowledges that an invoice supporting the $600 journal entry for the cost of printing a registration brochure can not be located.

The Commission contends that the documentation submitted in support of the $4,375 for advance registrations is adequate. The Commission, with its response, provided a list of names it asserts was e-mailed to the conference coordinators.

Auditor's Comment

We do not agree that the $3,275 payment is a contractual payment. The payment is against an interagency agreement between the Office of the Lieutenant Governor and the Office of Economic Development (OED) for the services of a specified OED employee. There is no provision in OMB Circular A-87 that exempts employees of sister agencies or departments from the timekeeping recording requirements set forth in the Circular. Accordingly, the finding and recommendation remain unchanged.

Since the Commission has not provided either the original invoice or other documentation that clearly demonstrates the accuracy of the amount or its nature of the cost related to the journal entry for $600, the finding and recommendation remain unchanged.

We do not agree that the documentation submitted to support the $4,375 for advance registrations is sufficient. We note that, with its response, the Commission provided what it asserts to be a listing of attendees that was e-mailed to the conference organizers. However, the Commission did not to

[5] *See* General Provisions for Program Development and Training, Disability Placement and State Administrative Awards, Section C, Responsibilities Under Grant Administration, Section C(3)(a).

identify the relation between the individuals identified and the Commission. Accordingly, the finding and recommendation remain unchanged.

Resolved Issues

The following issues were originally questioned in the draft audit report and have since been adequately supported with documentation provided by the Commission and accordingly, are no longer questioned:

- The Commission made payments of $1,000 and $500 for costs associated with a Colorado mentoring conference.
- A payment of $1,000 was made to an organization for training, $910 of which was reimbursed to the Commission and deposited to a non-PDAT account.
- A payment of $880 was claimed for a speaker at the PY 2002 Colorado Services Conference. However, the Commission did submit the contractor's invoice.
- The Commission did not adequately support incurred PDAT costs of $2,880 for honoraria and various training booklets.
- A staff member for Colorado Parent and Child Foundation, a Commission subgrantee, billed in duplicate $195 for pre-audit reviews at various sites.

Finding No. 3

As noted in the table below, the Commission claimed administrative match costs of $1,126,812 for the audit period of PY2001 – 2003, including carryovers from prior periods. Of the costs claimed, we have questioned $1,000,701 and accepted $126,111. These matching costs were questioned primarily because insufficient documentation was provided in support of the amounts claimed.

Fiscal Year	Match Claimed	Unsupported Match Costs	Match Accepted
2001	$414,874	$ 330,082	$84,792
2002	420,188	398,688	21,500
2003	291,750	271,931	19,819
Totals	$1,126,812	$1,000,701	$126,111

Analysis of the unsupported match costs by year:

PY 2001

- Carryover charges of $50,694 and $169,189 from PY 2000 were not documented.

- The Commission claimed match costs of $30,000 per year for the period Program Years 2001 through 2003 for various services provided by the Colorado Community College System (CCCS). Costs were claimed for legal, fiscal/finance, facilities/maintenance, conference, and computer services for a total of $62,000 per year. This amount was based on estimates for 2004, a year outside the audit period, and applied to Program Years 2001 through 2003. The total was offset by $20,000 in each year. No detailed support was provided to document how the amounts claimed were computed. We noted, however, that the Commission paid $115,000 for these services. This amount exceeded the total offset portion of $60,000 by $55,000. The following table displays the annual amounts paid by the Commission:

Description	2001	2002	2003	Total
Rent	$ 5,000	$ 5,000	-	$ 10,000
Indirect Cost	48,286	36,714	20,000	105,000
Total	$ 53,286	$ 41,714	$ 20,000	$ 115,000

- The Youth Leadership Institute claimed costs of $7,500. The Commission supplied information describing the activities of the organization, but did not provide a cost breakdown or any supporting documentation.

- The Commission claimed $1,329 for three individuals to review AmeriCorps grants at an amount of $443 per person. No documentation of the dates, hours worked, or billing rate was provided. The Commission claims that the hours worked would have resulted in a rate of $18 to $24 per hour, but this information could not be verified. Since the $443 appears to have been based on the maximum daily consultant rate that can be charged to Corporation grants, we have applied a rate of $20 per hour and have accepted a daily amount of $160, or $480 for three reviewers. The $20 per hour rate was based on the amount actually paid to an individual by the Commission in Program Year 2003 to perform the identical function described on the in-kind contribution claim form. A total of $849 is questioned ($1,329 - $480).

- The $150,000 claim for the value of media coverage for Colorado Cares Day was based on internally generated estimates prepared by the Governor's press staff and was not possible to verify from the documentation and explanations provided by the Commission. In order to adequately determine the value of such contributions, documentation of specific times that coverage was provided and documentation of the applicable rates for those times are required. The Commission explained that the Governor's office was unable to locate the detailed backup documentation on the media rates used to generate the claim. Consequently, we have questioned these costs.

PY 2002

- Carryover charges of $211,188 from PY 2001 were not documented.

- As noted in the discussion and the table for PY 2001, the Commission claimed match costs of $30,000 per year for the period Program Year 2001 through 2003 for various services provided by the Colorado Community College System (CCCS). Costs were claimed for legal, fiscal/finance, facilities/maintenance, conference and computer services for a total of $62,000, less a $20,000 offset per year, none of which could be adequately verified.

- As discussed under the amounts questioned above for PY 2001, the $150,000 claim for the value of media coverage for Colorado Cares Day was based on internally generated estimates prepared by the Governor's press staff that could not be verified from the documentation and explanations provided by the Commission.

- The Youth Leadership Institute claimed costs of $7,500. As in PY 2001, the Commission supplied information describing the activities of the organization, but did not provide a cost breakdown or any supporting documentation. The Commission noted that the amount of this claim was determined by a former Executive Director, who had estimated a value of $7,500 for host-site contributions.

PY 2003

- Carryover charges of $209,164 from PY 2002 were not documented.

- As noted in the discussion and the table for PY 2001, the Commission claimed match costs of $30,000 per year for the period PY 2001 through PY 2003 for various services provided by the Colorado Community College System (CCCS). Estimated costs were claimed for legal, fiscal/finance, facilities/maintenance, conference, and computer services, for a total of $62,000, less a $20,000 offset per year. None of these claimed matching costs could be adequately verified.

- A matching cost of $4,626 was claimed for the services of an individual from the Colorado Department of Public Health and Environment to provide support of mentoring activities and training. No documentation was made available to determine how this amount was derived. There were no dates noted, time sheets verifying hours, pay rates applied, or indications of specific activities performed.

- The Commission claimed $7,088 for eight individuals to review AmeriCorps grants at an amount of $886 per person. No documentation of the dates, hours worked, or billing rate was provided. The Commission, in response to an audit request, estimated the numbers of hours that are required to perform the review and stated that more than two days were necessary. However, this

information could not be verified. Since the $886 appears to have been based on the maximum daily consultant rate of $443 that can be charged to Corporation grants, we have applied a rate of $20 per hour and have accepted a two-day amount of $320, or $2,560 for eight reviewers. The $20 per hour rate was based on the amount actually paid to an individual by the Commission in PY 2003 to perform the identical function described on the in-kind contribution claim form. A total of $4,528 is questioned ($7,088 - $2,560).

- The Commission claimed $1,218 for conference meeting space at a foundation. There was no explanation as to how the amount was determined, the purpose of the Commission's use of the facility or how it contributed to the Commission's administrative functions.

- Matching costs of $21,515 were claimed in PY 2003 for services provided by the State Parks Department for Colorado Cares Day. A schedule of names and pay rates was included in the documentation but there was no detail, time sheets, or other supporting documentation to determine how the claimed costs were computed or to verify their validity.

- Matching costs of $880 were claimed for two days of conference space, equipment, and beverage service at CCCS. While the amount of the claim does not appear unreasonable, there was no explanation for the use of the space. Costs for conference space at CCCS were included in the annual $30,000 claim noted above and, in addition, the Commission provided payments totaling $115,000 to CCCS for space and other services during the audit period.

AmeriCorps Administrative Provision C(4)(b), Source Documentation, requires that the Grantee "maintain adequate supporting documents for its expenditures (federal and non-federal) *and in-kind contributions* made under this grant. Costs must be shown in books or records [e.g., a disbursement ledger or journal], and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document." (Emphasis added.) Due to the Commission's failure to maintain adequate documentation to account for marching contributions, we have questioned $1,067,701 of matching costs.

Recommendation

We have adjusted the Administrative grant costs claimed for the questioned match and recommend that the Commission enact procedures to ensure that costs claimed are in conformity with applicable grant provisions.

Commission's Response

The Commission asserts that all carryover charges are documented in a table the Commission uses to track each year's match. Further, the Commission disagrees with the audit position that the Commission paid $115,000 for services from the Colorado Community College System. The Commission believes that an annual signed in-kind form is sufficient documentation to support the match from the Colorado Community College System.

The Commission asserts that the former Executive Director who completed the in-kind form estimated the value of costs claimed by the Youth Leadership Institute at $7,500.

With regard to the $1,329 claimed for reviewers, the Commission does not consider the use of a rate actually paid for prior similar services to be appropriate as a measure for these in-kind services.

The Commission, in response to the draft report, provided additional documentation which it believes supports the $150,000 in questioned match costs questioned related to Colorado Cares Day.

The Commission contends that the donor from the Colorado Department of Public Health and Environment who provided a signed in-kind form is sufficient documentation to support the amount of $4,626 claimed for mentoring services.

In response to the draft report, the Commission provided an explanation for the use of a foundation's meeting facility, for which $1,218 has been questioned, together with a similar cost claim from another organization.

The Commission represents that for the $21,515 of match costs for services provided by the State Parks Department, it relied on the "professional expertise of the State Parks Accountant" and that employee time sheets were not requested as such a request would have included more than 100 time sheets.

The Commission states that the $880 of conference costs questioned was recorded in error.

Auditor's Comment

As a general observation, we note that, in response to the draft report, the Commission provided a significant amount of documentation. Most of this documentation was in the form of copies of print media coverage of Colorado Cares Day, minutes of meetings, agendas, discussion points, and the like, most of which provide no basis for validation of the value of services or goods the Commission represents were provided as matching costs.

We do not agree that the mere listing of amounts on a schedule of carryover match costs, without reference to the original recording of such costs which are, in turn, supported by original transaction documents, is adequate to verify claimed costs.

An annual signed in-kind form, for various services provided by CCCS, which simply states an amount, without any other support, does not meet the requirements of AmeriCorps AdministrativeProvision C(4)(b). As to the amount actually paid for these services, the Commission's response identifies costs that were paid and recorded in one year as being applicable to a prior year. There is no evidence to suggest that an adjustment was made in reporting these match costs to the Corporation. Accordingly, the finding and recommendation remain unchanged.

The Commission has offered no additional information regarding the $7,500 costs questioned for the Youth Leadership Institute other than to provide a newspaper article related to the event and a copy of a related web page. Accordingly, the original finding and recommendation remain unchanged.

The Commission has not provided any additional documentation to support the difference between the amount claimed for reviewers and the rate actually paid in PY 2003 from Commission funds. Accordingly, the original finding and recommendation remain unchanged.

With respect to the $150,000 claimed as match costs for media coverage for Colorado Cares Day, we note that the draft report stated that, to adequately determine the value of such contributions, documentation is required to verify the specific times that coverage was provided to verify the applicable broadcast advertising rates for those times are required. In its response, the Commission provided statements from media entities listing when spots were presented. The Commission, however, has not provided any documentation related to the applicable rates for such coverage, except for $46,250 from Mix100FM and $31,900 from Channel 9 KUSA-TV for media coverage during PY 2001. Accordingly, except for these amounts, the original finding and recommendation remain unchanged.

We do not agree that the donor's signed in-kind form is adequate to support $4,626 claimed for the services of an individual from the Colorado Department of Health. As originally noted, the form does not identify dates worked, pay rates, hours worked, or activities performed. Accordingly, the original finding and recommendation remain unchanged.

The additional documentation provided by the Commission to support the $1,218 for a foundation's conference meeting space was an incomplete voucher for in-kind services that offered no more support for this expenditure than the documentation originally offered by the Commission. Accordingly, the original finding and recommendation remain unchanged.

With respect to the $21,515 of State Parks Department match, we note, again, that there is no provision in OMB Circular A-87 that exempts employees of related agencies from the timekeeping recording requirements set forth in the Circular. Accordingly, the original finding and recommendation remain unchanged.

Resolved Issues

The following were originally questioned in the draft audit report and have since been adequately supported by the Commission and accordingly, are no longer questioned:

- The Commission provided additional documentation in support of the $500 cost for website work that had been questioned.

- Additional time sheets supporting the $1,479 for consultant's time were provided.

- We have accepted the signed in-kind form that supported $1,200 for a consultant who provided services.

- The Commission adequately supported the $991 for airfare and hotel costs that were paid by an outside organization.

Finding No. 4

The following discrepancies were noted between the Commission's reported costs of two grants and the balances maintained in the corresponding general ledgers.

- Learn and Serve costs in the general ledger exceeded the amounts reported on the Commission's final FSR by $13,798.

Source	Amount
Per General Ledger	$ 587,055
Learn and Serve Final Financial Status Reports as of 12/31/03	573,257
Excess of General Ledger over FSR Reported Cost	**$ 13,798**

- Education grant drawdowns per grant number 01EDSCO006 exceeded costs recorded in the general ledger by $22,193.

Source	Amount
Education grant drawdowns as of 6/10/04	$ 62,700
Per General Ledger	40,507
Excess of drawdowns over General Ledger	**$ 22,193**

Commission personnel did not provide a reconciliation of the differences noted above as of the date of this report, but suggested that such differences are possibly the result of timing.

AmeriCorps Provision 21(a), Financial Management Provisions, requires that the Grantee "maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this grant from expenditures not attributable to this Grant."

Financial Management Provision 4(a), under Section C of the General Provisions for Program Development and Training, Disability Placement and State Administrative Awards, requires that "the Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary."

This condition results in a violation of the terms and conditions of the grant and potential funding misapplications.

Recommendation

We recommend that the Commission develop and implement an internal control procedure to ensure that the total funds expended are reconciled to the total funds reported by the Commission to the Corporation. We also recommend the preparation of worksheets and reconciliations to support any differences between drawdowns from the Corporation and the FSRs.

Commission's Response

The Commission, responding for the Colorado Department of Education, disagrees with this finding. In response to the draft report, the Department of Education presented records from the Colorado Financial Reporting System that show the following:

Expenditures for Year 1	$200,000
Expenditures for Year 2	200,000
Expenditures for Year 3	173,257
Total	$573,257

The Commission also disagrees with the finding related to the Education Grant, representing that its general ledgers reflect $62,700 as total expenditures under the grant.

Auditor's Comment

During the audit, the Commission presented what it represented to be the general ledger records for the Learn and Serve program, which reflected the amounts presented in the finding (i.e. totaling $587,055). Review of the documents submitted in response to the draft report disclosed that the final entry on each of the records for Years 1 and 2 were debits in amounts which, when added to previous recorded amounts, equaled exactly the amount of the grant. Similarly, the general ledger records presented during the audit showed $40,507 as total expenditures for the Education grant. We believe that the records presented by the Commission during the audit are correct. Until the Commission can satisfactorily explain why these records disagree, the original finding and recommendation will remain unchanged.

Finding No. 5

Our review of AmeriCorps member records disclosed various exceptions to documentation and other compliance requirements, as noted below. The tables display the number of exceptions compared to the number tested per year.

- **Bright Beginnings**

Issue	2001	2002	2003
No Mid and/or End Evaluations	6 of 6	2 of 5	-

- **Catholic Charities**

Issue	2001	2002	2003
High School Diploma not Documented	2 of 3	-	3 of 6
Background Checks not Documented	1 of 3	-	-
Citizenship not Documented	1 of 3	1 of 5	-
No Mid and/or End Evaluations	3 of 3	5 of 5	6 of 6
Position Description not Documented	-	2 of 5	4 of 6
Contract Elements Incomplete	1 of 3	-	-
Orientation not Documented	1 of 3	1 of 5	1 of 6

No costs were questioned in the report with respect to members who were determined to be ineligible for the program because Catholic Charities' cash match was sufficient to offset any amounts that would have been questioned.

- **Larimer County Workforce Center**

Issue	2001	2002	2003
High School Diploma not Documented	-	1 of 7	1 of 7
Position Description not Documented	1 of 7	-	-
Contract Elements Incomplete	1 of 7	-	-

Two members were determined to be ineligible for the program in Program Years 2002 and 2003 because their records lacked high school diploma documentation. The costs associated with these two members amounted to $2,745 of living allowances and benefits. This amount was not questioned in the report because Larimer County's cash match was sufficient to offset the $2,745.

Colorado Parent and Child Foundation

Issue	2001	2002	2003
High School Diploma not Documented	3 of 7	-	-
Background Checks not Documented	2 of 7	-	1 of 7
Citizenship not Documented	2 of 7	-	-
Minimum Age not Documented	1 of 7	-	-
Position Description not Documented	2 of 7	-	1 of 7
Contract Elements Incomplete	2 of 7	-	-
Orientation Not Documented	1 of 7	-	3 of 7
No Mid and/or End Evaluations	6 of 7	4 of 6	-
W-4's not on File	3 of 7	-	-

Colorado Parent and Child Foundation subgranted funds received from the Commission to six organizations in Program Years 2001 and 2003 and to seven organizations in PY 2002. In addition, Colorado Parent and Child Foundation's subgrantees were responsible for the living allowances paid to the members. Because no Corporation funds were used to pay living allowancess, we have not questioned costs incurred on behalf of those members who may have been ineligible for the program.

The instances of the missing documentation from the members' files appear to result from insufficient emphasis on the importance of properly maintaining the members' records.

AmeriCorps Provision 14(a), Member Records and Confidentiality, requires that the Grantee maintain records "that document each member's eligibility requirements . . . The records must be sufficient to establish that the individual was eligible to participate in the Program and that the member successfully completed the Program requirements."

The AmeriCorps Provisions that establish applicable policies and procedures for subgrantees with regard to member records, eligibility, and support are as follows:

AmeriCorps Special Provisions	**2000**	**2001**	**2002**
Section B	7, 8, 15 & 17	6, 7, 14 & 16	7, 8, 14, 15 & 17

The above conditions result in violations of the requirements of the AmeriCorps Provisions and potential funding misapplications.

Recommendation

We recommend that the Commission: (1) reemphasize to its subgrantees the need for compliance with eligibility requirements contained in the AmeriCorps Provisions and (2) ensure that member files are reviewed for compliance with these provisions during site visits by Commission staff.

Commission's Response

The Commission, responding for the subgrantees, generally agreed with the findings.

Auditor's Comment

The Commission's response is considered adequate.

Finding No. 6

The accountant of Colorado Parent and Child Foundation (CPCF) both accrued and was paid salary costs of $625 in June 2001. However, the accrual was not reversed when payment was made, resulting in duplicate charges of $625 to the Corporation's grant funding.

AmeriCorps Provision 21(a), Financial Management Provisions, requires that the Grantee "maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this Grant from expenditures not attributable to this Grant."

AmeriCorps Provision 21(b), Source Documentation, requires that the Grantee "maintain adequate supporting documents for its expenditures . . . and in-kind contributions made under this grant. Costs must be shown in books or records . . . and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document."

Although the overcharge appears to be the result of an error, this condition results in a violation of the terms and conditions of the grant and could result in potential funding misapplications. Properly supported and accurate financial information is required for timely and effective reporting and management decision-making.

Recommendation

We recommend that the Commission ensure that all subgrantee charges are adequately supported and charged to correct cost centers and grant periods.

Commission's Response

The Commission, responding for the grantee, acknowledged that a duplicate charge occurred and stated that the subgrantee is prepared to return the $625.

Auditor's Comment

The Commission's response is considered adequate.

Finding No. 7

Colorado Parent and Child Foundation subgranted funds received from the Commission to six organizations in Program Years 2001 and 2003 and to seven organizations in PY 2002. One of those programs, Family Literacy, operated by Jeffco Public Schools, incurred various expenditures for which the purposes could not be determined or were not adequately documented. Costs claimed of $2,891 have been questioned. The following tables itemize the questioned costs by year.

PY 2001

Description	Amount	Reason for Cost Questioned
Noted as Hippy training[6]	$ 2,386	Expenditure not documented.
Total	$ 2,386	

PY 2002

Description	Amount	Reason for Cost Questioned
Hippy supplies	$ 425	Duplicate charge claimed by Program Coordinator.
Miscellaneous expenditure	80	Nature of transaction not determined.
Total	$ 505	

We tested AmeriCorps member stipends for several pay periods, and no exceptions were noted. Family Literacy, however, was unable to document the total amount of living allowances paid each year under the AmeriCorps program. Although various funding sources other than Corporation funds were used to pay stipends, the agency has a responsibility to accurately record and report all AmeriCorps costs incurred under the program.

AmeriCorps Provision 21(a), Financial Management Provisions, requires that the Grantee "maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this grant from expenditures not attributable to this Grant."

AmeriCorps Provision 21(b) requires that "the grantee must maintain adequate supporting documents for its expenditures . . . and in-kind contributions under this grant. Costs must be shown in books or records . . . and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document."

These provisions apply to the Federal funds subgranted by the Colorado Parent and Child Foundation to the Family Literacy Program. We have questioned $2,891 of costs claimed by Family Literacy due to its inability to maintain and provide adequate supporting documentation.

Recommendation

We recommend that (1) the Commission determine whether this subgrantee has the financial capabilities to administer Federal grant funding, and (2) the Corporation's Office of Grants Management resolve the $2,891 of questioned costs claimed by the subgrantee.

6 Home Instruction for Parents of Preschool Youngsters

Commission's Response

The Commission, responding for the subgrantee, concurred with the questioned $425 and provided documentation to support the following expenses that were originally questioned:

Tuition and fees	$1,620
Tuition and fees	2,302
Textbooks	191
Payment to hobby store	77
Travel	279
Travel	482
Travel	365
Payment to retail store	365
Conference	1,195
Conference reimbursement	605
Hippy supplies	425
Hippy supplies	27
Hippy supplies	108
Hippy supplies	167
Travel	31
Miscellaneous	14
Miscellaneous	20
Miscellaneous	176
Miscellaneous	5
Hippy conference	647
Hippy supplies	680
Hippy supplies	160
Hippy National Conference	219
Hippy etc.	711
Total	$10,871

Auditor's Comment

The documentation provided is considered adequate. Neither the Commission nor the subgrantee provided documentation to support the remaining items. Accordingly, they remain questioned.

Finding No. 8

The Denver Department of Parks and Recreation received funding from the Colorado Department of Education (CDE) to operate a Learn and Serve subgrant. The audit resulted in questioned costs of $3,305, as noted below.

Year	Amount
PY 2001	$ 408
PY 2002	436
PY 2003	2,461
Total	$ 3,305

PY 2001

- Time sheets supporting salary and benefits costs of $379 and $29 allocated to the program could not be located to verify that the amounts were properly charged.

PY 2002

- A refundable deposit of $250 for use of a facility was incorrectly claimed as an expense.

- The schedule of claimed costs included a duplicate charge for office supplies of $186.

PY 2003

- A bill for $798 was submitted by the intermediary organization, CAEE, requesting payment for various expenditures including a catering deposit. No invoices were provided for $298 of this total and no credit was entered for a deposit refund of $231. Costs questioned total $529.

- An invoice for $1,246 for catering a "Service-Learning Summit" appeared to be a reimbursement to a third party. No documentation was provided to document the actual cost charged by the caterer.

- Total revenue for the three grant years was $44,250, however, only $43,564 in expenses were recorded under the program for the period. As a result, revenue exceeded costs claimed by $686.

The inadequate documentation and overcharges appear to result from a lack of emphasis by the Commission on the importance of maintaining proper support for claimed costs. These conditions could result in a violation of the terms and conditions of the grant and potential funding misapplications. Properly supported and accurate financial information is required for timely and effective reporting and management decision-making.

Learn and Serve America General Grant Provision 8(b) requires the Grantee to "maintain adequate supporting documents for its expenditures (federal and non-federal) and in-kind contributions made under this grant. Costs must be shown in books or records . . . and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document."

The Commission did not ensure that its subgrantees maintained adequate documentation of incurred costs. As a result, this requirement was violated and $3,305 of costs are questioned.

Recommendation

We recommend that the Commission reemphasize to its subgrantees the need for adequate recordkeeping and compliance with grant terms and conditions.

Commission's Response

The Commission, responding for the Denver Department of Parks and Recreation, provided documentation to support the following:

PY 2001

Conference expense	$ 555
Brochures	145
Training materials	50
Total	$ 750

Employee payroll records were also provided

PY 2003

Training expense	$ 600
Training by Colorado State Forest Service	1,000
Posters and related shipping	1,198
Facilitation	150
Total	$2,948

PY 2002

The Commission agreed with the PY 2002 costs questioned.

The Commission provided an electronic spreadsheet summary of revenue and expenses related to the Learn and Serve program managed by the Denver Department of Parks and Recreation. This summary details revenue totaling $39,800 for the period September 2000 through August 2003, which the Department of Parks and Recreation represents is the correct amount.

Auditor's Comment

The documentation provided in response to the draft report, except for the payroll records, is considered adequate to allow these costs. The remaining questioned costs have been adjusted accordingly. Payroll records were provided to support the missing time sheets in PY 2001. However, this only demonstrates that the employee was, in fact, paid the amounts claimed. These

records do not meet the requirements of OMB Circular A-87 and, hence, remain questioned. Costs for which the Commission or its subrecipient were unable to provide supporting documentation also remain questioned.

With respect to revenue to the Denver Department of Parks and Recreation, we note that the electronic spreadsheet, provided in response to the draft report, is not part of an integrated accounting system. We note further that, missing from the spreadsheet is a transaction involving a check, from the State of Colorado dated January 9, 2001, and in the amount of $16,000, which was deposited in the bank account of the Denver Department of Parks and Recreation on January 18, 2001, and which was provided to us during the audit. We have no reason to believe that the records we were provided during the audit are incorrect. Accordingly, the original finding and recommendation remain unchanged.

Finding No. 9

The Commission did not submit Financial Status Reports (FSRs) for the following grants in accordance with time frames stipulated in the respective grant provisions:

Grant Number	**FSRs Submitted Late**	**FSRs Submitted On Time**	**Percentage of FSRs Submitted Late**
95PDSCO006 – PDAT	1	2	33.3%
02PDSCO006 – PDAT	1	5	16.7%
01DSCCO006 – Disability	1	6	16.7%
00LSCCO006 – Learn and Serve (CDE)	2	9	18.2%
98ARCCO006 – America Reads	1	5	16.7%

The Corporation has established FSR due dates for each program and each year. We matched due dates with actual FSR submission dates to arrive at the results shown above. The basic cause of the late FSR submissions was that responsible managers did not place proper emphasis on the timely gathering of information necessary to prepare FSRs. This condition results in a violation of the terms and conditions of the grant and potential funding misapplications without timely detection. In addition, both the grantor and grantee require current financial information for timely and effective management decision-making.

Recommendation

We recommend that the Commission establish policies and procedures to ensure that FSRs are properly completed and submitted on a timely basis.

Commission's Response

The Commission, responding for the Colorado Department of Education, which managed the Learn and Serve program, disagrees with the finding. The Commission noted that it has procedures in place to ensure that the fiscal agent and Commission staff are aware of, and comply with, financial reporting requirements and will continue to work closely with grantees to ensure full compliance. Also, the Commission will continue to conduct annual training on fiscal procedures and to distribute periodic reminders about the critical importance of filing completed fiscal documentation in a timely manner.

Auditor's Comment

Contrary to the response from the Colorado Department of Education, its FSRs for the periods ending December 31, 2001, and August 31, 2003, were signed by representatives on July 3, 2002, and December 27, 2003, respectively. We consider the Commission's other comments adequate.

Internal Controls Over Financial Reporting

In planning and performing our audit of award costs, as presented in Exhibits A through H, for the period August 1, 2000, to December 31, 2003, we considered the Commission's internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal controls over financial reporting.

The Commission's management is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial schedules in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations in any internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration would not necessarily disclose all matters of internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Material weaknesses are

reportable conditions in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that errors or irregularities, in amounts which would be material in relation to the financial schedules being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Internal Control Findings

Finding Nos. 1 through 9 set forth in the *Compliance* section of this report are also considered findings on internal control.

Leonard G. Birnbaum and Company, LLP

Alexandria, Virginia
July 28, 2004

Follow-Up On Pre-Audit Survey Findings
OIG Audit Report No. 01-25
Issued December 6, 2000

Finding No. 1

The Commission's pre-award selection process did not include procedures to review specific aspects of an applicant's financial management systems. These aspects include the capabilities of the accounting system to provide necessary grant information for compliance with OMB Circular A-133.

Current Status

The Commission has developed a State Systems Review Questionnaire, sections of which specifically address the fiscal context of the entity and the accounting system. The results of the questionnaire are used to evaluate the applicant and to determine the level of risk. We consider this finding closed.

Finding No. 2

The Commission was unable to locate documentation to support its funding decisions for program years prior to 1996-97. The Commission's position is that this condition resulted when the Commission was transferred in 1998 from the Colorado Department of Local Affairs to the Colorado Community College System. A significant amount of documentation was believed to have been filed with the Division of State Archives.

Current Status

The transfer of the Commission's administration among State agencies does not alleviate its responsibility to maintain adequate records for all program years for three years from the close of a grant, in accordance with 45 CFR § 2541.420. We consider this finding closed.

Finding No. 3

The Commission did not have written grievance procedures, including dispute resolution procedures, as required by 45 CFR § 2540.230.

Current Status

The Commission has prepared a written grievance procedure that provides for a grievance proceeding and binding arbitration if necessary. We consider this finding closed.

Finding No. 4

The Commission was unable to locate documentation to support its financial reporting for program years prior to 1996-97, including the allocation of funding between AmeriCorps Competitive and Formula grants and the amounts of State matching funds for the administrative grant. The Commission's position is that this condition resulted when the Commission was transferred in 1998 from the Colorado Department of Local Affairs to the Colorado Community College System. A significant amount of documentation was believed to have been filed with the Division of State Archives.

Current Status

The transfer of the Commission's administration among State agencies does not alleviate its responsibility to maintain adequate records for all program years for three years from the close of a grant, as set forth in 45 CFR § 2541.420. We consider this finding open.

Finding No. 5

The Commission has not implemented an adequate process for obtaining and reviewing OMB Circular A-133 audit reports for its subgrantees. When the reports are obtained, the Commission does not document its review or any follow-up actions.

Current Status

An audit section has been included in the Colorado AmeriCorps Program Operating Grant Fiscal Manual. This section describes the nature and purpose of A-133 audits and identifies which programs require this audit coverage. Subgrantee A-133 audits are reviewed in conjunction with the State Systems Review Questionnaire in order to develop an overall risk analysis for each subgrantee. We therefore consider this finding closed.

Finding No. 6

The Commission did not maintain sufficient documentation to support procedures performed during site visits. The pre-audit survey cited examples of the lack of documentation of specific tests performed, operating sites visited, and procedures to verify information in subgrantee audit reports, as well as examples of missing checklists.

Current Status

The Commission has developed a State Systems Review Questionnaire, sections of which specifically address the fiscal context of the entity and the accounting system. The results of the questionnaire are used to evaluate the applicant, including consideration of its audit reports, and to determine risk levels using specific criteria. In addition, an AmeriCorps State Program Checklist has also been implemented to evaluate subgrantees' programmatic results. We consider this finding

closed.

Finding No. 7

The pre-audit survey noted that, although the Commission has implemented WBRS, two of its subgrantees had experienced technical problems with the system. As a result, the Commission was not able to electronically submit aggregate FSRs to the Corporation or to review information for these subgrantees online.

Current Status

The Commission stated that technical problems occasionally occur with WBRS and corrections are sometimes necessary. However, these problems are isolated and we consider this finding closed.

Finding No. 8

The Commission did not have youth representation within its voting members and, therefore, did not comply with 45 CFR § 2550.50(b)(6). This regulation requires that the Commission include an individual between the ages of 16 and 25 who is a participant or supervisor of a service program for school-age youth, or of a campus-based or national service program.

Current Status

The Governor appointed to the Commission, by executive order, an individual who meets the requirements of 45 CFR § 2550.50(b)(6). We consider this finding closed.

Finding No. 9

The Corporation's August 2000 State Administrative Standards Report on the Commission indicated that "over the past five years, the Commission has tripled the number of programs it administers while the staff size has actually declined." The report noted the need for additional personnel to reduce the workload on current staff.

Current Status

The programs operated by the Commission have been reduced in size since the finding was presented in the pre-audit survey. Based on current requirements, staffing appears adequate. We consider this finding closed.

Appendix A

Response of the Colorado Governor's Commission on Community Service

STATE OF COLORADO

GOVERNOR'S COMMISSION ON COMMUNITY SERVICE
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Jules Hampton
Ex-Officio

November 18, 2004

Ms. Carol Bates
Assistant Inspector General for Audit
Corporation for National and Community Service
Office of Inspector General
1201 New York Avenue, NW, Suite 830
Washington, DC 20525

Dear Ms. Bates:

Enclosed is the Governor's Commission on Community Service response to the draft report on the results of the Inspector General incurred-cost audit of grants awarded to the Colorado Governor's Commission on Community Service. Thank you for the extension of the due date from November 5, 2004 to November 19, 2004. It was helpful as we conducted three conference and training sessions for our members and program managers during the original 30-day response period in addition to preparing the Commission response and accompanying documentation.

Included in the Fed Ex packet mailed to Stuart Axenfeld, Audit Manager, on Wednesday, November 18, 2004, is a Commission summary response packet and a 4" three ring binder with Response Appendix comments and documentation addressing each response. The packet should arrive by Friday, November 19, 2004, the extended due date.

Please let me know if I can provide answer any questions or provide additional information or documentation for any of the responses.

Sincerely,

Nancy J. Brown
Executive Director
Governor's Commission on Community Service

Enclosure

Compliance Findings

Finding No. 1

Commission's Response

The Commission disagrees with this finding in its entirety. As defined in the OMB rules, Equipment (including furniture) is defined as items having a unit value cost of $5,000 or more. None of the items referred to as equipment in this finding had a single unit cost $5,000 or higher. It appears that individual units were added cumulatively to arrive at the total, as shown in Appendix A-Finding 1.

Finding No. 2

Commission's Response

While the Commission agrees that the position was added, it disagrees that the expense was not allowable. The Commission notes that in January 2003, the Commission was re-assigned by Executive Order to the Office of Lieutenant Governor, and subsequently the Chief of Staff position was assigned supervisory oversight. Meanwhile an approved staff vacancy occurred. As the Commission utilized vacancy savings to cover the position, it viewed the expenditure as a replacement position, rather than the addition of a new position that would have increased the total amount expended for staffing. The Chief of Staff position was included and approved in the '04 budget submission to the Corporation.

The Commission disagrees that time records were not available for the Chief of Staff. The Commission follows fiscal rules under the Colorado Community Colleges System, which are based on a waiver from the Federal Department of Education and require time-charged samples on a schedule different than outlined above for Circular A-87. A timesheet showing the portion of time the Chief of Staff spent on Commission oversight was provided to the auditor. The Commission now understands that a comprehensive timesheet showing the full distribution was desired.

The Commission has already taken steps to revise its time tracking processes after the auditors clarified the procedure at the exit interview. Meanwhile, the Commission notes that it acted in good faith in tracking the Chief of Staff's supervisory support.

Finding No. 3

Commission's Response

The purpose of this trip was to the introduction of a new Interim Executive Director to the Corporation for National and Community Service, with the distribution of materials on

Commission's mission, programs, and events to Citizen Corps and Congressional staff offices as an educational, nonpolitical outreach activity. No lobbying or political activity occurred during this trip. The Commission will continue to use established procedures to ensure that all staff is aware of the prohibition against political and legislative activity and to ensure that even the potential appearance of such activity is avoided. See the documentation in Appendix, Finding 3.

Finding No. 4

Commission's Response

Appendix 1 contains documentation related to each item cited above. The Commission acknowledges that a difference of opinion exists as to the sufficiency of documentation in the several cases. While additional documentation may have been advantageous for several items, the documentation demonstrates that the expenditures were reasonable and within fiscal guidelines. Documentation has been consistent for every in-kind claim with required provider valuation and signature for all three years audited.

On one issue, a $910 refund was deposited into a non-PDAT account, but was subsequently used for PDAT-related training related purposes. The Commission acknowledges that the connection between the deposit and subsequent expenditure records may not have been clear to the site auditor. The Commission will take additional steps to ensure proper tracking of refunded money in the future.

Finding No. 5

Commission's Response

The Commission acknowledges that an invoice from a contractor (representing a team of trainers) seemingly shows payment for seminar development at a rate that exceeded $443/day, however this was the result of insufficient detail on the bill as it did not include a formula itemizing that two trainers were involved or that the rate of payment was calculated on a per person rate, as further described in Appendix –Finding 5. Also included is an email that had been sent to the contractor following receipt of the bill clarifying the rate and stating that the rate could not exceed $443 for any of the services provided under the project contract. The Commission will ensure that all future invoices provide sufficient detail related to the formula used for the purchase of consultant services.

Finding No. 6

Commission's Response

The Commission disagrees with this finding. In Appendix – Finding 6, the Commission has submitted documentation clarifying that a portion of the indirect payments shown in the chart are attributable to different fiscal years.

Additionally, Appendix 1 contains documentation related to each additional item cited above. In particular, new documentation supporting the Colorado Cares match claims is being submitted.

The Commission acknowledges that a difference of opinion between the Commission and the site auditor exists as to the sufficiency of documentation regarding some of the match records. While additional documentation may have been helpful in some cases, signed donor forms and other documentation demonstrates that the Commission acted in good faith to collect, track and report match accurately. The Commission's business practices for tracking match documentation has been consistent over time, including securing contribution forms signed by each donor for costs claimed.

Finding No. 7

Commission's Response

The Commission and Colorado Foundation for Parents and Children disagree with this finding. Similar to the situation described in Finding 1 of this report, the auditor cumulatively added items that had single unit cost of under $5,000 to arrive at the total. See Appendix- Finding 7.

Finding No. 8

Commission's Response

On the first issue, the Commission sub granted the Learn & Serve Community-based grant to the Colorado Department of Education (CDE). CDE disagrees with the finding and has submitted ledger reports for the three years totaling $573,257, as reported on the FSR. Copies of CDE's applicable grant ledger reports are shown in the Appendix- Finding 8.

On the second issue, the Commission disagrees that the Education Award draw downs exceeded the total amount expended on general ledgers Education Awards general ledgers adding up to $62,700 are attached under Appendix - Finding 8.

Finding No. 9

Commission's Response

All programs were notified about the findings as shown above - responses are noted in the Appendix-Finding 9. In several cases, the programs were unable to further research the findings due to a lack of information on which member files were being referenced.

The Commission agrees to reemphasize the need for full and complete eligibility compliance for all AmeriCorps sub grantees. Additionally, to respond to the draft Internal Control findings, the Appendix contains a description of the methods and samples of the publications used by the Commission to ensure member eligibility and documentation compliance. The Commission will continue to conduct annual trainings on eligibility and to distribute periodic reminders about the critical nature of eligibility documentation.

Finding No. 10

Commission's Response

The Commission and the Colorado Parent and Child Foundation acknowledge that a duplicate charge did occur. The Foundation is prepared to repay $625 for this charge, as shown in Appendix - Finding 10. The Commission will continue to work with all subgrantees to ensure that charges are adequately supported and that errors are corrected.

Finding No. 11

Commission's Response

The Commission has attached a detailed explanation from Colorado Parent and Child Foundation for the questioned costs. The program reported that a substantial amount of this documentation was submitted earlier, however it may have been overlooked or misplaced. Documentation for all items, with the exception of one expenditure for $425 has been provided. The Foundation is prepared to repay $425 for that charge, as shown in Appendix - Finding 11. The Commission will continue to work with all subgrantees to ensure that charges are adequately supported and that errors are corrected.

Finding No. 12

Commission's Response

The Governor's Commission on Community Service subgranted the Learn & Serve Community-based grant to the Colorado Department of Education (CDE) through an intra-state agency Memorandum of Understanding that included responsibility for full fiscal management of the grant. As noted in Appendix 12, CDE has submitted new documentation to support the required match. This documentation was not available at the time of the audit, in part due to misinformation regarding the allowability of non-CNCS federal funds as match and as program managers did not have access to detailed documentation to support the matching costs claimed at the time. CDE has implemented procedures to ensure that matching costs claimed are adequately documented and are in compliance with applicable Corporation and grant provisions. Additionally, the Commission has and will continue to implement additional training and procedures to ensure that all grantees understand the standards of documentation required for matching funds.

Finding No. 13

Commission's Response

The Governor's Commission on Community Service subgranted the Learn & Serve Community-based grant to the Colorado Department of Education (CDE), who subsequently subgranted funds to the City and County of Denver Parks and Recreation Department. Appendix -Finding 13 contains new documentation that was not available at the time of the site auditor's visit, now being submitted

by Denver Parks and Recreation. The documentation notes that several accounting errors were made. Comparing the corrected errors to the finding of being overdrawn by $686, Denver reports that the corrected record shows that costs exceeded revenues by $408.

Finding No. 14

Commission's Response

The Commission, and its Learn and Serve sub grantee, Colorado Department of Education (CDE), disagree with this finding. Attached are copies of CDE's Learn & Serve FSRs indicating each FSR was submitted on or before the due date. Further, the Commission disagrees that a FSR was submitted late for the Colorado Promise Fellows grant, which is a Fixed Award grant that is exempt from FSR requirements. The Commission will continue to ensure that procedures are in place for compliance with financial reporting requirements, and will continue to work closely with grantees to ensure full compliance. Additionally, in response to the draft Internal Control findings, the Appendix contains a description of the methods and samples of the publications used by the Commission to ensure compliance. The Commission will continue to conduct annual trainings on fiscal procedures and to distribute periodic reminders about the critical nature of fiscal documentation.

Finding No. 15

Commission's Response

The Commission and Bright Beginnings agree that one FSR in 2002 was submitted late due to unavoidable circumstances at the local level. The Commission disagrees that a late FSR was submitted by the Colorado Department of Education for the AmeriCorps Education Award grant. Education Award grants are exempt from FSR submission requirements. The Commission will continue to work closely with our grantees to ensure compliance in relation to financial reporting requirements. Additionally, to respond to the draft Internal Control findings, the Appendix contains a description of the methods and samples of the publications used by the Commission to ensure compliance. The Commission will continue to conduct annual trainings on fiscal procedures and to distribute periodic reminders about the critical nature of fiscal documentation.

General Commission Comments: The Commission's current Executive Director started as a new employee on June 1, 2003. The Office of Inspector General Sent a notification letter regarding this audit on July 28, 2003. The new Executive Director has been working with the auditors assigned to this audit for the past year, seeking to comply with requests for documentation. The new Executive Director is committed to implementing all refinements to administrative processes determined necessary from this audit. Many refined business processes, have in fact, been systematically implemented as a result of the new Executive Director's leadership of the Commission to date. The Commission passed a Standards Review conducted August 7 – 11, 2000, which included positive feedback on administrative processes.

Appendix A (See Appendix A, 4", 3 ring binder included with the hard copy Commission Response)

Response of the Colorado Governor's Commission on Community Service

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Finding 3 Interim Director Trip to Washington DC Response and Exhibits

Finding 4 Supporting Documentation for Non-payroll Transactions Response and Exhibits

Finding 5 PDAT Consultant Charge Response and Exhibits

Finding 6 Commission Match Response and Exhibits

Finding 7 CPCF Supplies Response and Exhibits

Finding 8 Ledger Discrepancies Response and Exhibits

Finding 9 Member Records Response and Exhibits

Finding 10 CPCF Accounting Reversal Response and Exhibits

Finding 11 CPCF Subgrant to Jeffco Response and Exhibits

Finding 12 Learn & Serve: CDE Response and Exhibits

Finding 13 Learn & Serve: City and County of Denver Response and Exhibits

Finding 14 Commission FSRs Response and Exhibits

Finding 15 AmeriCorps FSRs

Pre- Audit Survey Follow-up Response

Appendix B

Response of the Corporation for National and Community Service

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 State/National

Date: November 23, 2004

Subject: Response to OIG Draft Audit Report 05-04: Incurred Cost Audit of Grants Awarded to the Colorado Governor's Commission on Community Service

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We have reviewed the draft audit report of the grants to the Colorado Governor's Commission on Community Service. Due to the limited timeframe for response, we have not analyzed documentation provided by the Colorado Commission supporting the questioned costs nor reviewed the audit work papers. We will respond to all findings and recommendations when the audit is issued and we have reviewed the findings in detail. The Colorado Commission has also provided an extensive response and is working on corrective action as necessary.