Office of Inspector General
Corporation for National and Community Service

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

OIG REPORT NUMBER 06-27

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

KEARNEY and COMPANY
4501 Ford Avenue, Suite 1400
Alexandria, Virginia 22302

This report was issued to Corporation management on March 30, 2006. 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 October 2, 2006, and complete its corrective actions by March 30, 2007. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Corporation for NATIONAL & COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

Audit of Corporation for National and Community Service
Grants Awarded to the
Virginia Governor's Commission for National and Community Service
Audit Report 06-27

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Kearney and Company (Kearney) to perform an incurred-cost audit of grants awarded to the Virginia Governor's Commission on National and Community Service (Commission).

Total Federal costs claimed by the Commission during the audit period totaled $3,788,137. No questioned costs were identified by the auditors. However, the auditors noted three instances of noncompliance with Federal regulations and grant provisions, none of which is considered a material weakness.

In its response to the draft audit report, the Commission agreed with the findings and cited corrective actions that were implemented prior to this report being issued.

The OIG reviewed Kearney's report and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the Commission's financial statements, conclusions about the effectiveness of internal control or conclusions on compliance with laws and regulations. Kearney is responsible for the attached auditor's report dated December 2, 2005, and the conclusions expressed in the report. However, our review disclosed no instances where Kearney did not comply, in all material respects, with generally accepted government auditing standards.

The OIG provided officials of the Commission and the Corporation with a draft of this report for review and comment. Their responses are included as Appendices A and B, respectively.

This report is a matter of public record and its distribution is not limited.

Audit of the Corporation for National and Community Service
Grants Awarded to the
Virginia Governor's Commission for National and Community Service
Richmond, Virginia

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SUMMARY AND HIGHLIGHTS

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Executive Summary

This report is issued by Kearney and Company under an engagement with the Office of Inspector General (OIG) to audit the costs claimed by the Virginia Governor's Commission for National and Community Service (Commission) and its subgrantees from April 1, 2003, through March 31, 2005, under the grants awarded by the Corporation for National and Community Service (Corporation). We conducted our audit fieldwork from October 3 through December 2, 2005, in accordance with generally accepted government auditing standards, and included such tests of internal controls as were considered necessary under the circumstances. This report summarizes the results of the audit and identifies instances of noncompliance with laws, regulations, and grant terms. In addition, the report disclosed weaknesses in internal controls intended to ensure that grant funds were used for the purposes and in the amounts intended by the grants.

Background

Under the authority of the National and Community Service Trust Act, the Corporation 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 is an advisory board of 25 members appointed by the Governor. Commission members advise the Governor on matters related to the promotion and development of various types of citizen service and volunteerism in Virginia, the application of Federal funds for national service, and fostering a sense of civic duty. The Commission performs various administrative functions as defined by statute and Corporation regulations; provides support to the national service programs – AmeriCorps, Senior Corps, and Learn & Serve; and ensures an infrastructure for service and sustaining national and community service in Virginia.

As of March 31, 2005, the Commission had received funding from the Corporation for various programs within the scope of this engagement in the amount of $10,186,193, of which we identified no questioned costs. The majority of this amount was subgranted to numerous entities to carry out local community service programs. A brief synopsis of the programs follows:

The Commission Grant Awards and Claimed Costs

Award	Program	Funding Authorized	Federal Claimed Costs April 1, 2003, through March 31, 2005
03ACHVA001	AmeriCorps Competitive	$ 2,016,689	$ 869,094
03AFHVA001	AmeriCorps Formula	6,299,172	2,310,905
Total AmeriCorps		8,315,861	3,179,999
01SCSVA045	Administrative	731,109	163,903
04CAHVA001	Administrative	344,848	344,848
Total Administrative		1,075,957	508,751
04PTHVA001	Program Dev. and Training	185,898	25,987
95PDSVA045	Program Dev. and Training	508,467	68,092
Total PDAT		694,365	94,079
05CDHVA001	Disability	32,260	2,283
02DSCVA046	Disability	67,750	3,025
Total Disability		100,010	5,308
Total Grants Administered by the Commission		$10,186,193	$ 3,788,137

Grant Programs Audited

Our audit of the Commission covered financial transactions, compliance with Federal laws, applicable regulations and award conditions, and internal controls of the Corporation-funded awards appearing below.

Program	Award Number	Award Period	Audit Period
AmeriCorps	03ACHVA001	8/25/03 to 8/24/06	8/25/03 to 3/31/05
AmeriCorps	03AFHVA001	9/25/03 to 9/24/06	9/25/03 to 3/31/05
Administrative	01SCSVA045	1/1/03 to 12/31/03	4/01/03 to 12/31/03
Administrative	04CAHVA001	1/1/04 to 12/31/06	1/01/04 to 3/31/05
Disability	05CDHVA001	1/1/05 to 12/31/07	1/01/05 to 3/31/05
Disability	02DSCVA046	1/1/02 to 12/31/04	4/01/03 to 12/31/04
PDAT	04PTHVA001	1/1/04 to 12/31/06	4/01/04 to 3/31/05
PDAT	95PDSVA045	1/1/95 to 12/31/03	4/01/03 to 12/31/03

The Commission's subgrantees selected for site visits were as follows:

Subgrantee	Total Federal Claimed Costs	Percentage of Total Federal Costs Claimed
Virginia Community Corps (VCC)	$ 662,799	17.50
Action for Community Enhancement Services (ACES)	550,993	14.55
Virginia Commonwealth University (VCU)	448,781	11.85
Mountain Empire Community College (MECC)	395,043	10.43
Total Subgrantees	$ 2,057,616	54.33

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

	Amount	Percentage of Budget/Claimed
Award Budget	$10,186,193	-
Claimed Costs	3,788,137	37
Questioned Grant Costs	0	0
Questioned Education Awards	0	-

Summary of Results

Our audit report expresses an unqualified opinion on the Consolidated Schedule of Awards and Claimed Costs. We identified no questioned costs.

We have issued a report titled, "Independent Auditor's Report on Compliance and Internal Controls over Financial Reporting," which is applicable to the audit of the Consolidated Schedule of Award and Claimed Costs. In that report, we identified findings required to be reported under *Government Auditing Standards*.

Compliance and Internal Control

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

1. The Commission did not have adequate monitoring or other procedures in place to ensure that subgrantees provided Workers' Compensation coverage or Occupational Accidental Death and Dismemberment coverage to AmeriCorps members to cover in-service injuries or accidents.

2. The Commission did not have adequate monitoring procedures in place to ensure timely submission of reports by subgrantees to the Web-Based Reporting System (WBRS).

3. The Commission did not have adequate monitoring or other procedures in place to ensure that subgrantees conducted and documented member orientation training for every AmeriCorps member.

Purpose and Scope of Audit

Our audit covered the costs claimed under Corporation Grant Numbers 03ACHVA001 and 03AFHVA001 (AmeriCorps Competitive and Formula), 01SCSVA045 and 04CAHVA001 (Administrative), 05CDHVA001 and 02DSCVA046 (Disability), and 04PTHVA001 and 95PDSVA045 (PDAT) for the period April 1, 2003, to March 31, 2005.

The objectives of our audit were to determine whether:

- Award costs reported to the Corporation were adequately documented and allowable in accordance with the award terms and conditions
- Financial management systems used by the Commission presented accurate financial results of the sponsored programs
- Internal controls for financial and project systems complied with Corporation and Office of Management and Budget (OMB) requirements for administering grant funds
- The Commission and its subgrantees had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions, and that member services were appropriate to the programs
- The Commission had established adequate oversight and had informed subgrantees of 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. These standards require that we plan and perform the audit to obtain reasonable assurance regarding whether amounts claimed against the awards, as presented in the Consolidated Schedule of Awards and Claimed Costs, are free of material misstatement. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Schedule of Awards and Claimed Costs. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. Our audit included reviews of audit reports and working papers prepared by the independent public accountants for the Commission and its subgrantees in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

The contents of this report were disclosed to, and discussed with, the Commission at an exit conference on January 5, 2006. In addition, we provided a draft of this report to the Commission and the Corporation for comment. The Commission and Corporation responses are included as Appendices A and B, respectively, in this report.

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Independent Auditor's Report

We have audited the accompanying Consolidated Schedule of Awards and Claimed Costs of the Virginia Governor's Commission for National and Community Service (Commission) for the award numbers listed below under the terms of the respective grant agreements between the Corporation for National and Community Service (Corporation) and the Commission. The costs, as presented in this schedule, are the responsibility of the Commission's management. Our responsibility is to express an opinion on this schedule based on our audit.

Program	Award Number	Award Period	Audit Period
AmeriCorps	03ACHVA001	8/25/03 to 8/24/06	8/25/03 to 3/31/05
AmeriCorps	03AFHVA001	9/25/03 to 9/24/06	9/25/03 to 3/31/05
Administrative	01SCSVA045	1/1/03 to 12/31/03	4/01/03 to 12/31/03
Administrative	04CAHVA001	1/1/04 to 12/31/06	1/01/04 to 3/31/05
Disability	05CDHVA001	1/1/05 to 12/31/07	1/01/05 to 3/31/05
Disability	02DSCVA046	1/1/02 to 12/31/04	4/01/03 to 12/31/04
PDAT	04PTHVA001	1/1/04 to 12/31/06	4/01/04 to 3/31/05
PDAT	95PDSVA045	1/1/95 to 12/31/03	4/01/03 to 12/31/03

We conducted our 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 financial schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the Consolidated Schedule of Awards and Claimed Costs presents fairly, in all material respects, the costs claimed for the period April 1, 2003, through March 31, 2005, in conformity with the terms of the Commission's grant agreements with the Corporation.

In accordance with the *Government Auditing Standards*, we have also issued our report, dated December 2, 2005, on compliance and internal controls over financial reporting.

KEARNEY&
COMPANY

This report is intended for the information and use of the Office of Inspector General, management of the Corporation, the Commission and its subgrantees, and the United States Congress.

December 2, 2005
Alexandria, Virginia

Virginia Governor's Commission for National and Community Service
Consolidated Schedule of Awards and Claimed Costs
For the Period April 1, 2003, through March 31, 2005

Corporation for National and Community Service Awards

Award	Program	Funding Authorized	Federal Claimed Costs April 1, 2003, through March 31, 2005
03ACHVA001	AmeriCorps Competitive	$ 2,016,689	$ 869,094
03AFHVA001	AmeriCorps Formula	6,299,172	2,310,905
Total AmeriCorps		8,315,861	3,179,999
01SCSVA045	Administrative	731,109	163,903
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05CDHVA001	Disability	32,260	2,283
02DSCVA046	Disability	67,750	3,025
Total Disability		100,010	5,308
Total Grants Administered by the Commission		$10,186,193	$ 3,788,137

Notes to Consolidated Schedule of Awards and Claimed Costs

1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying Consolidated Schedule of Awards and Claimed Costs includes amounts budgeted and claimed under AmeriCorps Competitive, AmeriCorps Formula, Administrative, Disability, and Program Development and Training grants awarded to the Virginia Governor's Commission for National and Community Service (Commission) by the Corporation for National and Community Service (Corporation) for the period from April 1, 2003, through March 31, 2005.

The Commission awards its AmeriCorps Competitive and AmeriCorps Formula Grants to numerous subgrantees that operate the AmeriCorps programs and report financial and

programmatic results to the Commission and the Corporation.

Basis of Accounting

The accompanying Consolidated Schedule of Awards and Claimed Costs was prepared in accordance with the provisions of grant agreements issued by the Corporation.

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

We have audited the Consolidated Schedule of Awards and Claimed Costs of the Virginia Governor's Commission for National and Community Service (the Commission) and have issued our report thereon, dated December 2, 2005, covering the awards listed below:

Program	Award Number	Award Period	Audit Period
AmeriCorps	03ACHVA001	8/25/03 to 8/24/06	8/25/03 to 3/31/05
AmeriCorps	03AFHVA001	9/25/03 to 9/24/06	9/25/03 to 3/31/05
Administrative	01SCSVA045	1/1/03 to 12/31/03	4/01/03 to 12/31/03
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Disability	05CDHVA001	1/1/05 to 12/31/07	1/01/05 to 3/31/05
Disability	02DSCVA046	1/1/02 to 12/31/04	4/01/03 to 12/31/04
PDAT	04PTHVA001	1/1/04 to 12/31/06	4/01/04 to 3/31/05
PDAT	95PDSVA045	1/1/95 to 12/31/03	4/01/03 to 12/31/03

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

In planning and performing our audit of award costs as presented in the Consolidated Schedule of Awards and Claimed Costs for the period April 1, 2003, to March 31, 2005, we considered the Commission's internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedule, and not to provide assurance on the internal controls over financial reporting. Consequently, we do not provide an opinion on internal controls.

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 the 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 paragraphs present reportable conditions identified during our audit.

Compliance and Internal Control Findings

Finding Number 1 – Occupational Accidental Death and Dismemberment Coverage not Provided for Members

Condition

Action for Community Enhancement Services (ACES), a program of the City of Richmond, Virginia's Human Services Commission, did not make Workers' Compensation contributions or provide Occupational Accidental Death and Dismemberment coverage for its AmeriCorps members to cover in-service injuries or accidents for Program Year 2003-2004. However, beginning with Program Year 2004-2005, the Commission provided coverage for all Virginia AmeriCorps members. Not providing Workers' Compensation or Occupational Accidental Death and Dismemberment coverage is a violation of AmeriCorps Provisions, and could unnecessarily expose the Corporation, the Commission and the City of Richmond to financial loss in the event of a service related accident.

AmeriCorps Provisions [Final - June 2002], B. AmeriCorps Special Provisions, 11. Living Allowances, Other In-Service Benefits and Taxes, d. Taxes and Insurance, v. Worker's Compensation states, in part:

> The Grantee is responsible for determining whether state law requires the provision of worker's compensation for members. If a program is not required by state law to provide worker's compensation, the Program must obtain Occupational Accidental Death and Dismemberment insurance coverage for members to cover in-service injury or incidents.

Title 65.2 of the Code of Virginia, § 65.2-500 paragraph E. states, in part:

> AmeriCorps members as defined in subdivision r of § 65.2-101 shall not be eligible to receive weekly compensation for total incapacity, whether permanent or temporary, regardless of whether the injury results in death.

Recommendation

1. We recommend that the Corporation ensure that the Commission continues to provide accident coverage to AmeriCorps members through Workers' Compensation or Occupational Accidental Death and Dismemberment insurance, and further ensure that

all subgrantees are aware of and compliant with all applicable laws, regulations, policies and procedures of the Commonwealth of Virginia and AmeriCorps Provisions regarding accident coverage.

Commission's Response

In July 2004, the Virginia General Assembly passed legislation specifically providing worker's compensation coverage for AmeriCorps members. Since that time the Commission has provided worker's compensation coverage in accordance with the statute.

Auditor's Comment

The procedures described in the Commission's response should be sufficient to prevent the recurrence of this finding in future audits.

Finding Number 2 – Untimely Submission of Financial Status Reports

Condition

We found that the Virginia Community Corps' final Financial Status Report (FSR) was submitted 236 days beyond the required 90 days after the grant close-out. We also identified two other subgrantees' FSRs which were not entered into WBRS by the due dates established by the Commission. Mountain Empire Community College (MECC) submitted its first quarter 2004 FSR 17 days late. ACES submitted its first quarter 2004 FSR 13 days late.

The Commission did not perform adequate monitoring of its subgrantees to ensure that they submitted reports timely. The late submissions were due to employee turnover at the subgrantee sites. Submitting financial information late could result in the Corporation making management decisions based on inaccurate and unreliable data.

AmeriCorps Provisions [Final-June 2002], B. AmeriCorps Special Provisions, 16. Reporting Requirements, a. Financial Status and Progress Reports, iv. Final Financial Status Reports, states, in part:

> A Grantee completing the final year of its grant must submit, in lieu of the last semi-annual FSR, a final FSR that is cumulative over the entire project period. This FSR is due within 90 days after the end of the grant.

AmeriCorps Provisions [Final-July 2003], B. AmeriCorps Special Provisions, 16. Reporting Requirements, a. Financial Status and Progress Reports, i. Financial Status Reports, states in part:

> The Grantee shall submit semi-annual cumulative financial status reports summarizing expenditures during the reporting period using the government Financial Status Report (FSR) form (Standard Form 269A).

Financial Status Report deadlines are:

Due Date	**Reporting Period Covered**
April 30	Start of the grant through March 31
October 30	April 1 – September 30

A Grantee properly utilizing WBRS meets financial reporting requirements when the Grantee uses that system to submit reports within the approved timeframes. A Grantee must set its own submission deadlines for its respective Sub-Grantees.

Recommendation

2. We recommend that the Corporation direct the Commission to ensure that its procedures are effective for monitoring subgrantees' FSR and Periodic Expense Report compliance.

Commission's Response

The Commission has instituted clearly definable timeframes for subgrantees' reports, which are monitored for compliance.

Auditor's Comment

The procedures described in the Commission's response, subject to implementation and validation, should be sufficient to prevent the recurrence of this finding in future audits.

Finding Number 3 – Member Orientation Participation not Documented

Condition

Two subgrantees, Virginia Commonwealth University (VCU) and MECC, could not locate documentation that one member each (of five members tested per site) participated in the required orientation for Program Year 2003-2004. The VCU documentation was destroyed in routine purging of files due to insufficient storage space. The MECC documentation could not be located by the current MECC program director, who did not hold the position at the start of the 2003-2004 Program Year when the orientation would have been conducted. Members who do not receive the required orientation training may be uninformed about program procedures, service activities and member conduct.

AmeriCorps Provisions [Final—July 2003], B. AmeriCorps Special Provisions, 7. Training, Supervision and Support, c. Training, states, in part:

> The Grantee must conduct an orientation for members and comply with any pre-service orientation or training required by the Corporation. This orientation should be designed to enhance member security and sensitivity to the community.

AmeriCorps Provisions [Final—July 2003], C. General Provisions, 27. Retention of Records, states, in part:

> The Grantee must retain and make available all financial records, supporting documentation, statistical records, evaluation and program performance data, member information and personnel records for 3 years from the date of the submission of the final Financial Status Report (SF 269A).

Recommendation

3. We recommend that the Corporation direct the Commission to work with subgrantees to ensure that an orientation is conducted for all members, and that supporting documentation (orientation agenda, member sign-in sheets) is retained for at least three years after submitting the final FSR.

Commission's Response

The Commission will ensure that all subgrantees conduct orientations for all members and retain documented support. The Commission will review members' files regularly for compliance.

Auditor's Comment

The procedures described in the Commission's response, subject to implementation and validation, should be sufficient to prevent the recurrence of this finding in future audits.

December 2, 2005
Alexandria, Virginia

Appendix A

Virginia Governor's Commission for National and Community Service's Response to Report

To: Ronald Huritz, Audit Manager

From: John Moody Senior Program Officer

Cc: Doug Gerry, Solomon Abah, Jack Frazier, Charles Nicholson, Yvonne Vaughn

Date: Friday, March 10, 2006 5:26 PM [via electronic mail]

Sub: Request for Comments - Draft Audit Report - VA Commission

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Ron,

Noted herein is the Virginia Commission's response to the OIG Draft Audit Report, as requested.

Finding Number 1 – Commission's Response

The Virginia General Assembly passed legislation effective July 1 2004 (incorporated in Section 65.2 – 101. subdivision r. of the Code of Virginia) which specifically provides worker's compensation coverage for AmeriCorps members. Accordingly, AmeriCorps members are deemed to be employees of the Commonwealth for purposes of the Workers' Compensation Act. The Act states that AmeriCorps members **shall** be eligible for reimbursement for medical costs from covered injuries, but **shall not** be eligible to receive weekly compensation.

The Virginia Commission ensures that each member is covered in accordance with the statute by submitting the names of all enrolled members to the Office of Workers' Compensation as required.

Finding Number 2 – Commission's Response

The Virginia Commission has instituted clearly definable timeframes for subgrantees' FSRs and Periodic Expense Reports. Subgrantees are monitored in accordance with the applicable timeframes to ensure compliance.

Finding Number 3 – Commission's Response

The Virginia Commission will ensure that all subgrantees provide the required orientation for all members, and that supporting documentation is retained for at least three years after submitting the final FSR. All members' files will be strictly reviewed and monitored during site visits and via desk audit/review, if warranted, to ensure compliance.

Please let me know if you have any questions.

Thanks,

John

_____

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Appendix B

Corporation for National and Community Service's Response to Report

Corporation for
NATIONAL &
COMMUNITY
SERVICE

To: Carol Bates, Acting Inspector General

From: Margaret Rosenberry, Director of Grants Management

Cc: Elizabeth Seale, Acting Director AmeriCorps
Tory Willson, Audit Resolution Coordinator

Date: March 10, 2006

Sub: Response to OIG Draft Audit Report, Audit of Corporation for National and Community Service grants awarded to the Virginia Governor's Commission on National and Community Service

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Thank you for the opportunity to review the draft report on the audit of Corporation grants awarded to the Virginia Governor's Commission on National and Community Service (Commission). We were pleased that the audit report expressed an unqualified opinion and there were no questioned costs.

The report noted that one of the programs was not following requirements related to Workers' Compensation or Occupational Accidental Death and Dismemberment insurance in one year, but that the Commission now provides coverage for all Virginia AmeriCorps members. The Corporation agrees this coverage is a requirement and will ensure coverage continues and that the commission ensures its subgrantees understand and follow requirements.

The report recommended that the Corporation direct the Commission to ensure that its procedures are effective for monitoring subgrantee' FSR and Periodic Expense Report compliance. The Corporation agrees and will follow-up with the Commission to strengthen its FSR procedures. The Corporation also monitors receipt of the grantee FSR through eGrants and sends overdue notices through the system to the grantee.