Office of Inspector General
Corporation for National and Community Service

AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO THE OHIO COMMUNITY SERVICE COUNCIL

OIG REPORT NUMBER 05-13

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

Leon Snead & Company, P.C.
416 Hungerford Drive, Suite 400
Rockville, Maryland 20850

This report was issued to Corporation management on February 24, 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 August 24, 2005, and complete its corrective actions by February 24, 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 05-13

Audit of Corporation for National and Community Service Grants Awarded to the Ohio Community Service Council

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Leon Snead and Company, P.C. (Snead) to perform an incurred-cost audit of grants awarded to the Ohio Community Service Council (Council).

In accordance with our statutory responsibilities, we reviewed Snead's report and related audit documentation, interviewed their representatives, and performed other procedures as we deemed appropriate in the circumstances to provide reasonable assurance that the audit was performed in accordance with generally accepted government auditing standards. Our review was not intended to enable us to express, and we do not express, opinions on the Council's Consolidated Schedule of Award Costs, internal controls or conclusions on compliance with laws and regulations. Snead is responsible for the attached reports dated October 29, 2004, and the conclusions expressed therein. However, our review disclosed no instances where Snead did not comply, in all material respects, with generally accepted government auditing standards.

For the grants audited, the Council claimed costs of $22,058,184 of which the auditors questioned $178,931 of unallowable claimed costs and $25,796 of education awards. The auditors questioned approximately 1 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 two instances of noncompliance with provisions of Federal laws, regulations and grant award provisions, and three internal control findings.

The Council generally agreed with the audit report's conclusions. However, it disagreed with the auditors' questioning costs for lack of member criminal background checks and expressed the opinion that the issue should only be a compliance finding. These comments and the Council'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 Ohio Community Service Council and the Corporation with a draft of this report for their review and comment. Their responses are included as Appendices A and B, respectively.

TABLE OF CONTENTS

Results in Brief 1

Objectives of Audit 2

Scope of Audit 2

Background 4

Independent Auditor's Report 5

Consolidated Schedule of Award Costs 7

Schedule A - Claimed and Questioned Costs (00ASCOH036) 8

Schedule B - Claimed and Questioned Costs (03ACHOH001) 10

Schedule C - Claimed and Questioned Costs (00ASFOH036) 11

Schedule D - Claimed and Questioned Costs (03AFHOH002) 13

Schedule E - Claimed and Questioned Costs (01APSOH036) 14

Schedule F - Claimed and Questioned Costs (02SVHOH012) 15

Independent Auditor's Report on Compliance and Internal Controls 17

Compliance Findings 18

Internal Control Over Financial Reporting 20

Follow-Up on Prior Audit 24

Responses to Report

Ohio Community Service Council ..... Appendix A

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

LEON SNEAD
& COMPANY, P.C.

Certified Public Accountants
& Management Consultants

416 Hungerford Drive, Suite 400
Rockville, Maryland 20850
301-738-8190
fax: 301-738-8210
leonsnead.companypc@erols.com

Office of Inspector General
Corporation for National and Community Service
Washington, DC 20525

This report is issued under an engagement to audit the costs incurred by the Ohio Community Service Council (Council) and its subgrantees from January 1, 2002, through June 30, 2004, under grants awarded by the Corporation for National and Community Service (Corporation). The report addresses the costs questioned as a result of the audit; instances of noncompliance with Federal laws, regulations or award conditions; and weaknesses disclosed in the internal control systems of the Council and its subgrantees.

Results in Brief

As a result of our audit, we have questioned costs of $178,931 of unallowable claimed costs and $25,796 of education awards.The questioned claimed costs are approximately 1 percent of the total of $22,058,184 in costs claimed by the Council. Questioned costs are: (1) costs for which there is documentation that the recorded costs were expended in violation of Federal laws, regulations or specific conditions of the award, (2) costs that require additional documentation support by the grantee, or (3) costs that require interpretation of allowability by the Corporation. The claimed costs were questioned for the following reasons.

- Inadequate Support for Costs Claimed by Subgrantees ($115,488)
- Eligibility Requirements Not Supported by Documentation ($63,443)
- Education Awards Not Supported by Documentation ($25,796)

We used non-statistical sampling to test the costs claimed by the Council for compliance with its award agreements with the Corporation and other Federal requirements. Based on this sampling, questioned costs detailed in this report may not represent total costs that may have been questioned had all expenditures been tested. In addition, we made no attempt to project such questioned costs to total costs claimed.

Compliance

Our review of the Council's compliance with Federal laws, applicable regulations and award conditions disclosed the following instances of noncompliance.

- The Council did not close out four of five grants within the time frame specified by the AmeriCorps Provisions.
- Five of the AmeriCorps subgrantees reviewed did not maintain the required documentation to support their members' eligibility for participation or to meet other program requirements. The missing or incomplete documents included:

    - Proof of eligibility documentation (citizenship and age);
    - Criminal record checks;
    - Position descriptions;
    - Signed member contracts;
    - Mid-term/final evaluations;
    - Enrollment forms; and
    - Exit forms.

Internal Controls

Our audit disclosed three weaknesses in the internal control systems of the Council and its subgrantees:

- The Council did not have a formalized written accounting manual.
- One subgrantee did not maintain an adequate financial management system.
- One subgrantee did not maintain adequate separation of duties among its accounting personnel.

Objectives And Scope Of Audit

The principal objectives of our audit were to determine whether:

- Financial status reports (FSRs) prepared by the Council presented fairly the financial results of the awards;
- The Council's internal controls were adequate to safeguard Federal funds;
- The Council and its subgrantees had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions;
- Award costs reported to the Corporation by the Council were documented and allowable in accordance with the award terms and conditions; and
- The Council had established adequate oversight procedures and had 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 generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the costs claimed against the awards, as presented in the Consolidated Schedule of Award Costs, are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules. An audit also includes assessing the accounting principles used and significant estimates made by the Council's management, as well as evaluating the overall financial

schedule presentation. Our audit included reviews of audit reports prepared by independent public accountants for the Council and its subgrantees in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations.* We also followed up on the findings and recommendations that had been presented to the Council in a prior audit report dated January 17, 2003 (Audit Report No. 03-05).

With regard to GPRA, AmeriCorps grantees and subgrantees provide progress reports to the Corporation that are maintained in the Web-Based Reporting System (WBRS). The Corporation develops program reporting guidelines that derive from its Federal reporting requirements. The Council does not make continuation grants available to subgrantees that do not meet program objectives, unless extenuating circumstances prevented subgrantees from meeting those objectives. Evaluation reports from consultants or other sources are utilized to monitor and assess program accomplishments. In summary, the monitoring process appears to be operating as intended.

Grant Programs Audited

During the period of our audit, the Council received about $27 million under 12 grant awards. About $24.7 million of this amount was distributed by the Council to subgrantees and about $22.1 million was claimed on the Council's FSRs. The majority of the Council's subgrantees are nonprofit organizations. A brief synopsis of programs funded by the grants is as follows:

Program	Award No.	Funding Authorized	Claimed Costs	Drawdowns
AmeriCorps Competitive	00ASCOH033	$ 177,559	*	*
AmeriCorps Competitive	00ASCOH036	9,874,298	$9,163,698	$9,085,656
AmeriCorps Competitive	03ACHOH001	1,854,284	1,062,809	801,182
AmeriCorps Formula	00ASFOH036	9,628,952	8,239,027	8,266,673
AmeriCorps Formula	03AFHOH002	1,930,991	948,715	399,500
AmeriCorps Education Awards	00EDSOH010	294,500	171,894	171,894
AmeriCorps Promise Fellows	01APSOH036	159,600	115,770	115,770
Homeland Security Special Volunteer Program	02SVHOH012	750,622	422,582	465,987
Administrative	01SCSOH035	1,311,526	1,311,463	1,311,526
Administrative	04CAHOH001	470,717	253,651	249,055
Program Development and Training (PDAT)	02PDSOH035	524,878	361,059	310,144
Disability	01DSCOH012	64,676	7,516	6,615
Totals for Grants Administered by the Council**		$27,042,603	$22,058,184	$21,184,002

* Costs were claimed and drawn down under 00ASCOH036.

** The differences between the amounts claimed and the amounts drawn down are generally due to timing issues caused by subgrantees that do not request payment from the Council on a timely basis.

Background

The Corporation for National and Community Service, pursuant to the authority of the National and Community Service Trust Act, as amended, awards grants and cooperative agreements to State Commissions and other entities to assist in the creation of full- and part-time national and community service programs. The Ohio Community Service Council was established by Ohio Statute in 1994 to administer grants in Ohio under the National and Community Service Trust Act of 1993. The Council is composed of 13 members appointed by the Governor, and eight State agency/legislative representatives. The Council is located in Columbus, Ohio.

The contents of this report were disclosed to and discussed with the Council at an exit conference held on December 10, 2004. In addition, we provided a draft of this report to the Council and to the Corporation for comment on December 21, 2004 and we received responses from both the Council and the Corporation on January 20, 2005 and January 21, 2005, respectively. These responses are included in their entirety as appendices A and B, respectively.

LEON SNEAD
& COMPANY, P.C.

Certified Public Accountants
& Management Consultants

416 Hungerford Drive, Suite 400
Rockville, Maryland 20850
301-738-8190
fax: 301-738-8210
leonsnead.companypc@erols.com

Office of Inspector General
Corporation for National and Community Service
Washington, DC 20525

INDEPENDENT AUDITOR'S REPORT

We have audited the costs incurred by the Ohio Community Service Council (Council) for the award numbers listed below. These costs, as presented in the Consolidated Schedule of Award Costs, are the responsibility of the Council's management. Our responsibility is to express an opinion on the Consolidated Schedule of Award Costs based on our audit.

Program	Award No.	Award Period	Audit Period*
AmeriCorps Competitive	00ASCOH033	01/02/01-12/31/03	01/01/02-12/31/03
AmeriCorps Competitive	00ASCOH036	09/01/00-03/31/04	01/01/02-03/31/04
AmeriCorps Competitive	03ACHOH001	08/29/03-08/28/06	08/29/03-03/31/04
AmeriCorps Formula	00ASFOH036	09/01/00-06/30/04	01/01/02-09/30/03
AmeriCorps Formula	03AFHOH002	09/08/03-09/07/06	09/08/03-03/31/04
AmeriCorps Education Award	00EDSOH010	09/01/00-12/31/03	01/01/02-12/31/03
AmeriCorps Promise Fellows	01APSOH036	10/01/01-09/30/04	01/01/02-06/30/04
Homeland Security Special Volunteer Program	02SVHOH012	09/01/02-09/29/05	09/01/02-02/29/04
Administrative	01SCSOH035	01/01/01-12/31/03	01/01/02-12/31/03
Administrative	04CAHOH001	01/01/04-12/31/06	01/01/04-06/30/04
Program Development and Training (PDAT)	02PDSOH035	01/01/02-12/31/04	01/01/02-06/30/04
Disability	01DSCOH012	01/01/01-12/31/03	01/01/02-12/31/03

* The audit period ended for each award on the grant expiration date or the date the last financial status report was submitted for the grant, whichever was earlier.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and in accordance with generally accepted government auditing standards. 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 supporting Schedules A-F, are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Schedules were prepared to present the costs claimed by the Council and its subgrantees between January 1, 2002, and June 30, 2004, under 12 grants awarded by the Corporation, as described in the accompanying Summary of Significant Accounting Policies. The Schedules were prepared from data submitted by the Council to the Corporation on Financial Status Reports to comply with provisions of the grant agreements. The Schedules are not intended to be a complete presentation of Council finances in accordance with accounting principles generally accepted in the United States of America.

As more fully described in the Schedules, we have questioned costs of $178,931 of anallowable claimed costs and $25,769 of education awards. Questioned costs are: (1) costs for which there is documentation that the recorded costs were expended in violation of Federal laws, regulations or specific conditions of the award, (2) costs that require additional documentation support by the grantee, or (3) costs that require interpretation of allowability by the Corporation. The terms of the grant agreement require that all specified supporting documents be retained in order to receive payment from the Corporation.

In our opinion, except for the costs we have questioned above, the Consolidated Schedule of Award Costs presents fairly, in all material respects, the costs incurred and reported on the Council's Financial Status Reports for the period January 1, 2002, to June 30, 2004, in accordance with OMB, Circular A-87, *Cost Principles for State, Local and Indian Tribal Government*, other applicable OMB circulars and award terms and conditions.

In accordance with the generally accepted government auditing standards, we have also issued our report, dated October 29, 2004, on compliance with Federal laws, regulations, and significant provisions of grant agreements, and on internal control over financial reporting.

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

Leon Snead & Company, P.C.

Leon Snead and Company, P.C.
Rockville, Maryland
October 29, 2004

Corporation for National and Community Service
Ohio Community Service Council
Consolidated Schedule of Award Costs

Award No.	Program	Approved Budget	Claimed Costs	Questioned Unsupported Costs	Questioned Education Awards	Schedule
00ASCOH033	AmeriCorps Competitive	$ 177,559	Note			
00ASCOH036	AmeriCorps Competitive	9,874,298	$ 9,163,698	$ 7,199		A
03ACHOH001	AmeriCorps Competitive	1,854,284	1,062,809	8,415	$4,725	B
00ASFOH036	AmeriCorps Formula	9,628,952	8,239,027	103,476	2,171	C
03AFHOH002	AmeriCorps Formula	1,930,991	948,715	23,535		D
00EDSOH010	AmeriCorps Education Awards	294,500	171,894			
01APSOH036	AmeriCorps Promise Fellows	159,600	115,770	33,874	18,900	E
02SVHOH012	Homeland Security Special Volunteer Program	750,622	422,582	2,432		F
01SCSOH035	Administrative	1,311,526	1,311,463			
04CAHOH001	Administrative	470,717	253,651			
02PDSOH035	PDAT	524,878	361,059			
01DSCOH012	Disability	64,676	7,516			
Total		$27,042,603	$22,058,184	$178,931	$25,796	

Note: Costs were claimed under 00ASCOH036.

Schedule A

Ohio Community Service Council
Schedule of Claimed and Questioned Costs
Award No. 00ASCOH036 (AmeriCorps Competitive)
January 1, 2002, through March 31, 2004

Subgrantees	Budgeted Costs	Claimed Costs	Questioned Costs	Notes
Mercy Health Partners	$ 820,750	$ 717,804		
Department of Youth Services	734,306	581,389	$1,554	1
Coalition on Housing and Homelessness in Ohio	1,219,781	911,124	4,080	2
City Year - Cleveland	1,823,550	1,620,831		
City Year - Columbus	251,600	229,613		
Greater Columbus Arts Council	624,801	540,168		
West Side Ecumenical Council	1,074,141	943,354	1,565	3
Ohio University (AppalCorps)	371,804	343,478		
Ohio University (ComCorps)	343,248	269,352		
Total	$7,263,981	$6,141,113	$7,199	

NOTES:

1. AmeriCorps Provision B(6)(h) *Eligibility, Recruitment and Selection, Criminal Record Checks,* states that programs with members or employees who have substantial direct contact with children or who perform service in the homes of children or individuals considered vulnerable by the program, shall, to the extent permitted by State and local law, conduct criminal record checks on these members or employees as part of the screening process. This provision also states that documentation of criminal record checks must be maintained consistent with State law.

   One of 10 AmeriCorps member files reviewed did not contain evidence of a criminal records check. This member had substantial contact with children. Because there was no evidence of a criminal records check for this member, we are questioning the member's eligibility for the program and the $1,554 charged to the grant for the member's living allowance. The member resigned from the program on May 15, 2003, after serving only 47.5 hours. No education award was made to this member.

2. AmeriCorps Provision B(6)(h) *Eligibility, Recruitment and Selection, Criminal Record Checks,* states that programs with members or employees who have substantial direct contact with children or who perform service in the homes of children or individuals considered vulnerable by the program, shall, to the extent permitted by State and local law, conduct criminal record checks on these members or employees as part of the screening process. This provision also states that documentation of criminal record checks must be maintained consistent with State law.

   One of 10 AmeriCorps member files reviewed did not contain evidence of a criminal records check. This member had substantial contact with children. Because there was no evidence of a criminal records check for this member, we are questioning the member's eligibility for the program and the $4,080 charged to the grant for the member's living allowance.

3. AmeriCorps Provisions A(9)(b) *Definitions,* states that a member must be an individual "[w]ho is a U.S. citizen, U.S. national or lawful permanent resident alien of the United States" and B(6)(a) *Eligibility, Recruitment, and Selection,* states that a grantee may select as a member only those who are eligible to enroll in AmeriCorps.

   One member was ineligible because there was no documentation in the member's file to show proof of U.S. citizenship or lawful permanent resident alien status. As a result, we are questioning the member's living allowance of $1,565. The member was terminated from the program on May 20, 2002, after failing to provide proof of U.S. citizenship. No education award was made to this member.

Schedule B

Ohio Community Service Council
Schedule of Claimed and Questioned Costs
Award No. 03ACHOH001 (AmeriCorps Competitive)
September 29, 2003, through March 31, 2004

Subgrantees	Budgeted Costs	Claimed Costs	Questioned Costs	Notes
Public Allies	$ 346,324	$211,415		
Mercy Health Partners	243,075	109,407		
City Year—Cleveland	440,000	322,378		
West Side Ecumenical Ministry	439,390	224,906	$8,415	4
Total	$1,468,789	$868,106	$8,415	
Education Award			$4,725	4

NOTE:

4. AmeriCorps Provision B(6)(h) *Eligibility, Recruitment and Selection, Criminal Record Checks,* states that programs with members or employees who have substantial direct contact with children or who perform service in the homes of children or individuals considered vulnerable by the program, shall, to the extent permitted by State and local law, conduct criminal record checks on these members or employees as part of the screening process. This provision also states that documentation of criminal record checks must be maintained consistent with State law.

   One of 17 member files reviewed did not contain evidence of a criminal records check. This member had substantial contact with children. Because there was no evidence of a criminal records check for this member, we are questioning the member's eligibility for the program and the $8,415 charged to the grant for the member's living allowance. Also, we are questioning this member's education award of $4,725.

Schedule C

Ohio Community Service Council
Schedule of Claimed and Questioned Costs
Award No. 00ASFOH036 (AmeriCorps Formula)
January 1, 2002, through September 30, 2003

Subgrantees	Budgeted Costs	Claimed Costs	Questioned Costs	Notes
Public Allies	$ 645,120	$ 615,986	$ 1,625	5
Volunteer Action Center of Greater Lorain	716,836	494,709	101,851	6, 7 & 8
Urban Appalachian Council	489,457	450,329		
Total	$1,851,413	$1,561,024	$103,476	
Education Awards			$ 2,171	7 & 8

NOTES:

5. AmeriCorps Provision B(14)(b) *Member Records and Confidentiality, Verification,* requires that the grantee maintain verifiable records that document each member's eligibility to serve pursuant to the member eligibility requirements. In addition, the AmeriCorps Provision, A(9)(b) *Definitions, Member,* states that a member must be a U.S. citizen, U.S. national or lawful permanent resident alien of the United States.

   For one AmeriCorps member, the subgrantee was unable to provide documentation of eligibility. Subgrantee representatives stated that they had enrolled the member while awaiting a promised proof of U.S. citizenship. This member was terminated for cause when the member was unable to provide the required documentation. Since proof of citizenship is a basic requirement of the AmeriCorps program, we are questioning the living allowance of $1,625 that was charged to the grant for this member during the member's limited term of service.

6. According to AmeriCorps Provision C(21)(a) *Financial Management Provisions,* financial management systems must have a clear audit trail and must be capable of distinguishing expenditures attributable to each grant and in compliance with OMB Circular A-110 and its implementing regulations. The total reported expenditures agreed with the total expenditures in the subgrantee's accounting records. However, the amounts reported by the subgrantee on its Periodic Expense Reports in the Web-Based Reporting System (WBRS) for the AmeriCorps grant for other member support, staff, and operations, did not agree with amounts in the general ledger of the subgrantee's financial management system.

The reported costs for these line items were based on the Corporation approved budget, but no documentation was maintained to permit verification of these costs. As a result, we were unable to trace expenditures of $89,521 from the Periodic Expense Reports to the subgrantee's general ledger and to underlying supporting documentation. Therefore, we are questioning $89,521 of expenditures.

7. AmeriCorps Provisions B(14)(a) and B(14)(b) *Member Records and Confidentiality,* require that the grantee maintain verifiable records that document each member's eligibility to serve based upon citizenship or lawful permanent residency. For one AmeriCorps member serving a second term, the subgrantee was unable to provide the required eligibility documentation. This documentation was not available even though the information provided to the Corporation's WBRS indicated that it had been obtained. Because the required eligibility documentation was not available, we are questioning the member's living allowance of $2,915 and the education award of $1,250.

8. AmeriCorps Provision B(6)(h) *Eligibility, Recruitment and Selection, Criminal Record Checks,* states that programs with members or employees who have substantial direct contact with children or who perform service in the homes of children or individuals considered vulnerable by the program, shall, to the extent permitted by State and local law, conduct criminal record checks on these members or employees as part of the screening process. This provision also states that documentation of criminal record checks must be maintained consistent with State law.

   Four of 10 member files reviewed did not contain evidence of a criminal record check. These members had substantial contact with children. Because there was no evidence of criminal record checks for these members, we are questioning their eligibility for the AmeriCorps program and the $9,415 charged to the grant for their living allowances. Also, we are questioning an education award of $921 designated for one of the members. The other three members did not receive education awards.

Schedule D

Ohio Community Service Council
Schedule of Claimed and Questioned Costs
Award No. 03AFHOH002 (AmeriCorps Formula)
September 08, 2003, through March 31, 2004

Subgrantees	Budgeted Costs	Claimed Costs	Questioned Costs	Notes
City Year—Columbus	$ 154,800	$ 16,019		
Volunteer Action Center of Greater Lorain	48,217	24,491	$23,535	9
Ohio University (AppalCorps)	372,359	206,423		
Ohio University (ComCorps)	191,829	105,347		
Urban Appalachian Council	255,960	131,457		
Total	$1,023,165	$583,737	$23,535	

NOTE:

9. According to AmeriCorps Provision C(21)(a) *Financial Management Provisions,* financial management systems must have a clear audit trail and must be capable of distinguishing expenditures attributable to each grant and in compliance with OMB Circular A-110 and its implementing regulations. Although total reported expenditures agreed with the total expenditures in the subgrantee's accounting records, the amounts reported on its Periodic Expense Reports in WBRS for the AmeriCorps grant for other member support, staff and operations, did not agree with amounts in the general ledger of the subgrantee's financial management system. The reported costs for these line items were based on the Corporation approved budget, but no documentation was maintained to permit verification of these costs. As a result, we were unable to trace expenditures of $23,535 from the Periodic Expense Reports to the subgrantee's general ledger and to underlying supporting documentation. Therefore, we are questioning $23,535 of expenditures.

Schedule E

Ohio Community Service Council
Schedule of Claimed and Questioned Costs
Award No. 01APSOH036 (Promise Fellows)
January 1, 2002, through June 30, 2004

Subgrantee	Budgeted Costs	Claimed Costs	Questioned Costs	Notes
Volunteer Action Center of Greater Lorain	$37,786	$33,874	$33,874	10
Education Awards			$18,900	10

NOTES:

10. AmeriCorps Promise Fellows Provision B(6)(a) *Member Eligibility, Recruitment, and Selection, Eligibility to Enroll,* states that the grantee is responsible for obtaining and maintaining adequate documentation to demonstrate the eligibility of members. There were no member files available to document the eligibility of three promise fellows in Program Years 2002 and 2003. The program director stated that the member files disappeared before he was appointed to his current position. Because of the lack of documentation regarding eligibility of the promise fellows, we are questioning the entire cost of their participation that was charged to the grant for Program Years 2002 and 2003. Also, we are questioning four education awards of $4,725 each made to members who completed the Promise Fellow Program (one member served two terms and received two education awards). We are questioning the living allowances totaling $33,874 for these three members and the four education awards totaling to $18,900.

Schedule F

Ohio Community Service Council
Schedule of Claimed and Questioned Costs
Award No. 02SVHOH012 (Homeland Security)
September 1, 2002, through February 29, 2004

Subgrantee	Budgeted Costs	Claimed Costs	Questioned Costs	Notes
Volunteer Action Center of Greater Lorain	$24,863	$15,537	$2,432	11

NOTES:

11. According to AmeriCorps Provision C(21)(a) *Financial Management Provisions,* financial management systems must have a clear audit trail and must be capable of distinguishing expenditures attributable to each grant and in compliance with OMB Circular A-110 and its implementing regulations. Although total reported expenditures agreed with total expenditures in the subgrantee's accounting records, the amounts reported for the homeland security grant for some budget line items (such as equipment, supplies and other costs) could not be traced to the subgrantee's general ledger. According to the subgrantee's accountant, expenditures recorded in the accounting records were manually shifted between expense categories, based on budgeted amounts. However, documentation was not maintained to permit verification of these costs. As a result, we were unable to trace expenditures of $2,432 from the requests for payment to the general ledger and to the underlying supporting documentation. We are questioning the $2,432.

Corporation for National and Community Service
Ohio Community Service Council
Notes to Consolidated Schedule of Award Costs

Summary of Significant Accounting Policies

Reporting Entity

The accompanying Consolidated Schedule of Award Costs includes amounts budgeted, claimed, and questioned under AmeriCorps, Homeland Security Special Volunteer Program, Administrative, PDAT and Disability grants awarded to the Ohio Community Service Council (Council) by the Corporation for National and Community Service (Corporation) for the period January 1, 2002, through June 30, 2004.

The Council awards its AmeriCorps grant funds to numerous subgrantees that administer the AmeriCorps Program and report financial and programmatic results to the Council.

Basis of Accounting

The accompanying Schedule has been prepared to comply with the provisions of the grant agreements between the Corporation and the Council. The information presented in the Schedule has been prepared from financial reports submitted by the Council 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 Consolidated Schedule of Award Costs include the cost of equipment purchased during the period rather than a provision for depreciation. The equipment is owned by the Council and is 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, are subject to Federal regulations.

Inventory

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

LEON SNEAD
& COMPANY, P.C.

Certified Public Accountants
& Management Consultants

416 Hungerford Drive, Suite 400
Rockville, Maryland 20850
301-738-8190
fax: 301-738-8210
leonsnead.companypc@erols.com

Office of Inspector General
Corporation for National and Community Service
Washington, DC 20525

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

We have audited the Consolidated Schedule of Award Costs that summarize the claimed costs of the Council under the Corporation awards listed below, and have issued our report thereon, dated October 29, 2004.

Program	Award No.	Award Period	Audit Period*
AmeriCorps Competitive	00ASCOH033	01/02/01-12/31/03	01/01/02-12/31/03
AmeriCorps Competitive	00ASCOH036	09/01/00-03/31/04	01/01/02-03/31/04
AmeriCorps Competitive	03ACHOH001	08/29/03-08/28/06	08/29/03-03/31/04
AmeriCorps Formula	00ASFOH036	09/01/00-06/30/04	01/01/02-09/30/03
AmeriCorps Formula	03AFHOH002	09/08/03-09/07/06	09/08/03-03/31/04
AmeriCorps Education Award	00EDSOH010	09/01/00-12/31/03	01/01/02-12/31/03
AmeriCorps Promise Fellows	01APSOH036	10/01/01-09/30/04	01/01/02-06/30/04
Homeland Security Special Volunteer Program	02SVHOH012	09/01/02-09/29/05	09/01/02-02/29/04
Administrative	01SCSOH035	01/01/01-12/31/03	01/01/02-12/31/03
Administrative	04CAHOH001	01/01/04-12/31/06	01/01/04-06/30/04
Program Development and Training (PDAT)	02PDSOH035	01/01/02-12/31/04	01/01/02-06/30/04
Disability	01DSCOH012	01/01/01-12/31/03	01/01/02-12/31/03

* The audit period for each award ended on either the grant expiration date or the date the last financial status report was submitted for the grant, whichever came earlier.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards.

COMPLIANCE

Compliance with Federal laws, regulations, and the provisions of the awards is the responsibility of the Council's management. As a 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 the terms and conditions of the awards, noncompliance with which could have a direct and material effect on determination of the financial schedule amounts. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The results of our tests of compliance disclosed the following instances of noncompliance that are required to be reported under generally accepted government auditing standards.

Finding No. 1 - Grants Were Not Closed In A Timely Manner

The Council did not submit, in a timely manner, final financial reports for four of five grants due for closeout during our audit period. These grants were:

	Date Due	Date Submitted
00ASCOH036 AmeriCorps Competitive	6/31/04	9/7/04
00ASFOH036 AmeriCorps Formula	9/30/04	not submitted as of 10/19/04
01SCSOH035 Administrative	3/31/04	8/31/04
00EDSOH010 AmeriCorps Education Award	3/31/04	not submitted as 10/19/04

Financial accountability controls at the Corporation level are weakened when final financial reports are not submitted in a timely manner. To ensure that grant funds are being spent for the intended purposes, and in accordance with grant conditions, timely accounting is necessary. When accounting controls are weakened, it becomes easier to circumvent established processes.

AmeriCorps Provision B(16)(a)(iv) *Reporting Requirements,* states that a grantee completing the final year of its grant must submit, in lieu of the last semi-annual Financial Status Report (FSR), a final FSR that is cumulative over the entire project. It must be submitted within 90 days after the end of the grant. For the education grant, AmeriCorps Education Award Program Provision B(16)(c) *Reporting Requirements,* states that a grantee completing the final year of its grant must submit, in addition to the Progress Report due November 30th, a Final Project Report that is cumulative, covering the entire project period. The Final Project Report is due within 90 days after the end of the grant period.

The delay in submitting the final FSR for the AmeriCorps Competitive and Formula grants was caused by subgrantee members who took additional time to complete their terms of service. This additional service time extended beyond the completion date of the grant. The final FSR for the administrative grant was delayed due to negotiations with the Corporation regarding allocation of certain costs between the PDAT and administrative grants. The Final Project Report for the education grant was not submitted due to oversight.

Recommendation

We recommend that the Council request written time extensions to their grants when formal closeout cannot be completed within the required time periods.

Council's Response

The Council concurred and agreed to request formal extensions in all cases where closeout cannot be accomplished within 90 days of the original or extended grant term.

Auditor's Comments

We consider the response to be adequate.

Finding No. 2 - Subgrantee Files Were Not In Compliance With Program Requirements

Member files at five of the 12 subgrantees visited were incomplete or missing. At one subgrantee, there were no member files available to document the eligibility of three promise fellows in Program Years 2002 and 2003. Eighteen of the 165 member files reviewed at the 12 subgrantees did not contain all of the required documentation; nine of those files lacked documentation to verify that the member was eligible to participate in the program. Documentation that was missing, incomplete, or not filed in a timely manner included proof of citizenship, enrollment forms, member agreements, position descriptions, evidence of criminal record checks for members who had contact with children, evaluations, and exit forms. As a result, the Council could not always verify that member eligibility requirements were being met. In order to ensure that grant funds are used for the purpose intended, it is important to verify that only qualified members have been allowed to serve.

AmeriCorps Provision B14(b) *Member Records and Confidentiality*, requires that the subgrantee maintain verifiable records that document each member's eligibility to serve pursuant to the member eligibility requirement. AmeriCorps Provision B16(b)(iii) *Reporting Requirements,* states that exit and /end-of-term- service forms must be submitted no later than 30 days after a member exits the program or finishes his or her term of service. Hard copies of these forms must be maintained after they have been entered into WBRS.

These conditions occurred because: 1) program managers had large workloads, 2) members failed to provide information they promised during the enrollment process, and 3) one member resigned before the criminal records check had been requested.

Recommendation

We recommend that the Council continue to train and monitor its subgrantees on obtaining complete documentation of member eligibility before enrollment and on maintaining all required documentation in individual member's files.

Council's Response

The Council stated that its ongoing training and technical assistance to subgrantees will continue to emphasize the importance of compliance in the area of member eligibility and file documentation, and its monitoring efforts will be used to identify and correct chronic issues of noncompliance. However, the Council took exception with the issue of relating member eligibility and criminal record checks. It maintains that there is no link between the procedural requirement for record criminal checks and the definition of member eligibility in Special Provision A(14). Therefore, it believes missing criminal record checks should be cited as a compliance finding only, with no associated questioned cost.

Auditor's Comments

Since the Council does not dispute the basic facts supporting the finding and recommendation, they remain unchanged.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of award costs as presented in the Consolidated Schedule of Award Costs for the period January 1, 2002, through June 30, 2004, we considered the Council's internal control 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 control. Accordingly, we do not express such an opinion.

The Council's management is responsible for establishing and maintaining internal control. 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 control is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition. Internal control also provides assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial schedules in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations in any internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal control 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 control would not necessarily disclose all matters of internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Under standards established by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control. In our judgment, the significant deficiencies could adversely affect the Council's ability to record, process, summarize and report financial data consistent with the assertions made by management in the financial schedules. We noted the following matters that we considered to be reportable conditions.

Finding No. 3 - A Written Accounting Manual Is Needed

The Council does not have a formalized written accounting manual. In addition, only one employee has full knowledge and understanding of the operation of the Council's financial management system. If that employee left the agency, the Council could find it difficult to effectively operate its financial management system. This could adversely affect the Council's ability to record, process, summarize and report financial data relating to Corporation grants.

The financial management system was developed and is operated by one Council employee. Management indicated that the employee had not had sufficient time to develop and operate the system and complete a formalized written accounting manual.

Recommendation

We recommend that the Council develop a written accounting manual for employees that fully describes its accounting procedures.

Council's Response

The Council agreed that only one individual has full knowledge of the financial management system and that a written manual is needed to document the steps for recording, processing, and reporting financial data. It has established a goal to ensure that a written accounting manual is in place by the end of the 2005 Program Year.

Auditor's Comments

We consider the response to be adequate.

Finding No. 4 - Subgrantee's Financial Management System Did Not Have Sufficient Audit Trails

One of the subgrantees selected for review did not have a financial management system that was adequate to trace the expenditures to the underlying supporting documentation.

The Volunteer Action Center of Greater Lorain's accounting system did not, except for member support costs, maintain cost accounts that parallel those of the AmeriCorps grant programs. Although total reported expenditures agreed with total expenditures in the subgrantee's accounting records, the amounts reported for some budget line items (such as other member support, staff and operations) did not agree with amounts in the general ledger of the subgrantee's financial management system. According to the subgrantee's accountant, expenditures recorded in the accounting records were manually shifted between Periodic Expense Report categories, based on budgeted amounts when preparing the Periodic Expense Report. However, documentation was not maintained to verify the source of costs reported by budget line item. As a result, the subgrantee's financial management system does not provide an audit trail to trace expenditures from Periodic

Expense Reports to the subgrantee's accounting system and to the underlying supporting documentation.

According to AmeriCorps Provision C(21)(a) *Financial Management Provisions,* financial management systems must have a clear audit trail and must be capable of distinguishing expenditures attributable to each grant and in compliance with OMB Circular A-110 and its implementing regulations.

The Council identified problems with the subgrantee's financial management system during a desk review in November 2002. However, there was no evidence to show that a follow-up site visit was made to assure that action was taken to correct the problem.

While the Council does have a financial monitoring review program, these reviews are primarily desk reviews performed in response to questionnaires. This method of reviewing the adequacy of financial management systems is probably adequate to identify potential problems for the more sophisticated subgrantees. However, on-site reviews may be needed to address known problem situations and less sophisticated subgrantees.

Recommendation

We recommend that the Council implement a process for adjusting its monitoring schedule to perform more timely on-site reviews of subgrantees that have identified weaknesses in their accounting systems.

Council's Response

The Council acknowledged that the subgrantee's financial management system was inadequate, in that the subgrantee should have had a documented procedure to translate costs recorded in its financial management system. The Council maintained that, since the total amounts reported on the subgrantee's Financial Status Reports agreed with the totals in its financial management system, the claimed amounts should be allowed.

Auditor's Comments

The Council's response does not address the basic issue that more follow-up, on-site reviews of subgrantees are needed to assure action is taken to correct identified weaknesses in subgrantees' accounting systems. In this case, we were provided no documentation to show that a follow-up visit had been made to assure that action had been taken to address the system weakness identified during a desk review by the Council in November 2002.

The Council agrees that the subgrantee's financial management system was inadequate, but maintained that the claimed amounts should be allowed. Since the subgrantee was unable to provide documentation to support the amounts claimed on its Financial Status Reports, the finding and recommendation remain unchanged.

Finding No. 5 - Subgrantee Had Inadequate Separation Of Financial Duties

One of the twelve subgrantees reviewed did not maintain an adequate separation of financial duties.

At the Public Allies program operation office in Ohio, one person made purchases, approved invoices and signed checks. At its national office in Wisconsin, which handles most of the financial activities, one person reconciled the bank account, handled cash receipts and prepared and signed checks. Because of the lack of separation of duties, the potential for misappropriation of grant funds is increased.

Key duties such as authorizing, approving, and recording transactions and making payments should be assigned to separate individuals to minimize the risk of loss to the Federal government. According to OMB Circular A-110, C(21)(b)(3) *Financial and Program Management*, financial management systems must have effective control and accountability over all grant funds and assets.

Recommendation

We recommend that the Council work with the subgrantee to ensure that adequate separation of financial duties exists at both the program and financial operation levels.

Council's Response

The Council agreed that the subgrantee lacked proper separation of financial duties for a portion of the period under review, but believed that the subgrantee had taken steps to address the problem. The Council stated that future financial reviews will provide assurance that the implemented changes are working properly.

Auditor's Comments

The subgrantee had not taken steps to provide for proper separation of financial duties at the time of our review; therefore, the finding and recommendation remain unchanged.

Ohio Community Service Council
Follow-Up on Prior Audit Report Findings
OIG Audit Report No. 03-05, Incurred Cost of Grants Awarded

Cotton & Company, LLP, conducted a prior audit of the Council and issued a report to the Corporation on September 30, 2003. Although final management decisions have not been made on the recommendations included in that report, various actions have been taken by the Council to address the findings and improve its grant management system.

Here is a summary of the current status of the prior audit findings:

Finding No. 1 and Recommendation. The prior audit reported that the Council's Financial Management System was inadequate and recommended that the Council use the Ohio State Department of Aging's records as the official accounting records and prepare supplemental records as needed to track budget information.

Proposed Management Decision: The Corporation and Council agree that the Council's financial records need to reconcile to the Ohio Department of Aging's records. However, the Central Accounting System used by the Department of Aging cannot be utilized as the official record because it does not provide the detail necessary to track grant budgets by calendar year. The system also does not allow for grant budgeting and budget categories that parallel those used by the Corporation. The Council has implemented Phase II of its Financial Management System that reconciles to the Central Accounting System. The two systems are linked electronically. The Corporation reviewed a copy of the policy instructions for maintenance of data in the Council's Financial Management System and confirmed that the key elements of an electronic accounting system are contained in the policy.

Current Status: Our evaluation indicated that the Council has implemented a new Financial Management System since the prior audit. The system can track and report the receipt and disbursement of grant funds, and the internal control procedures are adequate.

Finding No. 2 and Recommendation. The prior audit reported that the Council had inadequate segregation of financial management duties and recommended that the Council separate the duties of authorizing, approving, and recording transactions. The audit also recommended that the director of internal operations be prohibited from signing, under any circumstances, the executive director's name on documents.

Proposed Management Decision: In April 2003, the Council restructured job duties within the office to segregate duties that were previously performed solely by the director of internal operations. Voucher initiation is now delegated to the program assistant and the executive secretary. Approval of subgrantee transactions is now assigned to the grants officer. The director of internal operations continues to approve transactions initiated by the executive secretary.

Current Status: Our evaluation of the financial duties of the Council's staff found that they were being performed in accordance with the response to the prior audit findings, and the compensating controls made by the Council have improved its internal control system.

Finding No. 3 and Recommendation. The prior audit reported that the Council's procedures for distributing salaries and wages were inadequate and recommended that the Council revise its procedures to comply with requirements in OMB Circular A-87.

Proposed Management Decision: The Corporation and the Council agreed with the recommendation. In March 2003, the Council revised its system for distributing salaries and wages and entered all staff time for the period January 2001 through March 2003. The Council continues to use this system for salaries and wages.

Current Status: We reviewed the process and concluded that it is in compliance with OMB Circular A-87.

Finding No. 4 and Recommendation. The prior audit reported that the Council and certain subgrantees claimed unallowable and unsupported costs and recommended that the Corporation follow up with the Council to determine if those amounts should be disallowed and recovered.

Proposed Management Decision: The Corporation's follow-up is inherent in the audit resolution process and documented in this management decision.

Current Status: The resolution of questioned costs has not been completed and, therefore, we did not follow up on the resolution of questioned costs at individual subgrantees.

Finding No. 5 and Recommendation. The prior audit recommended that the Council implement procedures to ensure the timely submission of all Financial Status Reports and grant closeout documents by subgrantees.

Proposed Management Decision: The Council agreed with this recommendation and implemented policies/practices to curb late reporting by subgrantees. Corrective actions included (i) distributing past due notices, (ii) withholding payments to subgrantees pending submission of overdue reports, and (iii) considering subgrantee reporting records in the process of renewing grant funding.

Current Status: The work we performed at selected subgrantees found that they were submitting Financial Status Reports and grant closeout documents in a timely manner. However, the Council itself still does not always timely submit final financial reports to the Corporation to close out its grants.

Finding No. 6 and Recommendation. The prior audit reported that certain subgrantees did not comply with program requirements and recommended that the Council strengthen its program monitoring procedures to ensure the requirements of 45CFR 2541.400(a) were met.

Proposed Management Decision: The Corporation agreed that monitoring by the Council needed to be strengthened to ensure that subgrantees were taking corrective action on noncompliance issues

and that the Council was following up to ensure that the issues were resolved. The Council agreed to review its monitoring policy and procedures, especially its feedback mechanisms to alert subgrantees of areas of noncompliance and a system for followup to make sure the problems were resolved.

Current Status: The Council has made improvements in its monitoring and follow-up process. While we still found some instances of noncompliance with program requirements by subgrantees, we believe that the Council's recent emphasis on subgrantee monitoring will further improve program operations.

Finding No. 7 and Recommendation. The prior audit reported that certain subgrantees did not comply with record-retention policies. The report recommended that the Council take steps to ensure that all subgrantees are informed of, and comply with, the Corporation's record-retention requirements by incorporating record-retention requirements in its subgrantee agreements and by providing training and education to all subgrantees.

Proposed Management Decision: The Corporation agreed and the Council included the record-retention requirement in its grant provisions and now highlights this grant provision at its annual subgrantee orientation. Also, the Council's monitoring policies require staff to review subgrantees' record-retention policies during site visits. The requirement is also reiterated in instructions provided to subgrantees for closeout of annual budgets.

Current Status: Our review found that the Council had emphasized the record-retention guidelines by informing its subgrantees of such requirements (i) at yearly orientation meetings, (ii) in supplementary provisions to each grant document, and (iii) in program year completion notices to each subgrantee. However, during our review of subgrantees, we noted that one subgrantee was unable to provide records for three of its former program members.

Finding No. 8 and Recommendation. The prior audit reported that the Council did not adequately monitor subgrantees. It recommended that the Council review its financial monitoring procedures and revise them as necessary to ensure that all significant grant financial requirements are communicated to subgrantees, that subgrantees comply with these requirements on a consistent basis, and that follow up procedures are in place to ensure that deficiencies identified by the Council are resolved in a timely manner.

Proposed Management Decision: The Corporation agreed that a strong monitoring system would preclude the same deficiencies from existing for several consecutive years. The Corporation agreed to review the Council's monitoring policy procedures during an upcoming visit and to provide training and technical assistance, as necessary.

Current Status: Our review of the Council's financial monitoring procedures found them to be adequate to identify problems. However, additional efforts may be needed to resolve problems when found. When significant problems are identified, further on-site monitoring may be required to assure that subgrantees are correcting these problems.

Finding No. 9 and Recommendation. The prior audit reported that the Council inadequately documented its approval and disapproval of subgrantee grant funding. The auditors further recommended that the Council develop and implement policies and procedures for the approval and disapproval of grant funding.

Proposed Management Decision: The Corporation has reviewed the procedures followed by the Council to select officials to review grant applications. The Corporation also recommended that the Council add a requirement that rating sheets used in all grant application reviews be retained until the next funding recommendation period.

Current Status: Our review found that the Council's process was adequate for selecting and documenting its approval of subgrantees.

Finding No. 10 and Recommendation. The prior audit reported that certain subgrantees were providing partial education awards to members without adequate justification. It recommended that the Council provide training to its subgrantees to ensure they understand the requirements for partial education awards.

Proposed Management Decision: The Corporation agreed that program directors are responsible for understanding the standards for awarding partial education awards, based on compelling personal circumstances, and that the Council needs to ensure that program directors follow these standards.

Current Status: The Council provides yearly training to subgrantees on the AmeriCorps provisions relating to partial education awards. In addition, the Council has included in its supplementary provisions a requirement that subgrantees obtain Council approval before providing any partial education awards to members.

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

Leon Snead & Company P.C

Leon Snead and Company, P.C.
Rockville, Maryland
October 29, 2004

Appendix A

Response of the Ohio Community Service Council

OHIO
COMMUNITY SERVICE
COUNCIL

51 N. High Street
Suite 800
Columbus, Ohio 43215
Phone: 614/728-2916
Fax: 614/728-2921
www.serveohio.org

January 20, 2005

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

Dear Ms. Bates:

Attached is the formal response of the Ohio Community Service Council to Audit Report Number 05-13, prepared by Leon Snead & Company, P.C.

The Ohio Community Service Council is committed to continuous improvement. Staff and Council members will seriously consider the recommendations of the audit firm and make appropriate changes where needed. I feel confident that all audit issues will be successfully resolved during the audit resolution process with CNCS staff.

Thank you for the assistance provided by the Office of the Inspector General throughout the audit process.

Sincerely,

Katherine A. Burcsu
Executive Director

OHIO citizen corps

AMERICORPS A OHIO

LEARN AND SERVE L OHIO

Strengthening Ohio's Communities through Service and Volunteerism

Ohio Community Service Council

Response to Audit Report No. 05-13

Audit conducted by Leon Snead & Company, PC
On behalf of the Inspector General of the Corporation for National and Community Service

Finding No. 1 - Grant Closeouts Were Not Submitted Timely

The audit correctly cites delinquent closeouts on four awards. We point out, however, that in all but one such case we had been in active communication with the grants office regarding the status of the reports. Formal extensions had, in fact, been requested on two of the awards, but we had not requested written amendments to the extension periods when it became apparent that additional time would be required for members to complete terms of service.

Nevertheless, we concur with and will implement the audit recommendation to request formal extensions in all cases where closeout cannot be accomplished within 90 days of the original or extended grant term.

Finding No. 2 - Subgrantee Files Were Not In Compliance With Program Requirements

Only 18 of the 165 member files reviewed were determined to be missing documentation, and 11 of the noncompliant files were at one subgrantee. This demonstrates that the Council's training and monitoring practices relative to member eligibility and file documentation are generally effective. Ongoing training and technical assistance to subgrantees will continue to emphasize the importance of compliance in this area and monitoring efforts will be used to identify and correct chronic issues of noncompliance.

Weaknesses cited by the auditors fell into three categories:

(a) No member files (8 instances cited, 1 subgrantee). This clearly is a serious problem. Prior to the audit our monitoring efforts had identified numerous issues with this subgrantee (Volunteer Action Center). In PY 2003-2004, the Council transitioned this program from an operational status to a planning status to work with them more closely on issues of program development, member service opportunities, performance measurement and general compliance. Despite these efforts, the Council concluded (prior to the audit) that significant progress was not made by the subgrantee, prompting a decision to eliminate funding at the end of the 2004 program year.

(b) Missing citizenship documentation (4 instances cited, 3 subgrantees). While properly cited by the audit, we see no indication of a significant or chronic problem represented by these cases.

(c) Missing background checks (6 instances cited, 4 subgrantees). The Council takes exception with the findings related to member eligibility and criminal background checks. AmeriCorps Special Provision #B.6.h states:

> Programs with members or employees who have substantial direct contact with children (as defined by state law) or who perform service in the homes of children or individuals considered vulnerable by the program, shall, to the extent permitted by state and local law, conduct criminal record checks on these members or employees as part of the screening process.

However, there is no link between this procedural requirement and the definition of member eligibility in Special Provision A.14, nor has such a link been established in other guidance from the Corporation or historical practice. For this reason, missing background checks should be cited as a finding only, with no associated questioned costs and no implications for member education awards.

Furthermore, we formally request that the Corporation revise its grant provisions and issue appropriate guidance if there has been a change in policy regarding background checks. The Council recently commissioned a working group (a program officer and several program directors) to examine the most efficient and cost effective ways for our AmeriCorps programs to conduct background checks; it is crucial that they know the intent of the Corporation on this issue prior to releasing their report.

To address these findings regarding missing member documentation the Council will work with its subgrantees during the resolution phase to locate missing documents and provide them to the Corporation for review. Further, we will revise our training and monitoring efforts to forestall the practice, noted by the auditors, of subgrantees allowing members to commence service while eligibility documentation remains pending. Finally, we note here for the record that the Volunteer Action Center of Greater Lorain County has ceased operations, which may impact our ability to obtain missing documentation and/or collect disallowed costs. We have previously advised the Corporation of this development and our efforts to ensure the maintenance of subgrantee member and fiscal files.

Finding No. 3 – Council Lacks A Written Accounting Manual For Its Financial Management System

The audit found no issues with the structure, operation, or reliability of the Council's Financial Management System, which ties together data from Council budgets, the State of Ohio accounting system, and in-kind sources. However auditors correctly noted that only one employee has full knowledge and understanding of the system, leaving the Council vulnerable in the event that he should leave the agency or suffer an extended illness. The Council concurs in the assessment that a written manual is needed to document the steps for recording, processing, and reporting financial data. This was documented as a written goal for 2004. Unfortunately resolution of the prior audit and participation in this audit forced us to postpone the goal to the 2005 program year. The Council's Administration Committee will monitor progress on this goal to ensure that a written accounting manual is in place by the end of the year.

Finding No. 4 – Subgrantee's Financial System Did Not Have Sufficient Audit Trails

The audit noted a weakness in the financial system used by Volunteer Action Center of Greater Lorain County (VAC), in that amounts reported by budget category on quarterly periodic expense reports did not reconcile to objects of expenditure in the subgrantee's financial system. This problem had been recognized by the Council as a result of a 2003 financial monitoring review. VAC had disputed the finding stating a recent A-133 audit found no problems with their handling of federal funds and the total expenditures reported agreed with the total expenditures in their accounting records. Therefore, as a follow up to the initial assessment, and prior to placing the organization on probation and suspending payments, VAC was allowed to provide additional documentation to show compliance. At the time of the audit, the documentation was under review by OCSC staff.

We agree with the auditor's assessment that the financial system used by Volunteer Action Center is inadequate, in that the subgrantee should have a documented procedure or "bridge" to translate costs recorded in its financial system into the budgetary lines used by the Corporation. However, we disagree with the auditors' decision to question all costs reported by VAC. The grant budget is a management tool, not a compliance tool, as indicated in the fact that AmeriCorps Special Provision B.15.c gives subgrantees significant discretion to reallocate funds among individual budget lines. It is the financial status report (FSR) that is the definitive fiscal reporting tool, and the FSR requires only that costs be segregated as to member costs vs. other costs and federal costs vs. match costs. According to the audit report, the amounts reflected on FSR's did reconcile to the VAC financial system and should therefore be allowed.

Finding No. 5 – Subgrantee had Inadequate Separation of Financial Duties

The audit correctly noted that for a portion of the period under review, Public Allies' financial system lacked proper separation of financial duties. This had also been noted in the Council's financial monitoring review of the organization and was due to changes in progress regarding local vs. national management of fiscal duties. The organization took steps to address this problem by implementing Council recommendations in 2003. Future financial reviews will provide assurance that the changes implemented are working properly and that adequate segregation of financial duties continues to exist at the local and national levels.

Appendix B

Response of the Corporation for National and Community Service

Corporation for
NATIONAL & COMMUNITY SERVICE

To: Carol Bates, Acting Inspector General

From: Margaret Rosenberry, Director of Grants Management

Cc: Andrew Kleine, Acting Chief Financial Officer
Rosie Mauk, Director of AmeriCorps
Tory Willson, Audit Resolution Coordinator

Date: January 21, 2005

Subject: Response to OIG Draft Audit Report 05-13, Incurred-Cost Audit of Grants Awarded to the Ohio Community Service Council

We have reviewed the draft Incurred-Cost Audit of Grants awarded to the Ohio Community Service Council. Due to the limited timeframe for response, we have not thoroughly reviewed the report nor have we discussed it with the grantee. We will respond to all findings and recommendations when the audit is issued and we have reviewed the findings in detail.