Office of Inspector General
Corporation for National and Community Service

AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO THE VERMONT COMMISSION ON NATIONAL AND COMMUNITY SERVICE

OIG REPORT NUMBER 05-08

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

Leonard G. Birnbaum and Company
6285 Franconia Road
Alexandria, Virginia 22310

This report was issued to Corporation management on October 8, 2004. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than April 8, 2005, and complete its corrective actions by October 8, 2005. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of Inspector General
Corporation for National and Community Service
Audit Report 05-08

Audit of Corporation for National and Community Service Grants Awarded to the Vermont Commission on National and 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 Vermont Commission on National and 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 $3,887,055. The draft report included questioned costs. The Commission provided documentation to show that the costs were allowable. The final report does not include any questioned cost. However, the auditors noted instances of noncompliance with provisions of Federal laws and regulations, and grant award provisions. One of these findings, regarding member eligibility documentation, is considered a material weakness. The auditors also noted three internal control findings. Two of these findings, regarding site visit testing, are also considered to be a material weakness.

The Commission's response to the draft report eliminated the cost questioned contained in that report and noted actions that will be taken to correct the compliance and internal control findings. The Corporation will follow up on these actions during the audit resolution process.

Audit of Corporation for National and Community Service
Grants Awarded to the
Vermont Commission on National and Community Service

Table of Contents

	Page
REPORT SUMMARY AND HIGHLIGHTS	
Results in Brief	1
Grant Programs Audited	1
Costs Questioned	2
Compliance	2
Internal Controls	3
Purpose and Scope of Audit	3
Background	4
INDEPENDENT AUDITOR'S REPORT	6
FINANCIAL SCHEDULES	
Consolidated Schedule of Award Costs	8
Exhibit A - Schedule of Award Costs: AmeriCorps	10
Schedule A-1 - Schedule of Award Costs: Central Vermont Council on Aging	11
Schedule A-2 - Schedule of Award Costs: Vermont Housing and Conservation Board	12
Schedule A-3 - Schedule of Award Costs: Washington County Youth Service Bureau	13

Table of Contents - continued

Exhibit B - Schedule of Award Costs:
Professional Development and Training (PDAT) 14

Exhibit C - Schedule of Award Costs:
Administrative 15

COMPLIANCE AND INTERNAL CONTROLS

Independent Auditor's Report on Compliance and Internal Controls
Over Financial Reporting 16

Compliance Findings 17

Internal Control Findings 23

Follow-Up on Pre-Audit Survey Findings 25

RESPONSES TO REPORT

Vermont Commission on National and Community Service ..... Appendix A

Corporation for National and Community Service ..... Appendix B

REPORT SUMMARY AND HIGHLIGHTS

Office of Inspector General
Corporation for National and Community Service

This report is issued under an engagement to audit the costs claimed by the Vermont Commission on National and Community Service (Commission) and its subgrantees from September 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 subgranteess.

Results in Brief

As a result of our audit, we have not questioned any of the $3,887,055 in costs claimed by the Commission.

Grant Programs Audited

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

Program	Award Number	Award Period	Audit Period
AmeriCorps	00ASCVT048	9/1/00 to 8/31/03	9/1/00 to 8/31/03
AmeriCorps	00ASFVT048	9/1/00 to 8/31/03	9/1/00 to 8/31/03
America's Promise	99APSVT048	11/30/99 to 6/30/02	11/30/00 to 6/30/02
America's Promise	01APSVT048	1/1/02 to 12/31/04	1/1/02 to 12/31/03
Disability Funds	00DSCVT045	1/1/00 to 12/31/02	7/1/00 to 12/31/02
Disability Funds	03CDHVT001	1/1/03 to 12/31/05	1/1/03 to 12/31/03
Education Awards	00EDSVT025	5/1/00 to 4/30/03	5/1/00 to 4/30/03
PDAT	95PDSVT046	11/1/95 to 12/31/01	1/1/01 to 12/31/01
PDAT	02PDSVT046	1/1/02 to 12/31/04	1/1/02 to 12/31/03
Administrative	01SCSVT046	1/1/01 to 12/31/03	1/1/01 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	$ 4,893,570	-
Claimed Costs	$ 3,887,055	79.4 percent
Questioned Costs	$ -	0.0 percent

Costs Questioned

The audit did not result in any costs questioned.

Compliance

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

1. The Commission did not consistently submit Federal Cash Transaction Reports on a timely basis. Over the last 18 months, however, these were submitted on a timely basis.
2. The Commission did not submit Financial Status Reports on a timely basis.
3. One subgrantee did not submit AmeriCorps member entrance and exit information on a timely basis.
4. One subgrantee was unable to explain or substantiate the allocation method used for staff fringe benefits.
5. Two subgranteess did not maintain AmeriCorps member eligibility documentation as required by the AmeriCorps Provisions. This finding is considered a material weakness.[1]

[1] 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.

Internal Controls

Our audit disclosed the following weaknesses in the Commission's internal controls on subgrantee site monitoring:

1. Site visits do not include testing of financial areas.

2. Site visits do not include testing the accuracy of performance measures and program results.

3. Site visit reports do not include a summary to highlight important areas and easily track corrective actions.

The need for improved testing of financial and programmatic accuracy (iItems 1 and 2 above) as part of the Commision's subgrantee site monitoring is considered to be a material weakness.

Purpose And Scope Of Audit

Our audit covered the costs claimed under Corporation Grant Nos. 00DSCVT045, 00ASCVT048, 00ASFVT048, 01SCSVT046, 95PDSVT046, 02PDSVT046, 01APSVT048, 99APSVT048, 03CDHVT001, and 00EDSVT025.

The principal objectives of our audit were to determine whether:

- financial reports prepared by the Commission presented fairly the financial results of the awards;

- 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, and award conditions, and ensure that member services were appropriate to the programs;

- award costs reported to the Corporation were documented and allowable in accordance with award terms and conditions; and

- the Commission had established adequate oversight and informed subgrantees of the Corporation's Government Performance and Results Act (GPRA) goals.

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 C), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibits A through C. 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 State commission and its subgrantees in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. Our audit also followed up on the findings and recommendations in the *Pre-Award Survey of the Vermont Commission on National and Community Service*, dated October 13, 2000 (CNCS OIG Report 01-26). We believe our audit provides a reasonable basis for our opinion.

With regard to GPRA, AmeriCorps grantees and subgrantees provide progress reports that are maintained in the Web-Based Reporting System (WBRS). The Corporation develops program reporting guidelines that cascade from its Federal reporting requirements. Although Commission staff did not exhibit an extensive knowledge of GPRA, they are following the Corporation's reporting requirements, which generally ensure GPRA compliance. The Commission does not make continuation grants available to subgrantees that do not meet program objectives, unless extenuating circumstances prevented the subgrantee from meeting its objectives. In summary, except for the Commission's need to perform accuracy testing of performance reports, the process appears to be operating as intended. The Commission obtains useful reports from its subgrantees to forward to the Corporation. The Commission staff assesses the adequacy of information reported on goal accomplishment and takes corrective action on identified reporting deficiencies.

The contents of this report were disclosed to and discussed with the Commission at an exit conference on August 20, 2004. In addition, we provided a draft of this report to the Commission and to the Corporation for comment on August 27, 2004, and received responses from both the Commission and the Corporation on September 24, 2004, and September 27, 2004, respectively. Their responses are included in their entirety as Appendices A and B, respectively. Based on information received from the commission after the draft report was issued, the questioned cost was removed.

Background

The Corporation, pursuant to the authority of the National and Community Service Act, as amended, awards grants and cooperative agreements to State commissions and other entities to assist in the creation of full-time and part-time national and community service programs.

The Commission has received approximately $4.9 million in funding and exercised $3.9 million in drawdowns from the Corporation since 2001. The Commission has received AmeriCorps Formula Funds, AmeriCorps Competitive Funds, Disability Funds, Promise Fellows Funds, Education Award Funds, Program Development Assistance and Training (PDAT) Funds, and Administrative Funds.

Of this amount, approximately $3.2 million was distributed to subgrantees. The majority of the Commission's subgrantees are State entities or nonprofit organizations to carry out the programs. A brief synopsis of the programs follows:

Grant Number	Funding Authorized	Claimed within Audit Period	Drawdowns During Audit Period
00ASCVT048 – AmeriCorps – Competitive	$ 2,540,542	$ 2,258,109	$ 2,127,311
00ASFVT048 – AmeriCorps – Formula	1,486,274	1,124,116	1,078,819
Total AmeriCorps Funds	$ 4,026,816	$ 3,382,225	$ 3,206,130
99APSVT048 – America's Promise	$ 103,853	$ -	$ 103,853
01APSVT048 – America's Promise	138,000	-	82,000
Total America's Promise Funds	$ 241,853	$ -	$ 185,853
00DSCVT045 – Disability Funds	$ 511	$ 511	$ 511
03CDHVT001 – Disability Funds	3,072	-	-
Total Disability Funds	$ 3,583	511	$ 511
00EDSVT025 – Education Awards	$ 32,141	$ -	$ 13,608
95PDSVT046 – PDAT	$ 89,000	$ 79,413	$ 79,413
02PDSVT046 – PDAT	176,940	167,066	167,066
Total Program Development Assistance & Training	$ 265,940	$ 246,479	$ 246,479
01SCSVT046 Administrative Funds	$ 323,237	$ 258,351	$ 258,351
Total Commission Administered Grants	$ 4,893,570	$ 3,887,055*	$ 3,910,932*

* Variances between funding drawdowns and expense reporting are generally due to timing differences.

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 Vermont Commission on National and 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.

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITOR'S REPORT

We have audited the costs incurred by the Vermont Commission on National and Community Service (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 C), are the responsibility of the Commission's management. Our responsibility is to express an opinion on the consolidated Schedule of Award Costs, and Exhibits A through C, based on our audit.

Program	Award Number	Award Period	Audit Period
AmeriCorps	00ASCVT048	9/1/00 to 8/31/03	9/1/00 to 8/31/03
AmeriCorps	00ASFVT048	9/1/00 to 8/31/03	9/1/00 to 8/31/03
America's Promise	99APSVT048	11/30/99 to 6/30/02	11/30/00 to 6/30/02
America's Promise	01APSVT048	1/1/02 to 12/31/04	1/1/02 to 12/31/03
Disability Funds	00DSCVT045	1/1/00 to 12/31/02	7/1/00 to 12/31/02
Disability Funds	03CDHVT001	1/1/03 to 12/31/05	1/1/03 to 12/31/03
Education Awards	00EDSVT025	5/1/00 to 4/30/03	5/1/00 to 4/30/03
PDAT	95PDSVT046	11/1/95 to 12/31/01	1/1/01 to 12/31/01
PDAT	02PDSVT046	1/1/02 to 12/31/04	1/1/02 to 12/31/03
Administrative	01SCSVT046	1/1/01 to 12/31/03	1/1/01 to 12/31/03

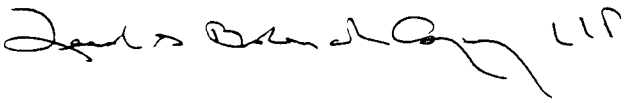
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 management estimates, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A through C and related Schedules) present fairly, in all material respects, the

costs claimed for the period July 1, 2000, to December 31, 2003, in conformity with generally accepted accounting standards in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report, dated July 20, 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 Vermont Commission on National and 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 20, 2004

Vermont Commission on National and Community Service
Consolidated Schedule of Award Costs

Corporation for National and Community Service Awards

Award Number	Program	Approved Budget	Claimed Costs	Questioned Costs	Reference
00ASCVT048	AC Competitive	$ 2,540,542	$2,258,109	$ -	
00ASFVT048	AC Formula	1,486,274	1,124,116	$ -	
Total AmeriCorps		$ 4,026,816	$ 3,382,225	$ -	Exhibit A
99APSVT048	America's Prom.	$ 103,853	$ -	$ -	
01APSVT048	America's Prom.	138,000	$ -	$ -	
Total America's Promise		$ 241,853	$ -	$ -	N / A
00DSCVT045	Disability Funds	$ 511	$ 511	$ -	
03CDHVT001	Disability Funds	3,072	$ -	$ -	
Total Disability		$ 3,583	$ 511	$ -	N / A
00EDSVT025	Educ. Awards	$ 32,141	$ -	$ -	N / A
95PDSVT046	PDAT	$ 89,000	$ 79,413	$ -	
02PDSVT046	PDAT	176,940	167,066	-	
Total PDAT		$ 265,940	$ 246,479	$ -	Exhibit B
01SCSVT046	Administrative	$ 323,237	$ 258,351	$ -	Exhibit C
Total		$ 4,893,570	$ 3,887,566	$ -	

Vermont Commission on National and Community Service
Notes to Consolidated Schedule of Award Costs

1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying consolidated Schedule of Award Costs includes amounts budgeted, claimed, and questioned under AmeriCorps, Administrative, and Program Development and Training grants awarded to the Commission by the Corporation or the period from July 1, 2000, to December 31, 2003. The Commission awards its AmeriCorps grant funds to numerous subgrantees that administer the AmeriCorps program and 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:

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 equipment acquired is owned by the Vermont Commission on National and Community Service while 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.

Inventory

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

Questioned Costs

Questioned costs are costs for which there is documentation that the recorded costs were expended in violation, or possible violation, of laws, regulations or specific conditions of the awards, or those costs which require additional support by the grantee or which require interpretation of allowability by the Corporation.

Exhibit A

Vermont Commission on National and Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ASCVT048 and 00ASFVT048
July 1, 2000, to December 31, 2003

AMERICORPS

Detailed Audits of AmeriCorps Subgrantees	Claimed Costs	Questioned Costs	Reference Note 1
Central Vermont Council on Aging	$ 693,190	$ -	Schedule A-1
Vermont Housing and Conservation Board	$ 918,501	$ -	Schedule A-2
Washington County Youth Service Bureau	$ 646,418	$ -	Schedule A-3
Total – Detailed Audits	$ 2,258,109	$ -	

Notes

1. The total claimed costs reported include costs claimed by subgrantees that were not tested as part of this audit. During the period covered by our audit, the Commission had five AmeriCorps program subgrantees. We audited three of the subgrantees. We used a sampling approach to audit the costs claimed for Program Years 2000-01 through 2002-03.

Schedule A-1

Vermont Commission on National and Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00ASCVT048
September 1, 2000, to August 31, 2003

Central Vermont Council on Aging (CVCoA)

		Reference
Approved Budget (Federal funds)	$ 784,002	Note 1
Claimed Costs	$ 693,190	Note 2
Questioned Costs	$ -	

Notes

1. The approved budget of $784,002 represents total gross funding to CVCoA for Program Years 2000-01 through 2002-03, per the budget schedules for Commission grants.

2. The claimed costs of $693,190 represent the amount of reported expenditures of CVCoA for the Program Years tested (2000-01 through 2002-03).

Schedule A-2

Vermont Commission on National and Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00ASCVT048
September 1, 2000, to August 31, 2003

Vermont Housing and Conservation Board (VHCB)

		Reference
Approved Budget (Federal funds)	$ 1,013,577	Note 1
Claimed Costs	$ 918,501	Note 2
Questioned Costs	$ -	

Notes

1. The approved budget amount of $1,013,577 represents total gross funding to VHCB for Program Years 2000-01 through 2002-03, per the budget schedules for Commission grants.
2. The claimed costs of $918,501 represent the amount of reported expenditures of VHCB for the Program Years tested (2000-01 through 2002-03).

Schedule A-3

Vermont Commission on National and Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00ASCVT048
September 1, 2000, to August 31, 2003

Washington County Youth Service Bureau (WCYSB)

		Reference
Approved Budget (Federal funds)	$ 879,800	Note 1
Claimed Costs	$ 646,418	Note 2
Questioned Costs	$ -	

Notes

1. The approved budget amount of $879,800 represents total gross funding to WCYSB for Program Years 2000-01 through 2002-03, per the budget schedules for Commission grants.
2. The claimed costs of $646,418 represent the amount of reported expenditures of WCYSB for the Program Years tested (2000-01 through 2002-03).

Exhibit B

Vermont Commission on National and Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 95PDSVT046 and 02PDSVT046
January 1, 2001, to December 31, 2003

PROGRAM DEVELOPMENT and TRAINING (PDAT)

			Reference
Approved Budget (Federal funds – for the three-year audit period)			
95PDSVT046	$ 89,000		
02PDSVT046	176,940		
Total Budget – 3 Years		$ 265,940	Note 1
Claimed Costs		$ 246,479	Note 2
Questioned Costs		$ -	

Notes

1. The amount shown above as approved budget represents the total gross funding to the PDAT grant for the three-year grant period, Program Years 2000-01 through 2002-03, per the budget schedules for Commission grants.

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

Exhibit C

Vermont Commission on National and Community Service
Schedule of Award Costs
Corporation For National and Community Service
Award Number 01SCSVT046
From January 1, 2001, to December 31, 2003

ADMINISTRATIVE

		Reference
Approved Budget (Federal funds)	$ 323,237	Note 1
Claimed Costs	$ 258,351	Note 2
Questioned Costs	$ -	

Notes

1. The approved budget amount represents the total gross funding to the administrative grant for the grant period, per the budget schedules for the Commission grant.
2. Claimed costs represent the amount of reported expenditures of the administrative grant for the Program Years tested (2000-01 through 2002-03).

Office of Inspector General
Corporation for National and Community Service

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

We have audited the Schedules of Award Costs, as presented in Exhibits A through C, that summarize the claimed costs of the Commission under the Corporation awards listed below, and have issued our report thereon, dated July 20, 2004.

Program	Award Number	Award Period	Audit Period
AmeriCorps	00ASCVT048	9/1/00 to 8/31/03	9/1/00 to 8/31/03
AmeriCorps	00ASFVT048	9/1/00 to 8/31/03	9/1/00 to 8/31/03
America's Promise	99APSVT048	11/30/99 to 6/30/02	11/30/00 to 6/30/02
America's Promise	01APSVT048	1/1/02 to 12/31/04	1/1/02 to 12/31/03
Disability Funds	00DSCVT045	1/1/00 to 12/31/02	7/1/00 to 12/31/02
Disability Funds	03CDHVT001	1/1/03 to 12/31/05	1/1/03 to 12/31/03
Education Awards	00EDSVT025	5/1/00 to 4/30/03	5/1/00 to 4/30/03
PDAT	95PDSVT046	11/1/95 to 12/31/01	1/1/01 to 12/31/01
PDAT	02PDSVT046	1/1/02 to 12/31/04	1/1/02 to 12/31/03
Administrative	01SCSVT046	1/1/01 to 12/31/03	1/1/01 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 Federal laws, regulations, and award provisions 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 Federal laws, regulations, and the 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. However, we noted another matter concerning compliance structures and their implementation not related to reportable conditions. We reported that matter to Corporation management in a separate letter dated July 20, 2004.

Compliance Findings

Finding No. 1

The Commission purchased equipment costing over $5,000 in Program Year 2002-03 that was not in the approved budget or subsequently approved by the Corporation. Specifically, the Commission purchased $9,804 of computer and software equipment in Program Year 2002-03. However, the approved budget for that year provided for only $1,500 for equipment.

Corporation grant provisions require prior approval for equipment purchases in excess of $5,000 if the equipment was not in the approved budget. AmeriCorps Provision 15(b)(iii), *Budgetary Changes*, states, "[p]urchases of equipment over $5,000 using grant funds, unless specified in the approved application and budget," require the prior written approval of the Corporation's Office of Grants Management.

The Commission staff stated that approval may have been obtained from the Corporation, but they were unable to provide written documentation of such approval.

We note that the Commission has experienced significant turnover. Without clear procedures to (1) compare significant planned expenditures to the budget, and (2) ensure that required Corporation approvals are obtained, unauthorized purchases are possible.

Recommendation

The Commission should add a written procedure to their purchasing system to verify that allacquisitions of equipment costing more than $5,000 are provided for in the budget approved by the Corporation. If not, specific written approval should be obtained from the Corporation.

Commission's Response

The Commission explained that the items purchased were miscoded as equipment and should have been coded as supplies. None of the individual items exceeded the threshold of $5,000 for equipment; therefore, prior written approval from the Corporation for such expenditures was not necessary.

Auditor's Comment

We consider this response to be adequate and have revised recommended questioned costs accordingly.

Finding No. 2

The Commission did not submit Federal Cash Transactions Reports (FCTRs) on a timely basis during the period under audit. Our review disclosed that four out of 12, or 33 percent, of the reports tested were submitted after the due dates.

Reporting controls and procedures used by the Commission during the three-year audit period did not suitably emphasize the significance of timely and accurate cash management. However, it should be noted that all FCTRs were submitted on a timely basis over the last 18 months of the audit period.

The FCTR due dates, established by the Department of Health and Human Services (DHHS), are usually due 45 days after the end of each quarter. Federal cash accountability controls are weakened when FCTRs are not submitted in a timely manner. To ensure funds are being spent for the grant's purpose and in accordance with grant conditions, a timely accounting is necessary. When accounting controls are weak, it becomes easier to circumvent established processes.

Recommendation

We recommend that the Commission continue the efforts that resulted in its recent significant improvement in submitting accurate and timely cash transactions reports. To ensure the improved process continues when future personnel changes occur, policies, procedures, and monitoring regarding DHHS reporting should be formalized in writing.

Commission's Response

The Commission will document appropriate policies and continue the efforts that led to significant improvement in this area over the last 18 months.

Auditor's Comment

We consider this response adequate.

Finding No. 3

The Commission did not submit Financial Status Reports (FSRs) for AmeriCorps, Administrative, and Professional Development Assistance and Training (PDAT), grants on a timely basis, as stipulated in the respective Corporation grant provisions.

Grant Type	**FSRs Submitted**		**Percentage of FSRs**
	Late	**On Time**	**Submitted Late**
AmeriCorps	2	10	17%
Administrative	2	5	29%
PDAT	2	5	29%
Total	6	20	23%

The Commission's reporting controls and procedures in place during the three-year audit period did not suitably emphasize the significance of timely financial reporting. In some instances, the Corporation may have granted an extension. However, the extensions were not authorized in writing and could not be substantiated for the audit. Of the subgrantees audited, all submitted their AmeriCorps FSRs well before the Corporation's due date.

Late submission of FSRs is a violation of the grant's terms and might result in, or fail to disclose on a timely basis, potential funding misapplications. Problems may also occur because both the Corporation and the grantee lack current financial information on which to base management decisions.

Recommendation

We recommend that the Commission reemphasize the importance of submitting timely Financial Status Reports to the Corporation.

Commission's Response

The Commission will continue to work on improving this area and document appropriate policies.

Auditor's Comment

This response is considered adequate.

Finding No. 4

Washington County Youth Service Bureau (WCYSB), a subgrantee of the Commission, did not submit timely AmeriCorps member enrollment and exit information:

Form	No. Tested	No. Late	Percentage Late
Enrollment	13	6	46%
End-of-Term	13	7	54%

This condition arose because the Commission's guidance to, and oversight of, WCYSB's member records did not suitably emphasize the importance of maintaining current member files. A contributing cause for late enrollment forms is the inability to enter member enrollment data into the Corporation's Web-Based Reporting System (WBRS) until the State's grant information is uploaded.

AmeriCorps Provision 14, *Member Records and Confidentiality*, requires the grantee to maintain verifiable records that are sufficient to establish the individual's eligibility to participate in the program and successful completion of the program. The enrollment and end-of-term forms are used to ensure these requirements are being met. The end-of-term form is also used to establish an individual's eligibility for an education award.

Without accurate information, the Corporation cannot accurately compute education award entitlements. This information is also critical for internal evaluations of the program's success. Other uses, such as measuring the ability to attract and retain members, are also hampered without accurate and timely enrollment and exit information.

Recommendation

We recommend that the Commission strengthen its oversight policies and procedures to ensure that subgrantees maintain current member records.

Commission's Response

The Commission now has procedures in place to address this issue and will continue to monitor the situation.

Auditor's Comment

We consider this response to be adequate.

Finding No. 5

The Washington County Youth Service Bureau (WCYSB) could not explain the allocation method used for staff fringe benefits. Specifically, WCYSB did not document its allocation methodology and could not explain the allocation used.

Although this finding did not affect The WCYSB's reimbursable expenditures, the subgrantee should be able to explain its cost allocation procedures. AmeriCorps Provision 21, *Financial Management Provisions,* state that the grantee "[m]ust maintain financial management systems that include . . . a clear audit trail and written cost allocation procedures as necessary."

If not corrected, this practice could result in claimed expenditures not being paid by the Corporation. The Commission must maintain consistent cost schedules in order for independent observers to determine whether the schedules are "fair and reasonable." If cost allocation methods are not clearly documented, it is impossible to judge the consistency of the accounting procedures applied.

Recommendation

The WCYSB should codify, in writing, the cost allocation methods it uses and apply those methods consistently.

Commission's Response

The WCYSB now has a written cost allocation policy for fringe benefits.

Auditor's Comment

We consider this response to be adequate.

Finding No. 6

AmeriCorps Provision 6(h), *Criminal Records Checks*, states that "[p]rograms with members or employees who have substantial direct contact with children . . . shall . . . conduct criminal record checks."

Two AmeriCorps subgrantees did not maintain verifiable eligibility records for a total of four members. Files for three members at the Washington County Youth Service Bureau contained no proof that a criminal record check had been performed, despite the fact that these members worked with children. Another member from the Central Vermont Council on Aging claimed that she earned a GED high school equivalency certificate before being accepted by AmeriCorps. AmeriCorps Provision 14(b), which covers member records, requires grantees to "obtain from the member, and maintain in the member's file, a written declaration under penalty of law that the member meets the [education] requirements." However, information in the member's file only included a copy of a request for written certification of the GED. Attempts to verify the GED with

State records were unsuccessful.

The WCYSB organizations sponsoring the AmeriCorps members claim that criminal record checks were performed; however, as of the date of this report, supporting records could not be located. Also, one of the three members was a quarter-time member still enrolled in high school. Since this member was a minor, a criminal record may not have been releasable.

The requirements for criminal record checks and education are established in the AmeriCorps Provisions. AmeriCorps Provision 6(h), *Eligibility, Recruitment and Selection,* states that "[p]rograms with members or employees who have substantial direct contract with children . . . shall . . . conduct criminal record checks." AmeriCorps Provision 14(b), *Member Records and Confidentiality*, states that the grantee "[m]ust obtain from the member, and maintain in the member's file, a written declaration under penalty of law that the member meets the [education] requirements."

The effect of these instances of noncompliance is that some members may not have been eligible to receive a living allowance or education award. This is considered a material weakness because it directly affects the two largest expenditures of AmeriCorps funding: living allowances and education awards.

Recommendation

All of the subgrantees we spoke with were well aware of the AmeriCorps eligibility requirements. However, instances of missing documentation still occurred. The Commission's monitoring program should establish which subgrantees need to pay additional attention to member records. Based on the monitoring results, the Commission should concentrate its correction efforts on those subgrantees with the greatest risk of missing member information. To ensure important documents are not lost, the Commission should consider the cost-benefit relationship of scanning the documents and saving them in an electronic format.

Commission's Response

With respect to the three instances where member files contained no proof that criminal checks were performed, the Commission observed that one member was a minor and, as such, no information would be released on the individual. The Commission further noted that the member did not provide individual service to youth. As for the second member, the Commission stated that it appears that a background check was conducted, which the member passed. The member was supervised by staff, and did not provide individual service to children. Regarding the third member, the Commission noted that it does not know with certainty whether a criminal record check was performed on this member, and this member generally did not perform any service without a staff member present.

The Commission has stated that it will establish a policy identifying which subgrantees need to pay additional attention to member records and will implement other efforts and resources to deal with the problems.

Auditor's Comment

We consider this response to be adequate and have revised questioned costs accordingly.

All of the above six items are also considered to be internal control weaknesses.

Internal Controls Over Financial Reporting

In planning and performing our audit of award costs, as presented in Exhibits A through D for the period July 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 an opinion on the financial schedules and not to provide assurance on the internal controls over financial reporting.

Commission 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 objective of internal controls is 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 the financial schedules in accordance with generally accepted accounting principles of 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 of internal controls would not necessarily disclose all matters of internal control over financial reporting that might be reportable conditions. Under standards established 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 controls that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules. 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.

The following matter is considered to be a material weakness:

Finding No. 7

The Commission's subgrantee site monitoring program does not include internal controls testing on the accuracy of financial and performance reporting. We also noted that the Commission's reports on site monitoring visits are not condensed into an easily understandable document that highlights positive and negative findings.

The cause of this problem is that Commission staff does not believe it has the expertise to perform these tests. To address this, the Commission plans to have its accountant provide assistance during future site monitoring visits.

Commission subgrantee monitoring ensures that programs are running efficiently and effectively. It also provides feedback to subgrantees regarding areas that are working well and those that need improvement. In addition, monitoring provides opportunities to share "best practices" among subgrantees. Without effective monitoring, these potential benefits can be lost. Though we note that the Commission has been hosting meetings where "best practices" are discussed among subgrantees. Since effective Commission monitoring is a critical part of a successful AmeriCorps program, we consider this finding to be a material weakness.

Recommendation

We recommend that the Commission implement its corrective action plan of conducting site visits with an accountant present as soon as possible. We also recommend that the site monitoring report include a "results of review" summary to highlight strengths and weaknesses and ease the tracking of corrective actions.

Commission's Response

The Commission will begin using its accountant to provide assistance in this area during the next round of site visits.

Auditor's Comment

We consider this response to be adequate.

Leonard G. Birnbaum and Company, LLP
Alexandria, Virginia
July 20, 2004

Follow-Up On Pre-Audit Survey Findings
OIG Audit Report No. 01-26
Dated October 13, 2000
Pre-Award Survey Report of the
Vermont Commission on National and Community Service

Pre-Audit Survey Finding No. 1

The Commission lacks a risk-based assessment of subgrantee applicants' financial systems for use during the subgrantee selection process.

Current Status

A Pre-Award Risk Assessment Questionnaire has been developed and implemented. This audit recommended the addition to the questionnaire of several risk items involving supporting documentation and record retention. This finding is resolved.

Pre-Audit Survey Findings No. 2 & 3

Policies and procedures are not properly documented. Also, there are not adequate procedures to record and report matching expenditures.

Current Status

The Commission now has a Policy and Procedures Manual, and a Fiscal Manual, which detail processes important to the AmeriCorps program. Matching expenditures and reporting procedures are included in both manuals. These two findings are now resolved.

Pre-Audit Survey Finding No. 4

All Commission staff who used WBRS were granted access at the Executive Director level.

Current Status

Based on current user profiles in WBRS, an appropriate level of access, (Executive Director, Program Director, or Executive Administrator) has been assigned to each staff member. This finding is resolved.

Pre-Audit Survey Findings No. 5 & 6

The Commission charged unallowable costs and retained inadequate supporting documentation during Program Years 1994-95 through 1996-97.

Current Status

These findings are related to early AmeriCorps program years and do not include any costs incurred during the scope of this audit, Program Years 2000-01 through 2002-03. Further follow-up of these two issues is not required.

Pre-Audit Survey Finding No. 7

Commission filing of Financial Status Reports (FSRs) to the Corporation was not always timely.

Current Status

This finding remains a concern. A review of FSRs issued during the period covered by this audit showed a late-filing ratio of 23 percent. Six of 26 FSRs were submitted late; one was less than seven days late and five others were more than seven days late.

Pre-Audit Survey Finding No. 8

There is a lack of current property control records.

Current Status

A State electronic asset management system has been installed and is current. Although only asset records for items costing more than $5,000 and for all computers must be maintained, the Commission is keeping records on all equipment. In addition, the Vermont AmeriCorps Fiscal Manual contains written procedures for asset management. This finding is resolved.

Pre-Audit Survey Finding No. 9

The Commission is missing documentation on program reviews and site monitoring.

Current Status

A review of a sample of site monitoring documentation performed during the last two AmeriCorps program years revealed no missing information. This finding is resolved.

Pre-Audit Survey Finding No. 10

There is a lack of expense testing during site monitoring visits.

Current Status

This finding is not resolved. The Commission staff does not have the expertise to conduct expense testing, including in-kind match, during site visits. The Commission accountant will now assist with site monitoring visits, and expense testing will be performed. Since this new procedure has not been implemented, this finding will require follow-up.

Pre-Audit Survey Finding No. 11

Verifications of subgrantee performance measures and program results are not being conducted during site monitoring visits.

Current Status

The Commission is aware of the measurements being used and the records kept supporting performance measures and program results. Although improvement has occurred, additional improvement will result in performance measures and program results being tested during monitoring visits to ensure that the data reported by the subgrantees is, in fact, accurate. This finding is not completely resolved and will require follow-up.

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 Vermont Commission on National and 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.

Appendix A

Response of the Vermont Commission on National and Community Service

VERMONT COMMISSION ON NATIONAL AND COMMUNITY SERVICE
Office of the Governor
109 State St
Montpelier, VT 05609-4801

Tel. (802) 828-4982
Fax. (802) 828-4988
TDD. (802) 828-3448

September 23, 2004

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

Dear Inspector General George:

Below are the responses from the Vermont Commission on National and Community Service regarding the draft report on the results of our audit.

Finding No. 1

The Commission purchased equipment costing over $5,000 in Program year 2002-2003 that was not in the approved budget or subsequently approved by the Corporation.

Response

The items purchased were miscoded as equipment and should have been coded as supplies. The account number used came from a transfer done with the department that purchased the equipment and the definition for that account number is Information Technology Equipment. Also, OMB Circular A-87, gives the following definition for equipment:

"Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or $5000.

Since no single article purchased exceeded $5,000, the definition of equipment is not applicable in this case.

Finding No. 2

The Commission did not submit Federal Cash Transactions Reports on a timely basis.

Response

As stated in the Auditor's recommendation, this area has significantly improved over the last 18 months and we will continue those efforts. We will ensure that these policies are documented in the event of future personnel changes to carry on the improved effort.

Finding No. 3

The Commission did not submit Financial Status Reports for AmeriCorps, Administrative, and Professional Development Assistance Training grants on a timely basis.

Response

This is an area that we continue to work on improving. We will ensure that these policies are documented in the event of future personnel changes to carry on this effort of improvement.

Finding No. 4

Washington County Youth Service Bureau (WCYSB), a subrecipient of the Commission, did not submit timely AmeriCorps member enrollment and exit information.

Response

The auditor adequately explained why this happened in the finding. Currently, the WCYSB is making sure that all members for the 2003-2004 program year are being exited within the thirty-day period. Likewise, the WCYSB will ensure that all new members are entered within a thirty-day period.

The WCYSB brought on one member in April 2004 and another in June 2004, and to date, the Corporation for National and Community Service's Web Based Reporting System (WBRS) will not allow their information to be inputted. The Vermont Commission staff has been contacting CNCS headquarter staff since the problem arose, but CNCS has not been able to fix the problem.

In their report, the Auditors recommend that the Commission strengthen its oversight policies and procedures to ensure that subrecipients maintain current member records. The Commission now has procedures in place to address this issue and will continue to monitor the situation.

Finding No. 5

The WCYSB could not explain the allocation method used for staff fringe benefits. Specifically, WCYSB did not document its allocation methodology and could not explain the allocation used.

Response

WCYSB has kept fringe benefit allocations within what was allowable, however it did not have a written cost allocation policy. WCYSB now has a written cost allocation policy for fringe benefits.

Finding No. 6

1) Files for three members at WCYSB contained no proof that criminal record checks had been performed, despite the fact that these members worked with children.

2) One member from the Central Vermont Council on Aging claimed she earned a GED before being accepted by AmeriCorps but information in the member's file only included a request for written certification of the GED.

Response

Prior to 2002, the WCYSB required sites to conduct background checks and keep the reports on file at the site. Since October 2002, WCYSB has required the sites to send copies of all members' criminal background checks.

For member # 1:

a) **The member was a minor, and therefore WCYSB would not be allowed access to any juvenile records.**

The WCYSB contacted the Juvenile Defender for the State of Vermont for guidance on this issue. His opinion, as understood by the WCYSB, is that even if one performed a background check on a juvenile, no information would be forthcoming as those files would be confidential. He explained three sections of the Vermont Statutes Annotated (33 VSA §§ 5523, 5536, and 5538) that relate to the confidential nature of juvenile proceedings and records. Copies of those sections are attached.

WCYSB understood the Juvenile Defender's explanation of the three sections is as follows:

1) **33 VSA §5523** : States that the general public shall be excluded from hearings and that there shall be no publicity about hearings given by any person without proper consent.
2) **33 VSA §5536** : States that records and files of juveniles shall not be open to public inspection nor their contents disclosed to the public by any person. It lists some exceptions, none of which apply here. It also states that unlawful dissemination of this information is a crime punishable by a fine of up to $2,000.00.
3) **33 VSA §5538** : States that after two years have elapsed and the

person has not been convicted of another offence, the court can seal the juvenile records, and any related proceedings will be considered never to have occurred.

b) **The member did not provide individual service to youth.**

The member's primary responsibilities were to **assist** staff in planning and implementing projects and activities. The member did not have sole responsibility for any project or activity.

For member #2:

a) **It appears that the there may have been a background check conducted on this member.**

The site currently has a policy that requires background checks for all employees and volunteers. The current site supervisor was not in that position at the time that this member served, but believes that background checks were performed at that time and believes that a background check may have been performed on the member. There is a copy of the fingerprint document in the member's file. The fingerprinting was conducted by the Rutland Police Department.

b) **The member has subsequently passed a criminal background check.**

When the missing background check was brought to the attention of the current site supervisor, a background check was conducted. The background check did not show any issues of concern or any reason to disallow the member from serving in a youth-focused organization.

c) **The member was supervised by staff and did not provide individual service with children.**

It is WCYSB's understanding that site staff members were present at the site during the hours that the member service. The member did not engage in individual activities with youth, but rather helped staff plan and facilitate group activities. At the site, the member would have been within the view of staff members.

For member #3:

a) **We do not know for certain whether a criminal record check was conducted on this member.**

None of the current site staff were employed by the site during the time that the member was in service. The site currently has a policy that requires background checks for all employees and volunteers. There is no documentation in the file, so the current site supervisor contacted the local police to see if a record was on file there. The police informed the site that it did not keep records that far back.

b) **The member subsequently passed a criminal background check.**

When the missing background check was brought to the attention of the current site supervisor, a background check was conducted. The background check did not show any issues of concern or any reason to disallow the member from serving in a youth-focused organization.

c) **Members generally did not perform any service without a staff member present.**

It is WCYSB's understanding that site staff members were present at the site during the hours that the member service. The member did not engage in individual activities with youth, but rather helped staff plan and facilitate group activities. At the site, the member would have been within the view of staff members.

I understand that the Central Vermont Council on Aging issue has been resolved and will not be included in the report. Therefore, a response is not included.

Based on the recommendation of the Auditors, the Commission will establish which subrecipients may need to pay additional attention to member records and implement other efforts and resources on where there may be perceived problems.

Finding No. 7

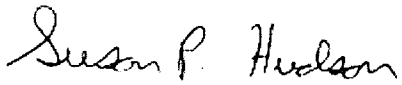
The Commission's subrecipient site monitoring program does not include internal control testing on the accuracy of financial and performance reporting.

Response

As stated in the Audit Report, we plan to have our Accountant provide assistance during future monitoring visits of subrecipients and this will begin during the next round of site visits.

Thank you for your attention to our responses and please let us know if you need additional information.

Sincerely,



Susan P. Hudson
Executive Director
Vermont Commission on National and Community Service

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

Date: September 27, 2004

Subject: Response to OIG Draft Audit Report 04-23, Audit of the Vermont Commission on National and Community Service

We have reviewed the draft audit of the Vermont Commission on National and Community Service. We agree with the auditors' recommendations and the Commission has indicated they are implementing the policies and procedures recommended in the report. Within the next four months, the Corporation will follow up with the Commission to confirm that corrective action is complete.

The draft audit questioned $11,232 of living allowance and related education award costs due to missing eligibility documentation related to educational attainment (high school diploma or equivalent). While a high school diploma or its equivalent is necessary for members to use the education award, members can serve and earn a living allowance without one. Therefore, if auditors questioned living allowance costs because the member's file did not contain proof of high school diploma or equivalent, the Corporation will allow the cost. In order to use the educational award, the member must be accepted into a degree program in an accredited institution of higher education. The award is paid directly to the institution of higher education. Because institutions of higher education confirm individual qualifications to attend the institution, the Corporation relies on the institution for validation of high school diploma or equivalent. Therefore, education award costs questioned for the lack of a high school diploma or its equivalent will also be allowed.

Due to the limited timeframe for response, we have not yet conducted a comprehensive review nor analyzed documentation from the Vermont Commission supporting the questioned costs. We will respond to all findings and recommendations when the audit is issued and we have reviewed the findings in detail.