OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Incurred Cost Audit of Grants Awarded to the Oregon Community Service Commission Portland, Oregon

OIG Audit Report Number 01-04
June 26, 2001

Financial Schedules
and
Independent Auditor's Report
For the Period
January 1, 1994 to August 31, 2000

Prepared by:

KPMG LLP
2001 M Street, N.W.
Washington, D.C. 20036

Under DOL Contract No. J-9-G-8-0022
CNS OIG MOU No. 98-046-5003
Task Order No. B9G0V201

This report was issued to Corporation management on September 27, 2001. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than March 26, 2002, and complete its corrective actions by September 27, 2002. 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 01-04

CORPORATION
FOR NATIONAL
SERVICE

Incurred Cost Audit of Grants Awarded to the Oregon Community Service Commission

Introduction

The Corporation for National and Community Service, pursuant to the authority of the National and Community Service Act, awards grants and cooperative agreements to state commissions, nonprofit entities, tribes and territories to assist in the creation of full and part time national and community service programs. Currently, in accordance with the requirements of the Act, the Corporation awards approximately two thirds of its AmeriCorps State/National funds to state commissions. The state commissions in turn fund, and are responsible for the oversight of subgrantees who execute the programs. Through these subgrantees, AmeriCorps Members perform service to meet educational, human, environmental, and public safety needs.

The Oregon Community Service Commission has received funding from the Corporation since 1994. During fiscal year 1999, CNS OIG received reports of serious financial management problems at the Commission. We provided that information to Corporation management, and they responded to the information with visits by Corporation staff and by sending technical assistance providers to the Commission. Having received information from the site visits and the reports by the technical assistance providers, CNS OIG decided that we should follow-up to determine whether the Federal funds provided to the Commission had been appropriately spent and accounted for. We engaged KPMG to perform the audit of the Oregon Community Service in two stages -- a pre-audit survey and a full scope incurred cost audit. The accompanying report from KPMG provides the results of the incurred cost audit.

The pre-audit survey revealed serious deficiencies in the Commission's fiscal administration and monitoring functions for which corrective actions had only recently begun, and that not all of the corrective actions were being effectively implemented. KPMG also reported that it had found no evidence that the Corporation took any action to hold the Commission fiscally accountable until June 1999, when, as a result of problems identified during site reviews conducted in March and April 1999, it placed the Commission on a pre-approval basis for drawing down grant funds.

Despite these conditions, KPMG's survey work indicated that it might be possible to audit the Commission's records. The firm designated the Commission's financial management and subgrantee oversight as high risk areas and recommended a full-scope audit of CNS funding for all program years through FY 2000. The survey report included 19 recommendations (included in this report as Exhibit D) for corrective action directed to the Commission and the Corporation and was issued as CNS OIG Audit Report 01-03 in October 2000.

KPMG began the full-scope incurred cost audit immediately thereafter. Their audit revealed that the Commission's grants and program management operations and its financial management and reporting were, in fact, material weaknesses resulting in missing subgrantee financial information, incomplete records and other information at the subgrantee level on AmeriCorps Member eligibility

Inspector General
1201 New York Avenue, NW
Washington, DC 20525

and service, and erroneous financial reporting by the Commission and certain of its subgrantees. In their report, KPMG concluded that:

- Adequate procedures for monitoring financial activity and related compliance with laws and regulations are not in place. Procedures for ensuring that verifiable records are maintained to support reported results in accordance with program requirements were not effective during the period under audit (from January 1, 1994 through August 31, 2000).
- An effective system for ensuring quality control of accounting and financial reporting activities during the period under review was not in place. Additionally, a comprehensive process for assessing the system of internal control for safeguarding assets, producing reliable financial reports, and complying with laws and regulations was not in place.
- The Commission has not established a system to assure that subgrantee performance information submitted to the Corporation is valid and reasonable.

The audit also revealed more than $3 million in questioned costs. Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of Federal laws, regulations or the specific conditions of the award, costs which require additional support by the grantee, or which require interpretation of allowability by the Corporation.

The significance of the questioned costs, the lack of controls over financial reporting and subgrantee monitoring, and the nature of the specific findings that are identified in the report precluded KPMG from providing an auditor's opinion (assurance) on the more than $12 million in costs reported and claimed by the Commission from January 1994 through August 2000.

CNS OIG has reviewed the report and the work papers supporting the auditors' conclusions. We agree with the findings and recommendations presented.

The Oregon Community Service Commission's and the Corporation's responses, which express certain disagreements with this report are included in their entirety as Appendices A and B, respectively. The Commission's response also maintains that it has developed policies and procedures to address many of the deficiencies reported. Both the pre-audit survey report and the audit report acknowledge that the Commission has been developing policies and procedures. However, because they were not in place during the audit period, KPMG was unable to test them. CNS OIG and KPMG considered the responses and made certain changes to the report as described in Appendices C and D in which KPMG discusses the Commission's and the Corporation's comments.

In addition to the recommendations contained in KPMG's report, we recommend that the Corporation increase its oversight and monitoring of the Commission. As part of the oversight, we recommend that the Corporation provide the guidance and technical assistance necessary to ensure that Commission staff have a clear understanding of the accounting, funds control, financial management and reporting, as well as monitoring requirements that are mandated by Federal regulations and the Corporation's grant provisions. We also recommend that, as part of its monitoring, the Corporation evaluate the Commission's new procedures and controls with testing at both the Commission and at the subgrantee level to determine whether they are effective.

Office of the Inspector General
Corporation for National and Community Service
Incurred Cost Audit of Grants Awarded to the
Oregon Community Service Commission
Portland, Oregon

Table of Contents

	Page
INDEPENDENT AUDITORS' REPORT	1
Summary	1
Report on the Schedules of Award Costs	2
Report on Internal Control Over Financial Reporting	3
Material Weaknesses	
Grants and Program Management	4
Financial Management and Reporting	5
Other Reportable Condition	
Program Performance Reporting	6
Report on Compliance	6
AmeriCorps Grant	
Compliance Findings Resulting in Questioned Costs	6
Other Compliance Findings	15
Administrative and Program Development and Training (PDAT) Grants	
Compliance Findings Resulting in Questioned Costs	22
Other Compliance Findings	22
Responsibilities	
Management's Responsibility	23
Auditors' Responsibility	23
Distribution	24

EXHIBITS

FINANCIAL SCHEDULES:

Exhibit A – Schedule of Award Costs:
AmeriCorps 25

Exhibit A-1 – Schedule of Award Costs:
Portland Area Council of Camp Fire 26

Exhibit A-2 – Schedule of Award Costs:
Friends of the Children 27

Exhibit A-3 – Schedule of Award Costs:
Northwest Youth Corps 28

Exhibit A-4 – Schedule of Award Costs:
Legal Aid Services of Oregon 29

Exhibit A-5 – Schedule of Award Costs:
Enterprise Foundation 30

Exhibit A-6 – Schedule of Award Costs:
Oregon Coalition Against Domestic and Sexual Violence 31

Exhibit B – Schedule of Award Costs:
Administration 32

Exhibit C – Schedule of Award Costs:
Program Development and Training 33

Notes to Schedules of Award Costs 34

Exhibit D – Pre-Audit Survey Findings and Recommendations 38

APPENDICES

Responses to Report

Oregon Community Service Commission ..... Appendix A
Corporation for National and Community Service ..... Appendix B

KPMG's Comments on Responses to Report by the

Oregon Community Service Commission ..... Appendix C
Corporation for National and Community Service ..... Appendix D

2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report

Inspector General
Corporation for National and Community Service:

At your request, KPMG LLP (KPMG) performed an incurred cost audit of the costs claimed by the Oregon Community Service Commission and its subgrantees from January 1, 1994 through August 31, 2000. The objectives of the incurred cost audit were to determine whether: (1) financial reports prepared by OCSC presented fairly the financial condition of the award; (2) the internal controls were adequate to safeguard Federal funds; (3) OCSC and its subgrantees had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, award conditions and that Member services were appropriate to the programs; (4) the award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions; and (5) OCSC has established adequate oversight and informed subgrantees of the Corporation's GPRA goals.

SUMMARY

Our report expresses a disclaimer of opinion on the Commission's Schedules of Award Costs (Exhibits A through C) due to the lack of controls over financial reporting and compliance, as well as, the nature of the findings identified, and the significance of the questioned costs identified in relation to total costs incurred.

Our consideration of internal control over financial reporting, identified the following conditions that we consider to be material weaknesses:

- **Grants and Program Management** – Adequate procedures for monitoring the financial activity and related compliance with laws and regulations of the Commission's subgrantees are not in place. Procedures for ensuring that verifiable records are maintained to support reported results in accordance with program requirements were not effective.

- **Financial Management and Reporting** – An effective system for ensuring quality control of accounting and financial reporting activities at the Commission for the period under review was not in place. Additionally, a comprehensive process for assessing the system of internal control for safeguarding assets, producing reliable financial reports, and complying with laws and regulations was not in place.

KPMG LLP KPMG LLP a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

Additionally, we noted the following matter that we consider to be a reportable condition:

- **Program Performance Reporting –** The Commission has not established a system to review performance measurement data compiled and submitted to the Corporation for validity and overall reasonableness.

Our tests of compliance with laws and regulations disclosed instances of noncompliance resulting in total questioned claimed costs of $1,908,153 and match of $1,300,702 as well as $615,500 related to Education Awards that may have been awarded to ineligible Members.

The following sections comprise our report on the Schedules of Award Costs, our consideration of the Commission's internal control over financial reporting, our tests of the Commission's compliance with certain provisions of applicable laws, regulations, and the provisions of the Corporation's grant awards, and the Commission's and our responsibilities.

REPORT ON THE SCHEDULES OF AWARD COSTS

We were engaged to audit the accompanying Schedules of Award Costs (Exhibits A through C) for the Oregon Community Service Commission, a grantee of the Corporation for National and Community Service, for the awards and award periods listed below:

Program	Award Number	Award Period	Audit Period
AmeriCorps	94ASCOR038	8/1/94 – 12/31/00	1/1/94 – 8/31/00
Administration	94SCSOR037	1/20/94 – 12/31/98	1/1/94 – 8/31/00
PDAT*	95PDSOR037	1/1/95 – 12/31/98	1/1/94 – 8/31/00

* Program Development and Training

As discussed in our report on internal control over financial reporting and our report on compliance, the Commission did not have an adequate system in place, during the period under audit, to monitor the financial and programmatic activities of its subgrantees. Additionally, certain of the Commission's subgrantees did not maintain adequate accounting records and/or AmeriCorps Program files, and adequate evidential matter in support of recorded transactions was not available in all cases. As a result, we identified instances of noncompliance and questioned costs which are material to the Schedules of Award Costs.

Further, there were several changes in employees and key management personnel during the period under audit, and certain former subgrantees no longer participate in or administer the AmeriCorps Program. These circumstances have created a lack of

continuity in the financial management and programmatic compliance systems, for both the Commission and its subgrantees. Present management has been unable to furnish us with knowledgeable representation of facts and circumstances regarding certain transactions arising during the period under audit. It was impracticable to extend our procedures sufficiently to determine the extent to which the Schedules of Award Costs may have been affected by the foregoing conditions.

Because of the matters discussed in the two preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the accompanying Schedules of Awards Costs for the period January 1, 1994 to August 31, 2000.

The Schedules of Award Costs by subgrantee (Exhibits A-1 through A-6) are presented for additional analysis of the Consolidated Schedule of Award Costs (Exhibit A) rather than to present the costs incurred by the individual subgrantees. Because of the matters discussed in the second and third preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on this information.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted certain matters, described below, involving internal controls over financial reporting that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. We believe the reportable conditions identified as items 1 and 2 described below are material weaknesses. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the Schedules of Award Costs of OCSC for the period January 1, 1994 to August 31, 2000.

Our consideration of internal controls would not necessarily disclose all matters in 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. 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 Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Schedules.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that 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 objective of our audit was not to provide assurance on the Commission's internal controls over financial reporting. Consequently, we do not provide an opinion on internal control over financial reporting.

The following paragraphs present the reportable conditions identified during our incurred cost audit of the Schedules of Award Costs. Reportable conditions identified during the pre-audit survey of the OCSC were included in OIG Audit Report Number 01-03[1] and are presented as Appendix D. Due to the short period of time between the completion of the pre-audit survey and the commencement of the incurred cost audit, the Commission has not had sufficient time to take all necessary corrective actions on the matters discussed in the pre-audit survey. We recommend the Corporation follow up with the Commission to ensure adequate corrective action is taken on those recommendations and on the matters discussed below.

Material Weaknesses

1. Grants and Program Management

The Corporation, pursuant to the authority of the National and Community Service Act of 1990, as amended, awards grants and cooperative agreements to State Commissions, nonprofit entities and tribes and territories to assist in the creation of full and part time national and community service programs. Through these grantees, AmeriCorps Members perform service to meet educational, human, environmental, and public safety needs throughout the nation. In return for this service, eligible Members may receive a living allowance and post service educational benefits. State Commissions provide AmeriCorps funding to approved applicants for service programs within their states and are responsible for monitoring these subgrantees' compliance with grant requirements. These Commissions are also responsible for providing training and technical assistance to AmeriCorps State and National Direct programs and to the broader network of service programs in the state. These Commissions are prohibited from directly operating national service programs.

The Commission is responsible for evaluating whether its subgrantees comply with legal, reporting, financial management and grant requirements and ensuring follow through on issues of noncompliance. Prior to February 1998, no documentation exists to support any site visits the Commission may have made to subgrantee locations. Between February and December 1998, the Commission was understaffed and experienced a significant amount of personnel turnover. During that time, no on-site monitoring visits occurred. Prior to 1999, there is no evidence that a review of and follow up on subgrantees' audit reports were conducted to identify control weaknesses or instances of material noncompliance. Additionally, the Commission did not have a comprehensive program to monitor the programmatic activity of all grantees to ensure adequate attention was given to compliance issues and that documentation was retained as evidence of compliance. Subgrantees were not monitored as required. As a result, we identified control weaknesses and instances of noncompliance resulting in significant questioned costs.

---

[1] OIG Report 01-03; *Pre-Audit Survey of the Oregon Community Service Commission* was issued October 16, 2000. For additional information, including the responses by OCSC and CNS, please request copies of this report from CNS OIG.

We recommend that the Commission take the following actions to improve its grants and program management processes.

- Review and implement the recently developed policies and procedures to monitor the programmatic and financial activity of all subgrantees. Ensure adequate attention is given to compliance issues which may not be addressed even if a Single Audit in accordance with OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, has been performed for any specific subgrantee, and that monitoring activities include site visits performed on a periodic basis, the frequency of which should depend on the level of risk assessed by the Commission.

- Continue developing its OMB Circular A-133 audit report tracking database to provide reasonable assurance that the Commission receives and reviews the audit reports from all subgrantees subject to such audits, and appropriate follow up on deficiencies noted in these reports is made in a timely manner.

2. Financial Management and Reporting

The Commission is required to select organizations for award, administer Corporation grant funds and monitor subgrantees for financial activities and compliance with laws, regulations and provisions of grant awards. The Corporation's regulations describe standards for financial management systems that must be maintained by State Commissions.

However, our audit procedures revealed that the Commission had inadequate procedures for maintaining internal controls that provide for accurate, current, and complete disclosure of the financial and programmatic results. Financial management reporting issues identified during our audit included the following:

- There were no procedures in place to ensure financial information submitted by subgrantees to the Commission was accurate and complete. Further, financial management processes were not in place at the Commission to ensure proper accounting for and reporting of Corporation funds on the consolidated Financial Status Reports (FSRs) submitted by the Commission to the Corporation.

- Financial Status Reports (FSRs) were not submitted as required or reporting timeframes were not met.

- Prior to March 1998, Financial Status Reports (FSRs) were not reviewed to ensure that errors on FSRs were identified and subsequently corrected.

We recommend that OCSC continue to develop a comprehensive set of policies and procedures for all grants by the Corporation to ensure that day-to-day procedures are documented to guide personnel in required tasks. Policies and procedures should address

all aspects of the Commission's financial activities. Specifically, the accounting, reporting and monitoring of funds received and disbursed by the Commission. Procedures should also encompass requirements for review and monitoring of the financial activities of subgrantees. These procedures, once developed, should be immediately implemented.

Other Reportable Condition

3. Program Performance Reporting

The Corporation uses the Government Performance and Results Act of 1993 (GPRA), Public Law 103-62, as the legislative framework to set strategic goals, measure performance, and report the extent to which goals were met. To measure program performance, the Corporation requests its grantees to provide end outcome information for programs such as AmeriCorps. However, the Commission does not test or otherwise review the end outcome information for validity or reasonableness prior to submission to the Corporation. Additionally, it provides no oversight or guidance to its subgrantees regarding the performance reporting information submitted to the Corporation.

We recommend that the Commission provide guidance to subgrantees and monitor the validity and reasonableness of performance reporting information that is provided to the Corporation.

REPORT ON COMPLIANCE

The results of our tests of compliance disclosed the following instances of noncompliance and related questioned costs as reflected in Exhibits A through C, for which the ultimate resolution cannot presently be determined. Accordingly, no adjustment has been made to the amounts included on the Schedules of Award Costs for any potential disallowance by the Corporation. Questioned costs identified were developed using either actual costs (in those instances that actual costs were provided by the Commission and its subgrantees) or estimated costs (in those instances that actual costs were not readily available).

AmeriCorps Grant

A. Compliance Findings Resulting in Questioned Costs

The specific amounts questioned related to the findings discussed below are included in total Member support costs questioned on Exhibit A or the respective Schedule of Award Costs by Subgrantee. A reconciliation of amounts identified as questioned costs in the following paragraphs to those reflected in Exhibits A-1 through A-6 is included in the Notes to Schedules of Award Costs.

1. *Lack of adequate financial records for the Commission's sub-grant to the Oregon Coalition Against Domestic and Sexual Violence for all program years (Questioned Claimed Costs of $691,114, and Questioned Match Amounts of $190,015)*

During our review of the Oregon Coalition Against Domestic and Sexual Violence (OCADSV), sample items were selected for testing from detailed cost schedules that were expected to support amounts in the general ledger for all program years. However, a general ledger was not provided and amounts reported in the detailed schedules did not agree to claimed costs for all program years. Additionally, our auditing procedures confirmed the pervasive nature of non-compliance in general. For example, supporting documents were not provided for match amounts selected. Payroll and Member costs test work revealed numerous instances of lack of supporting documentation. Consequently, we were unable to determine the accuracy or allowability of the costs claimed by OCADSV. Also, due to passage of time, lack of records and changes in staff, we were unable to determine and document the internal controls that were in existence during the grant period. As a result of the foregoing, total costs claimed for all program years have been questioned.

We were unable to extract the amounts for the Education Awards related to OCADSV in the Corporation's Roster, due to the lack of differentiation between grant award numbers which are shared between OCADSV and Legal Aid Services of Oregon (another subgrantee of the Commission), that is a partner. However, the Education Awards provided by the Corporation for OCADSV's Members are also questioned.

Subgrantees must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this Grant from expenditures not attributable to this Grant. This system must be able to identify costs by programmatic year and by budget category and to differentiate between direct and indirect costs or administrative costs. Grantees' financial management responsibilities are detailed further in OMB Circular A-102 and its implementing regulations (45 C.F.R. 2541) or A-110 and its implementing regulations (45 C.F.R. 2543), as applicable.

Recommendation

The Corporation should follow up to determine whether these amounts should be disallowed and recovered. No other recommendation is considered necessary at this time, as the sub-grant expired in 1997 and the AmeriCorps program is no longer administered by this subgrantee.

2. *Documentation to support AmeriCorps Members' terms of service was not maintained (Questioned Claimed Costs of $61,742, Questioned Match Amount of $10,898, and Questioned Education Awards of $48,038)*

Documentation to support that the term of Member service was properly completed to support the related Education Award received was not maintained by the respective subgrantees as shown below. AmeriCorps Special Provision 8 (a) requires, in part, that each program must maintain records to verify that the Member successfully completed the program requirements with a minimum of 1700 hours of participation as a full-time Member, 900 hours of participation as a part-time Member, or 300-900 hours of participation as a reduced part-time Member. Lack of documentation to support successful completion of hours of service could ultimately result in questioned Education Awards.

Lacking Documentation For:	**Subgrantee**	**Member Files Lacking Documentation/ Sample Size**
Service Hour Requirements	Multnomah County District Attorney	9 of 16
	Central Oregon Community College	6 of 73
	Friends of the Children	1 of 18
	Enterprise Foundation	1 of 19

Recommendation

We recommend that the Commission establish and implement procedures to ensure that each of its subgrantees maintain records (approved timesheets) to support completion of the required service hours.

3. *Lack of documentation*

- *Eligibility requirements were not met (Questioned Claimed Costs of $1,108,920, Questioned Match Amounts of $444,028, and Questioned Education Awards of $572,991)*

Sufficient documentation to verify that Members met eligibility requirements was not maintained by the subgrantees listed below, in certain instances. AmeriCorps Special Provision No. 14 states, in part, that "the Grantee must maintain verifiable records which document each Member's eligibility to serve based upon citizenship or lawful permanent residency, birth date, level of educational attainment, date of high school diploma or equivalent certificate (if attained)." As a result of the foregoing, living allowances paid

for potentially ineligible Members and charged to the Corporation grants are considered questioned, as well as any related Education Awards that may have been provided for these Members.

Because of the significant number of exceptions noted below for Central Oregon Community College, we have questioned all Member costs incurred for this subgrantee and all related Education Awards issued by the Corporation.

Lacking Documentation For:	**Subgrantee**	**Member Files Lacking Documentation/ Sample Size**
Citizenship or lawful permanent residency	Central Oregon Community College	12 of 73
	Oregon Department of Human Resources	8 of 26
	Northwest Youth Corps	6 of 22
	Friends of the Children	2 of 18
	Legal Aid Services of Oregon	2 of 21
High school diploma or equivalent certificate	Central Oregon Community College	60 of 73
	Enterprise Foundation	12 of 19
	Oregon Department of Human Resources	9 of 26
	Northwest Youth Corps	6 of 22
	Friends of the Children	3 of 18
	Legal Aid Services of Oregon	1 of 21
Proof of age	Central Oregon Community College	13 of 73
	Oregon Department of Human Resources	4 of 26

- *Documentation to support time and attendance records and proper authorization of timesheets was not evident (Questioned Claimed Costs of $18,682, and Questioned Match Amounts of $3,050)*

Member timesheets to support hours worked were not maintained by the Enterprise Foundation (one of 19 sampled) and Multnomah County District Attorney (two of 26

sampled). AmeriCorps Special Provision No. 14 (a) states, in part, that "time and attendance records must be signed by both the Member and by an individual with oversight responsibilities for the Member."

Additionally, the subgrantees listed below could not locate Member, or staff timesheets for selected pay periods, or timesheets for selected pay periods were not signed by the individual or an authorizing official. AmeriCorps General Provision No. 21 (c), requires, in part, that any staff salaries and wages charged directly to a Grant or charged to matching funds must be supported by a signed time and attendance report for each individual employee regardless of position. The Member's or employee's signature represents acknowledgement that the hours reported reflect an accurate depiction of the hours served for the program. A supervisor's signature indicates approval and concurrence of the hours recorded by the Member/employee.

Lacking Documentation For:	**Subgrantee**	**Transactions Lacking Documentation/ Sample Size**
Member/Staff Timesheets for Selected Pay Period(s)	Friends of the Children	5 of 45
	Legal Aid Services of Oregon	3 of 45
	Enterprise Foundation	3 of 45
	Portland Area Council of Camp Fire	1 of 48
Approved Member/Staff Timesheets	Friends of the Children	13 of 45
	Legal Aid Services of Oregon	3 of 45
	Northwest Youth Corps	2 of 34
Member/Staff Timesheet Was Not Signed By the Individual	Northwest Youth Corps	3 of 34
	Legal Aid Services of Oregon	1 of 45

- *Member living allowance or staff salary/wage could not be verified due to lack of an approved salary/wage rate or Member Contract (Questioned Claimed Costs of $18,582, and Questioned Match Amounts of $2,999)*

The following subgrantees did not maintain contracts which indicate approved living allowance information or staff pay rate information in the respective Member or staff files. AmeriCorps General Provision No. 21 (c) states that subgrantee must keep time and attendance records on all AmeriCorps Members in order to document their eligibility for in-service and post-service benefits. Time and attendance records must be signed by

both the Member and by an individual with oversight responsibilities for the Member. AmeriCorps General Provision No. 21 (c) also requires that staff salaries and wages charged directly to this grant or charged to matching funds must be supported by signed time and attendance records for each individual employee regardless of position, and by documented payrolls approved by a responsible official of the subgrantee.

Lacking Documentation For:	**Subgrantee**	**Transactions Lacking Documentation/ Sample Size**
Member/Staff Approved Living Allowance Agreement or Staff Pay Rate	Friends of the Children	17 of 45
	Enterprise Foundation	11 of 45
	Legal Aid Services of Oregon	3 of 45
	Northwest Youth Corps	2 of 34
Member Living Allowance Allocation to Program	Northwest Youth Corps	7 of 34
Member Living Allowance did not Agree to Member Contract	Legal Aid Services of Oregon	4 of 45

Recommendation

The Commission should require subgrantees to provide documented procedures to enhance and formalize the file maintenance process currently in place. Procedures should include, where applicable, a checklist for all required documentation, a training program for personnel who handle Member files, and a periodic review process where selected Member files are checked for compliance with documented procedures. In addition, the Commission should routinely test Member file maintenance as part of its site monitoring procedures.

We have been informed that, subsequent to the issuance of the pre-audit survey report, the Commission developed policies and procedures to periodically review Member files for required documentation. However, these policies and procedures were not in place during the period covered by our audit and were not subject to tests of effectiveness during the course of the audit.

4. *Documentation to support selected payments claimed under the grant was not maintained (Questioned Claimed Cost of $8,092)*

One subgrantee, Friends of the Children, recorded payments amounting to $8,092 that lacked adequate support. These represented payments for operational costs of $5,092 and payments to an organization classified as "Evaluation" amounting to $3,000. AmeriCorps General Provision No. 21 (b) states that subgrantees must maintain adequate

supporting documents for every expenditure (Federal and Non-Federal) and in-kind contributions made under this Grant. Costs must be shown in books or records (e.g. a disbursement ledger or journal), and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

Recommendation

The Corporation should follow up to determine whether these amounts should be disallowed and recovered from the subgrantee. No other recommendation is considered necessary at this time as this sub-grant expired in 1997 and the AmeriCorps program is no longer administered by this subgrantee.

5. *General ledger detail did not agree to Financial Status Reports (Questioned Claimed Costs of $1,021)*

For one subgrantee, Portland Area Council of Camp Fire, we identified differences between amounts recorded in the accounting records maintained at the subgrantee and amounts reported on the respective Financial Status Reports (FSRs) submitted to the Commission. Specifically, the cost categories on the FSRs for program years 1997-1998 and 1998-1999 were understated by $43,628 for some cost categories and overstated by $24,987 for other cost categories, resulting in an absolute net difference of ($18,641). However, the difference for the administration cost category of ($39,575), if added to amounts actually claimed on the related FSRs, would exceed the 5% administrative cap permitted by AmeriCorps provisions. As a result, the amount reflected as questioned costs on Exhibit A-1 for this cost category has been limited to ($19,913). The resultant net questioned cost for this finding is therefore $1,021.

AmeriCorps General Provision No. 21 (b) states that subgrantees must maintain adequate supporting documents for every expenditure (Federal and Non-Federal) and in-kind contributions made under this Grant. Costs must be shown in books or records (e.g. a disbursement ledger or journal), and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

Recommendation

We recommend that the Commission request the subgrantee to prepare and submit revised Financial Status Reports for program years 1997-1998 and 1998-1999 along with supporting documentation. Such revised FSRs should be reviewed to ensure the 5% administrative cap is not exceeded and that all requisite approvals for reprogramming have been attained prior to submitting any revised claim for administrative costs that might exceed the 10% reprogramming threshold.

Additionally, we recommend that the Commission establish policies and procedures to ensure that all subgrantees, including the Portland Area Council of Camp Fire, maintain financial management systems which include standard accounting codes and a clear audit trail, and are capable of distinguishing expenditures attributable to grant and nongrant

funding, identifying costs by line item, and differentiating between direct and indirect costs. Additionally, amounts reported to the Commission on FSRs should be reconciled to the general ledger system prior to submission.

We have been informed that, subsequent to the issuance of the pre-audit survey report, the Commission developed policies and procedures to review the financial management systems of its subgrantees. However, these policies and procedures were not in place during the period covered by our audit and were not subject to tests of effectiveness during the course of the audit.

6. *The basis of an in-kind contribution could not be determined (Questioned Match Amount of $72,000)*

For one subgrantee, Friends of the Children, the basis used for allocation of the value of an in-kind contribution (rent, totaling $72,000 over all program years) could not be determined due to lack of supporting documentation. The subgrantee provided documentation to support the square foot value of the rental space, however, there was insufficient documentation to support the reasonableness of the square footage allocated to the AmeriCorps program. AmeriCorps General Provision No. 21 (b) states that subgrantees must maintain adequate supporting documentation for every expenditure (Federal and Non-Federal) and in-kind contributions made under this grant. Costs must be shown in books or records (e.g. a disbursement ledger or journal), and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

Recommendation

No recommendation is considered necessary at this time as this Commission sub-grant expired in 1997 and the AmeriCorps program is no longer administered by this subgrantee. However, the Corporation should follow up during the audit resolution process to determine whether match amounts reported by this subgrantee are supportable, and if not, the corresponding amount of Federal claimed costs should also be disallowed.

7. *Match amounts were reported without the receipt of funds (Questioned Match of $4,500)*

One subgrantee, the Enterprise Foundation, recorded match contributions for program year 1999-2000 totaling $4,500 that, as of June 6, 2001, had not been received. AmeriCorps General Provision No. 21 (b) states that subgrantees must maintain adequate supporting documentation for every expenditure (Federal and Non-Federal) and in-kind contributions made under this Grant. Costs must be recorded in books or records (e.g. a disbursement ledger or journal), and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

Recommendation

We have no recommendations at this time, as this Commission sub-grant has since expired, and the program is no longer administered by this subgrantee. However, the Corporation should follow up during the audit resolution process to determine whether this match amount is proper and if not, the corresponding amount of Federal claimed costs should also be disallowed.

8. *Match amounts did not agree to Financial Status Reports (Questioned Match of $573,212)*

For one subgrantee, Legal Aid Services of Oregon, details of match contributions provided did not agree to the amounts reported in the general ledger for all program years. Additionally, supporting documentation maintained for match amounts did not agree to amounts recorded, and in some instances, could not be located. For example, for program year 1999-2000 accounting records reported $185,475, however, the match reported on the Financial Status Report amounted to $292,568, a difference of $107,093.

AmeriCorps General Provision No. 21 (b) states that subgrantees must maintain adequate supporting documentation for every expenditure (Federal and Non-Federal) and in-kind contributions made under this Grant. Costs must be shown in books or records (e.g. a disbursement ledger or journal), and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

Subsequent to the completion of audit fieldwork, this subgrantee submitted a revised Financial Status Report to the Commission as well as additional documentation to support the revised match amounts. We did not audit this information. However, the significance of the revised information indicates that there were no appropriate controls or procedures in place over accounting and reporting of match amounts on Financial Status Reports submitted to the Commission and ultimately to the Corporation over the duration of the program.

Recommendation

We recommend that the Commission implement policies and procedures to require that Legal Aid Services and other subgrantees maintain proper accounting records to support match amounts reported, and ensure that adequate supporting documentation is maintained. We also recommend that the Corporation follow up during the audit resolution process to determine whether revised match amounts reported by this subgrantee are supportable, and if not, the corresponding amount of Federal claimed costs should also be disallowed.

We have been informed that, subsequent to the issuance of the pre-audit survey report, the Commission developed policies and procedures to periodically monitor the validity and reasonableness of subgrantee match information. However, these policies and

procedures were not in place during the period covered by our audit and were not subject to tests of effectiveness during the course of the audit.

B. Other Compliance Findings

9. Lack of documentation

- *Parental consent*

Two of 22 Members sampled at Northwest Youth Corps required parental consent to be eligible to serve, but sufficient documentation to support parental consent was not maintained. AmeriCorps Special Provision No. 6 (g) requires that before enrolling in a program, individuals under 18 years of age must provide written consent from a parent or legal guardian.

- *Criminal record check*

The following subgrantees enrolled Members who required a criminal record check; however, sufficient documentation to support that a criminal record check was conducted was not maintained. AmeriCorps Special Provision No. 6 (h) requires that programs with Members or employees who have substantial 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. The Provisions require that this documentation be maintained within Member or employee files.

Lacking Documentation For:	**Subgrantee**	**Member Files Lacking Documentation/ Sample Size**
Criminal Background Check	Central Oregon Community College	56 of 73
	Oregon Department of Human Resources	10 of 26
	Enterprise Foundation	6 of 19
	Forest Grove School District	2 of 17
	Friends of the Children	1 of 18
	Multnomah County District Attorney	1 of 16

- *Position descriptions*

Documentation to support position descriptions was not maintained by the following subgrantees. AmeriCorps Special Provision No. 7 (a) requires that the subgrantee develop Member position descriptions that provide for direct and meaningful service activities and performance criteria that are appropriate to the skill level of Members. Member activities may not include clerical work, research, or fund raising activities unless such activities are incidental to the Member's direct service activities. The Subgrantee must ensure that each Member has sufficient opportunity to complete the required number of hours to qualify for a post-service Education award. In planning for the Member's term of service, the Subgrantee must account for holidays and other time off, and must provide each Member with sufficient opportunity to make up missed hours.

Lacking Documentation For:	**Subgrantee**	**Member Files Lacking Documentation/ Sample Size**
Position Descriptions	Friends of the Children	17 of 18
	Central Oregon Community College	12 of 73
	Enterprise Foundation	10 of 19
	Oregon Department of Human Resources	4 of 26
	Portland Area Council of Camp Fire	3 of 17
	Northwest Youth Corps	2 of 22
	Multnomah County District Attorney	1 of 16

- *Member contracts*

Documentation to support that Members had signed contracts which included AmeriCorps requirements was not maintained by the following subgrantees. AmeriCorps Special Provision 7 (b) requires that the subgrantee must ensure that all Members sign contracts that, at a minimum, stipulated the following:

  - The minimum number of service hours and other requirements (as developed by the program) necessary to successfully complete the term of service and to be eligible for the Education award;
  - Acceptable conduct;

- Prohibited activities;
- Requirements under the Drug-Free Workplace Act (41 U.S.C. 701 *et seq.*);
- Suspension and termination rules;
- The specific circumstances under which a Member may be released for cause;
- The position description;
- Grievance procedures; and
- Other requirements as established by the program.

Lacking Documentation For:	**Subgrantee**	**Member Files Lacking Documentation/ Sample Size**
Signed Member Contracts	Friends of the Children	13 of 18
	Enterprise Foundation	7 of 19
	Multnomah County District Attorney	4 of 16
	Central Oregon Community College	4 of 73
	Oregon Department of Human Resources	4 of 26
	Forest Grove School District	1 of 17
Member Contracts Which Define All Member Requirements	Central Oregon Community College	44 of 73

Additionally, documentation to support that program specific requirements set forth in the Member contract had been met was not maintained in 7 of 18 Member files sampled at Friends of the Children. Program specific requirements included a driver's license and CPR certification. AmeriCorps Special Provision 7 (b-ix) allows for the Member contract to stipulate other requirements as established by the program.

- *Orientation*

Documentation to support that an orientation was conducted for enrolled Members was not maintained by the following subgrantees. AmeriCorps Special Provision 7 (c) requires that, consistent with the approved budget, the Subgrantee must provide Members with the training, skills, knowledge and supervision necessary to perform the tasks required in their assigned project positions, including specific training in a particular field and background information on the community served. The Subgrantee 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. Orientation should cover Member rights and responsibilities, including the program's code of conduct, prohibited activities, requirements under the Drug-Free Workplace Act (41 U.S.C. 701 et seq.), suspension and termination from service, grievance procedures, sexual harassment, other non-discrimination issues, and other topics as necessary.

Lacking Documentation For:	**Subgrantee**	**Member Files Lacking Documentation/ Sample Size**
Orientation	Oregon Department of Human Resources	26 of 26
	Central Oregon Community College	22 of 73
	Friends of the Children	18 of 18
	Forest Grove School District	17 of 17
	Multnomah County District Attorney	15 of 16
	Legal Aid Services of Oregon	9 of 21
	Enterprise Foundation	4 of 19

- *Member's service time*

Documentation to support that Member's service time was directed toward the grant's intent was not maintained for the following subgrantees. AmeriCorps Special Provision No. 7 (e) requires that not more than 20% of the aggregate of all AmeriCorps Member service hours in a program may be spent in education, training or other non-direct activities.

Lacking Documentation For:	**Subgrantee**	**Member Files Lacking Documentation/ Sample Size**
Member's Service Time was Directed Towards the Grant's Intent	Enterprise Foundation	9 of 19
	Central Oregon Community College	2 of 73
	Oregon Department of Human Resources	2 of 26

- *Member start and end dates/Location of Member's service*

Member start and end dates, as well as identification of a Member's location of service were not maintained by Northwest Youth Corps (10 of 22 sampled) and Legal Aid Services of Oregon (one of 21 sampled). AmeriCorps Special Provision No. 14 (a) requires that the subgrantee must maintain verifiable records which document each Member's participation start date and end date, hours of service per week, location of service activities and project assignment.

- *Mid-term and end-of-term evaluations*

The following subgrantees could not locate mid-term and end-of-term evaluations for certain Members that were selected for review. AmeriCorps Provision 7 (g) requires that each subgrantee must conduct at least a mid-term and end-of-term written evaluation of each Member's performance, focusing on such factors as:

- Whether the Member has completed the required number of hours;
- Whether the Member has satisfactorily completed assignments; and
- Whether the Member has met other performance criteria that were clearly communicated at the beginning of the term of service.

Lacking Documentation For:	**Subgrantee**	**Member Files Lacking Documentation/ Sample Size**
Mid-Term and End-of-Term Evaluations	Multnomah County District Attorney	11 of 16
	Oregon Department of Human Resources	6 of 26
	Legal Aid Services of Oregon	5 of 21
	Enterprise Foundation	2 of 19
	Northwest Youth Corps	1 of 22
	Legal Aid Services of Oregon	9 of 21
	Northwest Youth Corps	6 of 22
	Enterprise Foundation	6 of 19

Lacking Documentation For:	Subgrantee	Member Files Lacking Documentation/ Sample Size
Mid-Term or End-of-Term Evaluations	Portland Area Council of Camp Fire	5 of 17
	Oregon Department of Human Resources	3 of 26
	Multnomah County District Attorney	2 of 16
	Friends of the Children	1 of 18

- *Enrollment forms, change of status forms, exit/end-of-term-of-service forms*

Certain standard forms required to be completed for Members, as well as the timeframe for submission to be adhered to, were not complied with by the following subgrantees. AmeriCorps Special Provision No. 16 (b) requires that the following documents are required from the grantee:

- **Enrollment Forms.** State Commissions and parent organizations must submit Member Enrollment Forms to the Corporation no later than 30 days after a Member is enrolled.
- **Change of Status Forms.** State Commissions and parent organizations must submit Member Change of Status Forms to the Corporation no later than 30 days after a Member's status is changed. By forwarding Member Change of Status Forms to the Corporation, State Commissions and parent organizations signal their approval of the change.
- **Exit/End-of-Term-of-Service Forms.** Programs must submit Member Exit/End-of-Term-of-Service Forms to the Corporation no later than 30 days after a Member exits the program or finishes his/her term of service early.

Lacking Documentation For:	Subgrantee	Member Files Lacking Documentation/ Sample Size
Enrollment Form	Friends of the Children	1 of 18
Authorized Enrollment Form	Friends of the Children	9 of 18

Lacking Documentation For:	Subgrantee	Member Files Lacking Documentation/ Sample Size
Timely Submission of Enrollment Form	Legal Aid Services of Oregon	14 of 21
	Friends of the Children	1 of 18
Exit/End-of-Term Form	Legal Aid Services of Oregon	2 of 21
	Friends of the Children	1 of 18
	Northwest Youth Corps	1 of 22
Authorized Exit/End-of-Term Form	Friends of the Children	1 of 18
Timely submission of Exit/End-of-Term form	Legal Aid Services of Oregon	11 of 21
	Portland Area Council of Camp Fire	1 of 17
Timely submission of Exit/End-of-Term form	Friends of the Children	1 of 18
Timely submission of Change in Status Form	Legal Aid Services of Oregon	1 of 21

Recommendation

The Commission should require subgrantees to provide documented procedures to enhance and formalize the file maintenance process currently in place. Procedures should include, where applicable, a checklist for all required documentation, a training program for personnel who handle Member files, and a periodic review process where selected Member files are checked for compliance with documented procedures. In addition, the Commission should routinely test Member file maintenance as part of its site monitoring procedures.

We have been informed that, subsequent to the issuance of the pre-audit survey report, the Commission has developed policies and procedures to periodically review Member files for required documentation. However, these policies and procedures were not in place during the period covered by our audit and have not been subject to tests of effectiveness.

Administration and Program Development and Training (PDAT) Grants

C. Compliance Findings Resulting in Questioned Costs

10. Lack of adequate documentation for grant expenses

The Commission could not provide adequate support for grant expenses amounting to $27,867. Of this amount $27,388 (consisting of two payments of $13,694 each) relates to a recurring type of administrative grant expense purported to represent the annual charge for services by its fiscal agent for the drawing of Federal funds. Because the documentation provided by the fiscal agent did not adequately demonstrate how the amounts charged to the Commission were derived, we could not ascertain if the charges were reasonable. This recurring cost issue was identified during the pre-audit survey (Findings and Recommendations from the Pre-Audit Survey Report is attached as Exhibit D)

Recommendation

As recommended in the pre-audit survey report, the Commission should meet with the Oregon Department of Education to obtain an understanding of and support for the amounts charged to the Commission for services provided in drawing down Federal funds for program expenses. Based on the information obtained, ascertain whether any adjustments should be made to reported allowable grant expenses and take appropriate corrective action. Additionally, it is recommended that the Commission establish a process for a second person review of the propriety of expenses as classified in the general ledger. Any discrepancies noted should be corrected on a timely basis to ensure the accuracy of grant expense information reported to the Corporation.

D. Other Compliance Findings

11. Failure to submit FSRs for administrative and PDAT grants

As of the date of our report, the Commission has not submitted FSRs for the Administrative and Program Development and Training (PDAT) grants for 1999 and 2000 (grant award period January through December). These funds were awarded to the Commission on September 29, 2000, and as a result, funds relating to this period have been excluded from the schedule of award costs presented in Exhibits B and C. This issue was identified during the pre-audit survey (Findings and Recommendations from the Pre-Audit Survey Report are included in this report as Exhibit D) for program years prior to December 1998 for which FSRs have now been submitted. Grant requirements prescribe submission of FSRs no later than 90 days following the last quarter. Delays in submission of the required reports may result in the suspension of funds and ultimately cancellation of the grant itself.

Recommendation

We strongly recommend that the required FSRs be submitted without further delay.

RESPONSIBILITIES

Management's Responsibility

The Oregon Community Service Commission is responsible for:

- preparing Financial Status Reports in accordance with the terms and conditions of its grant awards from the Corporation for National and Community Service. These reports provide the information which is used to prepare the Schedules of Award Costs;

- establishing and maintaining internal controls over financial reporting; and

- complying with laws and regulations, including those related to monitoring of its subgrantees.

In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies.

Auditors' Responsibility

Our responsibility is to issue our report on the Schedules of Award Costs.

Although our report included a disclaimer of opinion on the Schedules of Award Costs, we conducted our incurred costs audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Program for Full Scope Incurred Cost Audit of Corporation Awards with Subrecipients* (the Audit Program), issued by the Corporation's Office of Inspector General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the award, as presented in the Consolidated Schedules of Award Costs (Exhibits A through C), are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall Schedules of Award Costs presentation.

In planning and performing our incurred cost audit, we considered the Commission's internal control over financial reporting by obtaining an understanding of the Commission's internal controls, determining whether these internal controls have been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedules. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards*.

As part of obtaining reasonable assurance about whether the Schedules of Award Costs are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of applicable laws, regulations and provisions of the Corporation's grant agreements, noncompliance with which could have a direct and material effect on the determination of Schedule amounts. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the Commission.

We provided a draft of this report to the Commission and Corporation. The Commission's and Corporation's responses to our report are included as Appendix A and B. Our comments on these responses are included as Appendix C and D.

DISTRIBUTION

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

KPMG LLP

June 26, 2001

Exhibit A

Oregon Community Service Commission
AmeriCorps
Schedule of Award Costs
January 1, 1994 to August 31, 2000

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Full Scope Audit Procedures			
Member Support Costs:			
Living Allowance	$ 2,347,490	$ 2,140,179	$ 460,863
FICA & Workers Comp	231,012	177,905	26,980
Health Care	246,845	197,820	41,265
Subtotal	2,825,347	2,515,904	529,108
Other Member Costs:			
Training & Education	100,051	89,550	20,628
Other	26,659	20,559	5,999
Subtotal	126,710	110,109	26,627
Staff:			
Salaries	554,326	556,838	139,874
Benefits	99,985	84,646	27,164
Training	5,628	2,907	2,803
Other	-	361	-
Subtotal	659,939	644,752	169,841
Operating Costs	436,435	382,448	116,571
Internal Evaluation	33,802	30,273	6,000
Administration	156,742	141,924	17,048
CORPORATION FUNDS	4,238,975	3,825,410	865,195
MATCHING FUNDS	2,011,936	2,161,393	864,903
TOTAL FUNDS - Full Scope	$ 6,250,911	$ 5,986,803	$ 1,730,098
Limited Scope Audit Procedures			
CORPORATION FUNDS	3,848,464	3,355,954	1,042,958
MATCHING FUNDS	1,939,466	3,050,349	435,799
TOTAL FUNDS - Limited Scope	$ 5,787,930	$ 6,406,303	$ 1,478,757
TOTAL FUNDS	$ 12,038,841	$ 12,393,106	$ 3,208,855

See accompanying notes to Schedules of Award Costs

Oregon Community Service Commission
Portland Area Council of Camp Fire
Schedule of Award Costs
From September 1, 1997 to August 31, 2000

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 431,960	$ 392,681	$ 1,543
FICA & Workers Comp	36,547	19,904	83
Health Care	45,416	42,111	268
Subtotal	513,923	454,696	1,894
Other Member Costs:			
Training & Education	12,800	11,272	(671)
Other	-	-	-
Subtotal	12,800	11,272	(671)
Staff:			
Salaries	63,246	79,221	1,512
Benefits	18,697	9,928	(3,382)
Training	2,878	-	-
Other	-	-	-
Subtotal	84,821	89,149	(1,870)
Operating Costs	21,248	24,380	22,081
Internal Evaluation	-	-	-
Administration	23,486	12,901	(19,913)
CORPORATION FUNDS	656,278	592,398	1,521
MATCHING FUNDS	517,401	496,234	88
TOTAL FUNDS	$ 1,173,679	$ 1,088,632	$ 1,609

See accompanying notes to Schedules of Award Costs

Oregon Community Service Commission
Friends of the Children
Schedule of Award Costs
From September 1, 1994 to August 31, 1997

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 392,944	$ 372,804	$ 24,459
FICA & Workers Comp	40,796	37,826	-
Health Care	35,947	29,618	-
Subtotal	469,687	440,248	24,459
Other Member Costs:			
Training & Education	4,700	4,519	-
Other	8,104	7,924	-
Subtotal	12,804	12,443	-
Staff:			
Salaries	197,606	199,906	-
Benefits	30,990	28,350	-
Training	-	-	-
Other	-	-	-
Subtotal	228,596	228,256	-
Operating Costs:	156,636	155,933	5,092
Internal Evaluation:	26,000	26,000	3,000
Administration:	19,490	20,337	-
CORPORATION FUNDS	913,213	883,217	32,551
MATCHING FUNDS	432,925	306,495	76,307
TOTAL FUNDS	$ 1,346,138	$ 1,189,712	$ 108,858

See accompanying notes to Schedules of Award Costs

Oregon Community Service Commission
Northwest Youth Corps
Schedule of Award Costs
From September 1, 1998 to August 31, 2000

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 325,823	$ 296,744	$ 50,627
FICA & Workers Comp	41,616	29,500	-
Health Care	26,262	25,860	-
Subtotal	393,701	352,104	50,627
Other Member Costs:			
Training & Education	17,927	15,346	-
Other	7,212	3,510	-
Subtotal	25,139	18,856	-
Staff:			
Salaries	42,078	40,537	14,815
Benefits	8,129	4,947	-
Training	125	104	-
Other	-	-	-
Subtotal	50,332	45,588	14,815
Operating Costs	26,208	23,290	-
Internal Evaluation	771	268	-
Administration	25,421	23,441	-
CORPORATION FUNDS	$ 521,572	$ 463,547	$ 65,442
MATCHING FUNDS	453,013	434,007	11,278
TOTAL FUNDS	$ 974,585	$ 897,554	$ 76,720

See accompanying notes to Schedules of Award Costs

Oregon Community Service Commission
Legal Aid Services of Oregon
Schedule of Award Costs
From November 1, 1997 to September 30, 2000

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 602,565	$ 488,577	$ 19,713
FICA & Workers Comp	52,122	41,553	-
Health Care	66,759	40,049	-
Subtotal	721,446	570,179	19,713
Other Member Costs:			
Training & Education	38,165	37,114	-
Other	4,672	3,126	-
Subtotal	42,837	40,240	-
Staff:			
Salaries	53,993	54,511	971
Benefits	14,626	10,875	-
Training	-	-	-
Other	-	361	-
Subtotal	68,619	65,747	971
Operating Costs	86,359	77,073	-
Internal Evaluation	3,026	1,005	-
Administration	48,425	37,665	-
CORPORATION FUNDS	970,712	791,909	20,684
MATCHING FUNDS	250,386	573,212	573,212
TOTAL FUNDS	$ 1,221,098	$ 1,365,121	$ 593,896

See accompanying notes to Schedules of Award Costs

Oregon Community Service Commission
Enterprise Foundation
Schedule of Award Costs
From October 1, 1998 to September 30, 2000

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 283,560	$ 278,735	$ 53,883
FICA & Workers Comp	33,034	22,225	-
Health Care	31,416	19,185	-
Subtotal	348,010	320,145	53,883
Other Member Costs:			
Training & Education	-	-	-
Other	-	-	-
Subtotal	-	-	-
Staff:			
Salaries	60,000	60,087	-
Benefits	-	-	-
Training	-	-	-
Other	-	-	-
Subtotal	60,000	60,087	-
Operating Costs	25,000	12,374	-
Internal Evaluation	-	-	-
Administration	10,000	10,619	-
CORPORATION FUNDS	443,010	403,225	53,883
MATCHING FUNDS	158,370	161,430	14,003
TOTAL FUNDS	$ 601,380	$ 564,655	$ 67,886

See accompanying notes to Schedules of Award Costs

Oregon Community Service Commission
Oregon Coalition Against Domestic and Sexual Violence
Schedule of Award Costs
From September 1, 1994 to August 31, 1997

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 310,638	$ 310,638	$ 310,638
FICA & Workers Comp	26,897	26,897	26,897
Health Care	41,045	40,997	40,997
Subtotal	378,580	378,532	378,532
Other Member Costs:			
Training & Education	26,459	21,299	21,299
Other	6,671	5,999	5,999
Subtotal	33,130	27,298	27,298
Staff:			
Salaries	137,403	122,576	122,576
Benefits	27,543	30,546	30,546
Training	2,625	2,803	2,803
Other	-	-	-
Subtotal	167,571	155,925	155,925
Operating Costs	120,984	89,398	89,398
Internal Evaluation	4,005	3,000	3,000
Administration	29,920	36,961	36,961
CORPORATION FUNDS	734,190	691,114	691,114
MATCHING FUNDS	199,841	190,015	190,015
TOTAL FUNDS	$ 934,031	$ 881,129	$ 881,129

See accompanying notes to Schedules of Award Costs

Exhibit B

Oregon Community Service Commission
Administration
Schedule of Award Costs
January 20, 1994 to December 31, 1998

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Staff Salaries	$ 559,008	$ 366,468	$ -
Consultants	-	-	-
Training/Workshops	-	-	-
Subgrants/Contracts	132,600	-	-
Operating Costs	88,796	76,748	-
Other Costs			
Travel	141,096	44,858	-
Other	8,800	169,733	27,867
Total Funds	$ 930,300	$ 657,807	$ 27,867

See accompanying notes to Schedules of Award Costs

Exhibit C

Oregon Community Service Commission
Program Development and Training (PDAT)
Schedule of Award Costs
January 1, 1995 to December 31, 1998

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Staff Salaries	$ 50,512	$ 97,882	$ -
Consultants	43,000	26,277	-
Training/Workshops	82,774	117,371	-
Subgrants/Contracts	30,000	-	-
Operating Costs	29,500	751	-
Other Costs			
Travel	29,500	10,134	-
Other	19,000	20,468	-
Total Funds	$ 284,286	$ 272,883	$ -

See accompanying notes to Schedules of Award Costs

Oregon Community Service Commission
Notes to Schedules of Award Costs

1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying Schedules of Award Costs include amounts budgeted, claimed, and questioned under AmeriCorps, Administrative, and Program Development and Training (PDAT) grants awarded to the Oregon Community Service Commission (the Commission) by the Corporation for National and Community Service (Corporation) for the period January 1, 1994 to August 31, 2000. The Schedules of Award Costs for two of the Commission's subgrantees include information through September 30, 2000, which coincides with the end of their program years.

The accompanying Schedule of Award Costs (Exhibit A) does not include approximately $649,911 of costs incurred under award programs other than AmeriCorps received from the Corporation. Such award costs represent less than 5% of total costs incurred under all grants received from the Corporation and were considered immaterial in achieving the 90% audit coverage required under the Incurred Cost audit guide.

The Commission awards its AmeriCorps grant funds to numerous subgrantees who administer the AmeriCorps program and report financial and programmatic results to the Commission. The Schedule of Award Costs for the Administration and PDAT grants include funds awarded through December 31, 1998, since funds for 1999 and 2000 were not awarded to the Commission until September 29, 2000.

Basis of Accounting

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

Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the Schedules of Award Costs include the cost of equipment purchased during the period rather than a provision for depreciation. The equipment acquired is owned by OCSC while used in the program for which it was purchased or in other future authorized programs. However, the Corporation has reversionary interest in the

equipment. Its disposition, as well as the ownership of any proceeds therefore, is subject to Federal regulations.

Inventory

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

Classification of Award Costs

The accompanying Schedule of Award Costs (Exhibit A) presents award costs for the AmeriCorps program classified as follows:

Full Scope – Represents costs incurred by the Commission for Administration and PDAT as well as by selected Commission subgrantees for which full scope audits of costs incurred were performed. Subgrantees subject to full scope audits were:

Portland Area Council of Camp Fire
Friends of the Children
Northwest Youth Corps
Legal Aid Services of Oregon
The Enterprise Foundation
Oregon Coalition Against Domestic and Sexual Violence

Limited Scope – Represents aggregate costs incurred by selected Commission subgrantees for which audit tests were limited to those costs related to Member compliance. All other costs were covered by separate audits performed to meet the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations.* Subgrantees subject to limited scope audit work were:

Forest Grove School District
Multnomah County District Attorney
Central Oregon Community College
Oregon Department of Human Resources

Questioned Costs

Questioned costs represent aggregate amounts identified during the audit which are subject to ultimate determination of allowability by the Corporation for National and Community Service through the audit resolution process. Certain amounts included in questioned Member support costs are based on estimates. Questioned costs included on the accompanying Schedules do not include potentially disallowed Education Awards related to ineligible Members. Such additional questioned costs amount to approximately $615,500.

A detailed reconciliation of amounts identified as questioned costs in the report to those reflected in Exhibits A-1 through A-6 is presented on the following pages.

Full Scope Auditees
Summary of Questioned Costs

Finding	Report Page Reference	Portland Area Council of Camp Fire	Friends of the Children	Northwest Youth Corps	Legal Aid Services of Oregon	Enterprise Foundation	Oregon Coalition Against Domestic and Sexual Violence	Consolidated Full Scope Audit
Questioned Claimed Costs								
Lack of Adequate Financial Records	7	$ -	$ -	$ -	$ -	$ -	$ 691,114	$ 691,114
Documentation to support Member's term of service	8	-	-	-	-	1,772	-	1,772
Lack of Documentation								-
Eligibility Requirements	8	-	17,948	46,932	17,798	48,281	-	130,959
Time and attendance records and proper authorization of timesheets	9	500	6,511	5,310	1,334	-	-	13,655
Member living allowance or staff salary wage rate	10	-	-	13,200	1,552	3,830	-	18,582
Documentation to support selected payments under the grant	11	-	8,092	-	-	-	-	8,092
General ledger detail did not agree to FSRs	12	1,021	-	-	-	-	-	1,021
Subtotal		1,521	32,551	65,442	20,684	53,883	691,114	865,195
Questioned Match								
Lack of Adequate Financial Records	7	-	-	-	-	-	190,015	190,015
Documentation to support Member's term of service	8	-	-	-	-	313	-	313
Lack of Documentation								-
Eligibility Requirements	8	-	3,168	8,013	-	8,520	-	19,701
Time and attendance records and proper authorization of timesheets	9	88	1,139	936	-	-	-	2,163
Member living allowance or staff salary wage rate	10	-	-	2,329	-	670	-	2,999
Basis of an in-kind contribution could not be determined	12	-	72,000	-	-	-	-	72,000
Match amounts reported without receipt of funds	13	-	-	-	-	4,500	-	4,500
Match amounts did not agree to FSRs	13	-	-	-	573,212	-	-	573,212
Subtotal		88	76,307	11,278	573,212	14,003	190,015	864,903
Total		$ 1,609	$ 108,858	$ 76,720	$593,896	$ 67,886	$ 881,129	$ 1,730,098

Limited Scope Auditees
Summary of Questioned Costs

Finding	Report Page Reference	Forest Grove School District	Multnomah County District Attorney	Central Oregon Community College	Oregon Department of Human Resources	Consolidated Limited Scope
Questioned Claimed Costs						
Documentation to support Member's term of service	7	$ -	$ 59,970	$ -	$ -	$ 59,970
Lack of Documentation						-
Eligibility Requirements	8	-	-	902,261	75,700	977,961
Time and attendance records and proper authorization of timesheets	9	-	5,027	-	-	5,027
Subtotal		-	64,997	902,261	75,700	1,042,958
Questioned Match						
Documentation to support Member's term of service	7	-	10,585	-	-	10,585
Lack of Documentation						-
Eligibility Requirements	8	-	-	410,968	13,359	424,327
Time and attendance records and proper authorization of timesheets	9	-	887	-	-	887
Subtotal		-	11,472	410,968	13,359	435,799
Total		$ -	$ 76,469	$ 1,313,229	$ 89,059	$ 1,478,757

Findings and Recommendations from the Pre-Audit Survey of the Oregon Community Service Commission (Extracted from OIG Audit Report No. 01-03)

Findings and Recommendations

The Commission is in the process of documenting its policies and procedures relating to the selection of subgrantees, administration of grant funds, evaluation and monitoring of subgrantees, and providing training and technical assistance to subgrantees. As this project is being completed, we recommend that the Commission consider the recommendations discussed below that we developed based on specific findings within each area.

Selecting Subgrantees

According to *A Reference Manual for Commission Executive Directors and Members*, section 3.2, "Commissions are expected to develop a fair and impartial process for reviewing and selecting applicants for potential funding." The Commission has developed and implemented various procedures to meet this responsibility. However, these procedures were not consistently applied to all program years. Because of funding constraints in program years 1996-97 and 1999-2000, the Commission elected to offer funding only to existing programs to ensure programs in good standing were not eliminated or penalized for the lack of new or additional funds.

Even though the selection process may only encompass renewal applications from existing subgrantees, the Commission does require the peer reviewers who evaluate these applications to sign conflict of interest statements before the commencement of the selection process. In addition, beginning with the 2000-01 selection process, peer reviewers use a standard form, which includes an area for the assessment of financial systems and organizational capacity, to evaluate each applicant.

We identified the following areas for improvement within the selection process.

Assessment of Applicants' Financial Systems during the Selection Process

Prior to the 2000-01 selection process, peer reviewers did not consider the adequacy of the applicants' financial systems during the Commission's subgrantee selection process. The application form provided by the Corporation and used prior to the PY 2000-01 selection process did not specifically address the applicant's financial system. Commission selection procedures also did not require applicant's to provide information related to their financial systems. As a result, grant funds may have been provided to organizations that did not have the financial systems in place to properly account for those funds or to ensure compliance with grant requirements.

Missing Documentation Related to Rejection of Funding Decisions

We selected a sample of four applicants, one each from program years 1994-95 through 1998-99 for which funding had been denied by the Commission. For three of these items, the Commission was unable to provide all requested documentation related to the denial of funding decision. Documentation to support communication of one funding rejection and detailing the Commission's rationale for rejection in the case of two of the others was not available. As a result, if one of these rejected applicants questions the reason for rejection, the Commission has no records to reference which support its decisions.

Composition of the Board of Commissioners

The composition of the Board of Commissioners does not appear to be representative of the population of the State of Oregon. Currently, nine of 11 Board members reside in the Salem and Portland areas. The remaining two Board members are from southern Oregon. Although the Board members do not serve as panelists for selection of subgrantees, they have significant influence in the selection of the panelists. The needs of the more rural areas of the State may not be adequately addressed since representatives from these areas are not included in the decision-making processes.

Recommendations

We recommend the Commission focus on measures for improving the effectiveness of its subgrantee selection process as follows:

- Develop and implement procedures to ensure that adequate documentation is maintained to support funding decisions and communication of those decisions to applicants.

- Review the current composition of the Board of Commissioners and restructure it, if necessary, to ensure that all areas of the State are adequately represented.

Administering Grant Funds

Guidelines to be followed in the grant administration process for Corporation grantees is set forth in *A Reference Manual for Commission Executive Directors and Members.* Guidance is provided in the manual for performance of general administrative activities at the Commission level, and for evaluation of subgrantee administrative activities. Section 4.3 of the manual states, "Commissions must evaluate whether subgrantees comply with legal, reporting, financial management and grant requirements and ensure follow through on issues of non-compliance."

We identified the following areas for improvement related to the administration of grant funds at the commission level and to the evaluation of subgrantee compliance with reporting and other administrative grant requirements.

Adequacy of Staffing Levels Beginning July 1, 2000

As of July 1, 2000, the Commission lost two staff members, the Administrative Officer and Special Projects Coordinator. The Commission currently does not plan to immediately fill these positions. Instead, other staff members will temporarily absorb the duties and responsibilities of these positions.

The duties of the Administrative Officer are integral to the Commission's success in achieving its mission, and include such tasks as reconciling the financial activities of the Commission's two fiscal entities (i.e., DCCWD and PSU) and performing fiscal monitoring of subgrantees. The Special Projects Coordinator's duties are equally important; this position is responsible for managing the Disability, Promise Fellows and other grant programs and organizing training activities. Failure to maintain adequate staffing levels may lead to the overburdening of the remaining employees, inadequate and/or untimely completion of assigned duties, performance of incompatible duties for internal control purposes, and ultimately to additional turnover which might place the ongoing activities of the Commission at risk.

Failure to Submit FSRs for Administrative, PDAT and Disability Grants

Prior to December 1997, the Commission did not submit FSRs for Administrative, Program Development and Training and Disability grants. Since that time, the Commission has prepared and submitted restated FSRs to the Corporation for the periods previously omitted.

Lack of Evidence of FSR Review, Including Matching Recalculation

Commission procedures require that subgrantee FSRs be reviewed upon receipt and that matching requirements be recalculated at that time. However, prior to March 1998, there is no evidence that Commission personnel performed this function. Performance of this review is an essential control in the detection and correction of errors on FSRs. Documentation of the review process fixes responsibility for its performance and reduces the risk that errors on FSRs may exist and remain undetected. Beginning in March 1998, the Commission began using a formal review form to document the FSR review process.

Disbursement of Funds to Subgrantees

Prior to March 1998, the Commission awarded funds to subgrantees on a pro rata basis, either quarterly or on another basis determined by the subgrantee, instead of on a reimbursement or proximate need basis. As a result, subgrantees likely maintained cash on hand that exceeded their immediate cash flow requirements for AmeriCorps program expenditures.

Proper Authorization for the Disbursement of Funds

The Commission does not have procedures in place to ensure that disbursements of funds have been properly authorized by responsible personnel. The fiscal agent, acting on orders received from the Commission, draws down federal funds and disburses them to the appropriate subgrantees. However, clear guidance on who has the proper authority to direct the draw downs is not communicated to the fiscal agent, thus increasing the risk that funds may be drawn down for other than authorized purposes.

Timely Drawdown of Federal Funds

The Commission does not have adequate procedures in place to ensure the timely drawdown of federal funds. As of the date of this report, the Commission's fiscal agent has not drawn down federal funds to reimburse the Commission for administrative expenses since August 1999. The consequences of not having drawn down funds timely are: (1) the State of Oregon, in effect, is funding all Commission activities; (2) the Commission's current inability to apply for additional Corporation grant awards because funds remain in the current draw account, even expenses have been incurred in excess of the current balance of the draw account,: and (3) the Corporation's record of grant advances to the Commission may be misstated for financial reporting purposes.

Lack of a Comprehensive Agreement with Fiscal Agent

In the Commission's agreement with its first fiscal agent, DCCWD, the Commission did not establish formal policies and procedures to ensure a mutually productive and satisfactory working relationship. For example, formal procedures were not implemented to:

- ensure that draw downs were properly authorized by appropriate Commission personnel;
- ensure the retention of the Commission's documentation maintained by the fiscal agent, permit access by Commission personnel to these records, or require the availability fiscal agent personnel for audits or reviews;

- resolve disputes between the Commission and its fiscal agent (i.e., grievance procedures); and
- provide for open channels of communication between the Commission and its fiscal agent to ensure an effective exchange of information to address grant administration issues.

The lack of a comprehensive agreement has led to inconsistencies in grants administration. As of June 30, 2000, the Oregon Housing and Community Service Department (OHCS) became the fiscal agent of the Oregon Community Service Commission. The new agreement contains more descriptive language regarding roles and responsibilities of both the DCCWD and the OHCS.

Written Policies and Procedures

The Commission's fiscal policy manual developed in September 1999 relates to Commission staff members and programs receiving AmeriCorps competitive and formula funding. However, formal policies have not yet been developed for other grant programs such as Learn and Serve, Planning Development and Training, Disability and Administrative grants.

Classification and Support for Administrative Grant Expenses

The Commission could not provide adequate support for one recurring type of administrative grant expense selected for review (charges allocated to the Commission by its fiscal agent for amounts related to the fiscal agent's agreement with the Oregon Department of Education for the drawing of federal funds). The item selected for review amounted to $13,964 and was purported to represent the annual charge for services provided. Because the documentation provided by the Oregon Department of Education did not adequately demonstrate how the amounts charged to the Commission were derived, we could not ascertain if the charges were reasonable. Inadequate supporting documentation may result in Corporation funds being used for unallowable expenses.

Additionally, the Commission did not properly classify 2 of 16 administrative grant award expenses selected for review in its general ledger. Misclassifications may lead management to make erroneous conclusions based on the information provided, potentially resulting in noncompliance with grant provisions and inaccurate reporting of program activity to the Corporation.

Timeliness of Receipt of FSRs

The Commission had not routinely date-stamped FSRs from subgrantees as they are received. Therefore, the Commission cannot verify if these documents were submitted timely in compliance with the grant agreement. As a result, subgrantee FSRs may have

been submitted late. We noted that the Commission began utilizing the Web Based Reporting System which electronically records the date subgrantees submit their FSRs to the Commission during the fiscal year ending September 30, 2000. As a result, no recommendation is required related to date stamping of FSRs currently being received.

Recommendations

We recommend the Commission focus on measures for improving the effectiveness of its grant administration process as follows:

- Determine and maintain realistic staffing levels based on funding, related duties and responsibilities. As an alternative to hiring additional personnel, the Commission could amend the current agreements with either of its paying agents to expand their scope of services to include performing the duties previously performed by the Administrative Officer. These duties include periodically reconciling Commission's expenses processed by both of its paying agents, performing subgrantee fiscal monitoring and ensuring compliance with relevant Corporation, grant and federal guidance for PDAT, Administrative and Disability grants.

  With respect to the duties previously performed by the Special Projects Coordinator, we recommend that the Commission consider staffing this position at an appropriate FTE level or contracting for the related services. In the absence of hiring additional staff, we recommend that the Commission segregate incompatible accounting functions as much as possible.

- Continue the development and implementation of procedures to review subgrantee FSRs, recalculate matching requirements and formally document the review procedures performed.

- Continue developing formal policies and procedures to encompass all grants awarded by the Commission, including Administrative, Program Development and Training and Disability.

- Evaluate the effectiveness of the new interagency agreement with OHCS after six months to determine whether any amendments are necessary to ensure a smooth working relationship between the Commission and its fiscal agent.

- Meet with the Oregon Department of Education to obtain an understanding of and support for the amounts charged to the Commission for services provided in drawing down federal funds for program expenses. Based on the information obtained, ascertain whether any adjustments should be made to reported allowable grant expenses and take appropriate corrective action.

- Establish a process for review by a second person of the propriety of expenses as classified in the general ledger. Any discrepancies noted should be corrected on a timely basis to ensure the accuracy of grant expense information reported to the Corporation.

- Establish a process to conduct formal, periodic staff meetings with the fiscal agent to address important grant administration issues as they arise.

Evaluating and Monitoring Subgrantees

As noted above, the Commission is responsible for evaluating whether subgrantees comply with legal, reporting, financial management and grant requirements and ensuring follow through on issues of noncompliance. Prior to February 1998, no documentation exists to support any site visits to subgrantee locations the Commission may have performed. Between February and December 1998, the Commission was understaffed and experienced a significant amount of turnover. During that time, no on-site monitoring visits occurred. Instead, the Commission relied on telephone calls and periodic meetings with subgrantee Program Directors to address programmatic concerns and issues.

We identified the following areas for improvement related to the evaluation and monitoring of subgrantees.

Semi-annual Site Visits

Beginning in program year 1998-1999 (June 1999), the Commission established a policy to perform semi-annual site visits for each subgrantee using a standard monitoring tool. Actual visits to subgrantee locations did not commence until November 1999. Such visits were to include visits to program locations on a sample basis to observe Member activities. After each visit, the site monitors were expected to notify the subgrantee of the results of site visits, including strengths, challenges, recommendations and any necessary follow-up requirements. However, this policy was never fully implemented as designed.

Improved Documentation of Site-Monitoring

As noted above, the Commission developed and began using a standard site monitoring tool to provide reasonable assurance that subgrantees were complying with federal and grant requirements and that the review was adequately documented. However, the use of this tool does not currently provide for adequate documentation of the sample items selected for review, the rationale for selecting the sample items, or a provision for review of Member timesheets and expenses. Improved documentation of procedures performed during on-site monitoring ensures that procedures are performed consistently across all subgrantees and that significant areas of internal control and compliance, such as

Member time and expense reporting, are addressed. Additionally, it enables Commission management to evaluate the monitor's rationale and place greater reliance on the conclusions reached.

Review of Subgrantee OMB Circular A-133 and Other Reports

OMB Circular A-133 Compliance Supplement, April 1999, Part 6 – Internal Control suggests that review of and follow-up on subgrantees' audit reports is a key component of a program to monitor subgrantees' compliance with federal grant requirements. In 1999, the Commission formally implemented procedures to require receipt and review of OMB Circular A-133 or other audit reports. Prior to 1999, there is no evidence that subgrantees' reports were routinely requested or that they were reviewed by the Commission. Without adequate review and follow-up on matters contained in OMB Circular A-133 audit reports, control weaknesses or instances of material noncompliance noted and disclosed in such audit reports may continue to occur and not be corrected timely.

Follow-up Procedures on Deficiencies Noted during Site Monitoring Visits

The Commission began performing site monitoring visits in November 1999. For two of four subgrantee files reviewed for evidence of site monitoring since that date, there is no documentation of the follow-up of deficiencies noted during those visits.

Recommendations

We recommend the Commission focus on measures for improving the effectiveness of its evaluation and monitoring of subgrantees as follows:

- Develop and implement procedures to document the review and testing of subgrantees' Member timesheets and expense documentation during financial site visits. These procedures should require identification of selection criteria and items selected for testing.

- Continue developing its OMB Circular A-133 audit report tracking database to provide reasonable assurance that the Commission receives and reviews the audit reports from all subgrantees subject to such audits, and follows up on any deficiencies noted in these reports in a timely manner.

- Obtain and review the most recent OMB Circular A-133 reports as a part of the compliance site visits for all subgrantees. If an OMB Circular A-133 audit is in process when the site visits occurs, the Commission should note this in an "outstanding reports" listing, which should be reviewed periodically during the year to ensure all OMB Circular A-133 reports are obtained and reviewed timely.

- Develop written policies and implement procedures to ensure that adequate corrective actions are taken in a timely manner when deficiencies are noted either by the Commission during site visits, or during review of OMB Circular A-133 reports.

- Enforce current procedures requiring semi-annual site monitoring.

Providing Technical Assistance

Annually, the Commission receives grant funds to provide technical assistance to its subgrantees. Procedures are in place at the Commission to (1) identify training needs of subgrantees through site visits, training evaluations, and need and resource assessment surveys; (2) notify subgrantees of training programs; and (3) provide needed training to subgrantees. The Commission currently
uses the services of Northwest Regional Educational Labs (NWREL) to provide training to Commission and subgrantee personnel. We identified no significant areas for improvement in this area.

However, in conversations with the Executive Director of the Commission, we understand the Commission is considering severing its relationship with NWREL and developing its own internal training program, in an effort to reduce costs. We recommend the Commission determine the impact such a decision may have on the already strained resources of the Commission staff. Before such action is taken, we also recommend focused attention be given to developing a an ideal course curriculum for Commission staff and subgrantees.

* * * * * *

This report can be obtained in its entirety from CNS OIG. Please call (202) 606-5000 extension 390 to request a copy.

APPENDIX A

OREGON COMMUNITY SERVICE COMMISSION RESPONSE

OREGON COMMUNITY SERVICE COMMISSION

11 September, 2001

Ms. Luise Jordan, Inspector General
Corporation for National Service
1201 New York Avenue N.W.
Washington, D.C. 20525

Dear Ms. Jordan,

Enclosed please find the response of the Oregon Commission to the Incurred Cost Audit Report which was forwarded to us for comment on August 12, 2001.

Thank you for including our response as Appendix A when the final report is published.

If you need any further information, please call me at the telephone number listed below.

Sincerely,

Kathleen A. Joy
Executive Director

/encl.

RECEIVED
SEP 17 2001
OFFICE OF THE
INSPECTOR GENERAL

PSU/CSC 369 NH • PO BOX 751 • Portland, OR 97207-0751 • (503) 725-5903 • Toll Free 888-353-4483
Fax (503) 725-8335 • TTD 1-800-735-2900 • (TTY) Voice 1-800-735-1232 • email: ocsc@pdx.edu

Oregon Community Service Commission Response

September 11, 2001

Inspector General
Corporation for National and Community Service

The members of the Oregon Community Service Commission, as well as its staff, welcome the opportunity to respond to the Incurred Cost Audit report prepared for your office by KPMG and forwarded to us for comment on August 13, 2001.

General Response

The Commission is pleased that its systems have grown stronger over the past three years. We have recently completed a strategic reinvention of our financial administration procedures. We are puzzled why this report does not recognize all of the significant improvements that were shared with the audit team. There is a definite inconsistency between the Pre-Audit Survey report issued by KPMG in August, 2000, and this report. Many of the systems recommended in the current report had been fully developed and implemented prior to the pre-audit survey. We know that the Incurred Cost Audit team had access to, and used those work papers to conduct our audit. In addition to the materials we provided to KPMG as part of the pre-audit survey, multiple copies of our policy and procedure manuals were shared with the audit team over the eight months during which this audit was conducted.

While we believe that some portions of the report reflect the continuous improvements in the grant management systems that we have established and implemented over the past three years, we are generally concerned about the inaccurate findings that are included in the document. We believe that many of these inaccuracies can be directly traced to the substantial changes in KPMG audit personnel assigned to conduct the audit.

These changes resulted in generally weak communications between the audit firm and the Commission staff. We can readily document multiple occasions during which KPMG requested duplicate information from our programs. We attribute these requests to the inconsistencies in staff assignment, and more importantly, inconsistent staff orientation by KPMG to the work that had been previously completed by other members of the firm.

The audit team arrived in Oregon unprepared to conduct the audit. No specific protocols had been established by KPMG prior to their arrival. During the first week, auditors spent time with three of the ten programs that were ultimately reviewed, admittedly establishing their operating procedures and determining how the future reviews would be conducted. This left the initial three programs at a disadvantage, since their staffs were required to perform many hours of additional work as the audit team refined its processes in future weeks. Had the audit team been fully prepared when it began its assignment, our programs would not have been subjected to the many additional requests for information that resulted.

In addition, the lack of planning resulted in no advance notice to any of our programs regarding information that would be required by the auditors. This notification is a generally accepted

practice that organizations expect during the course of an audit. In all instances, the lack of advance notification slowed the process, and resulted in the numerous requests for duplicate information which were received after the departure of the audit team.

Of even greater concern is the unwillingness of the audit team to accept documentation that was specifically requested of one program by the Inspector General during the June 26, 2001 exit interview. The exit interview was the first notice that most of our programs received that there would be significant findings. In most instances, we are still unaware of the specific deficiencies in much of the information provided at the request of the auditors. Again, this is a different standard than that at which most of our programs have operated with their own independent auditors. We believe that there should be a clear understanding of the preliminary audit results before an audit team leaves a program site. During future audits, it should not be acceptable for programs to be uninformed of the magnitude of the findings until arriving at the exit interview.

In addition to the concerns over some of the audit methodologies, we have also documented several mathematical errors in the work papers used by KPMG to prepare this report. Specific information on these errors has been provided in writing to the Corporation for National Service. We can also provide documentation of errors in identifying funding sources that are included in the report. These are additional indicators of the problems we encountered in attempting to work professionally with the audit firm.

Lastly, we express our concern that for many of the findings, we are unable to determine the basis for the recommendations.

Specific Response

Material Weaknesses

1. Grants and Program Management

Audit Recommendation:

We recommend that the Commission take the following actions to improve its grants and program management process.

• Establish a comprehensive program to monitor the programmatic and financial activity of all subgrantees to ensure adequate attention is given to compliance issues which may not be addressed even if a Single Audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* has been performed for any specific subgrantee. Subgrantee monitoring activities should include site visits performed on a periodic basis, the frequency of which would depend on the level of risk assessed by the Commission.

• Implement procedures to obtain and routinely review grantee Single Audit reports, where required, and resolve identified instances of noncompliance.

Commission Response:

We disagree with both of the recommendations, since the recommended systems were fully developed and implemented prior to the pre-audit survey conducted by KPMG in June, 2000.

In fact, the Commission's A-133 Audit Review Data Base report was used as the basis for scheduling all audit visits during the Incurred Cost Audit. Every member of the audit team received a copy of the report, which provides complete information on the status and findings of each A-133 report, as well as contact information for each of the programs.

Recognition of our systems is included in the Pre-Audit Survey report. In addition, the audit team was provided with multiple copies of our policy and procedure manuals, which clearly document the prior implementation of the policies.

2. Financial Management and Reporting

Audit Recommendation:

We recommend that OCSC prepare a comprehensive set of policies and procedures to ensure that day-to-day procedures are documented to guide personnel in required tasks. Policies and procedures should address all aspects of the Commission's financial activities. Specifically, the accounting, reporting and monitoring of funds received and disbursed by the Commission. Procedures should also encompass requirements for review and monitoring of the financial activities of subgrantees. These procedures once developed should be immediately implemented.

Commission Response:

Again, we disagree with the recommendation, since the recommended policies and procedures were established previously and have been utilized regularly for the past two years. These procedures were reviewed by the KPMG team that conducted the Pre-Audit Survey. Any additions that were recommended during the pre-audit survey were completed and included in the policies and procedures manual currently utilized by the Commission. These revisions were shared with the Incurred Cost audit team when we released the 2000-2001 manuals to them for review.

AmeriCorps Grant

A. Compliance Findings Resulting in Questioned Costs

The Commission expresses our concern over the inconsistent methods used to determine some of the questioned costs. Although the information on specific stipend and payroll amounts for members and program staff was provided to KPMG by all programs on at least two occasions,

we note in the review of the work papers that for several programs, the questioned costs are based on estimates, rather than actual expenditures. We regret that the information provided, and ultimately confirmed by a return visit to Oregon by KPMG personnel to review original source documents on site, was not used in preparation of the report. This information would more accurate reflect the questioned costs.

3. *Lack of Documentation*

   • *Eligibility Requirements*

   The Commission is confused by this finding, specifically as it relates to the Central Oregon Community College (COCC) program. In their submission of documentation, Central Oregon Community College representatives followed explicit directions received at the IG's public meeting with grantee/sub grantees on June 26, 2001. Inspector General Jordan, in public meeting, stated in response to questions that a certified roster of program participants who were also Central Oregon Community College students would constitute acceptable documentation of eligibility questioned in the Central Oregon Community College limited scope review. It was stated that COCC could respond to questioned costs by submitting a roster of student/program participants over the COCC Registrar's notarized signature attesting to citizenship, high school graduation status, and age as documented in College records. COCC, in its response in full good faith, submitted such roster as directed. Without explanation, the audit team not only disallowed the information provided at the request of the Inspector General, but increased the findings, stating: "because of the significant number of exceptions noted for Central Oregon Community College, we have questioned all Member costs incurred for this subgrantee and all Education Awards issued by the Corporation."

Based on the specific information submitted by the program at the direct request of the Inspector General, we question the accuracy of this total.

Audit Recommendation:

The Commission should require subgrantees to provide documented procedures to enhance and formalize the file maintenance process currently in place. Procedures should include, where applicable, a checklist for all required documentation, a training program for personnel who handle Member files, and a periodic review process where selected Member files are checked for compliance with documented procedures. In addition, the Commission should routinely test Member file maintenance as part of its site monitoring procedures.

Commission Response:

The Commission developed and implemented a formal procedure for development of a file maintenance process and monitoring of Member files in 1999. Changes recommended during the pre-audit survey were immediately implemented by the Commission. This revised policy information, along with samples of the work papers created during monitoring visits, was

provided to the audit team on more than one occasion. Therefore, we disagree with the recommendation.

4. Documentation to support selected payments claimed under the grant was not maintained.

The Commission is confused by the decision to question costs for which original documents were submitted to KPMG. The preliminary findings questioned a total of $9,250 in evaluation charges. The narrative section of the final report states that evaluation costs of $6,250 are being questioned due to lack of supporting documents. A review of the file shows that two separate invoices, and related check requests totaling $10,000 were submitted to KPMG for review, along with a notation that $6,000 of the total was charged to the grant. We cannot determine why only one of the original invoices was acceptable, when two originals were included in the documents submitted for review.

We are also concerned that an inkind gift of $3,750 to the same organization is denied, even though original documents from the donor, as well as the official gift acknowledgement from the program, were submitted to the auditors as proof of expenditure.

The same program also submitted an original expense report, with supporting documents, from an employee, only to have all of the charges questioned, with no explanation. We are unable to determine why these expenses were summarily denied.

6. The basis of an in-kind contribution could not be determined.

The Commission disagrees with this questioned cost, since the dollar amount identified in the report had been previously validated by the program's independent auditor and included in that report as income when the AmeriCorps program was selected as a major program during an A-133 audit. We believe that their independent audit report, combined with the subsequent documentation provided to KPMG, provide adequate information to remove this questioned cost. We are unable to determine from the report as issued why the cost was questioned.

7. Match amounts did not agree to Financial Status Reports.

While we agree that the agency's official accounting records did not accurately reflect the match amounts shown in the Financial Status Reports, we disagree with the decision not to accept additional information provided by the program to KPMG for its review. The information provided from the program records clearly demonstrates the basis for the match amounts claimed. Commission staff review of the additional information resulted in our satisfaction that the amount claimed had been adequately documented by the subgrantee. The audit report indicates that the information was received by KPMG, but not accepted. Again, there is nothing in the report to inform us as to the reason for the decision.

In the future, it is our hope that auditors will adequately communicate questions and require additional clarifying information on a more timely basis. We believe that an ongoing dialogue with a consistent audit team would have dramatically changed the scope of these questioned costs.

APPENDIX B

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE RESPONSE

CORPORATION
FOR NATIONAL
SERVICE

MEMORANDUM

TO: Luise S. Jordan, Inspector General

THRU: William Anderson, Deputy Chief Financial Officer

FROM: Bob Torvestad, Acting Director, AmeriCorps
Peg Rosenberry, Director, Grants Management

DATE: September 12, 2001

SUBJECT: Response to OIG Draft Audit Report 01-04: Audit of Corporation for National and Community Service Grants Awarded to the Oregon Community Service Commission

We have reviewed the draft audit report of the Oregon Community Service Commission grants. Due to the limited timeframe for response, our comments are primarily based on information contained in the report. Moreover, we have not yet conducted a comprehensive review nor analyzed documentation from the Oregon Commission addressing the issues raised in the audit. Therefore, our comments are brief and do not address every finding. We have had an opportunity to read Oregon's September 11 response to the draft audit and hope that the final audit substantially responds to the comments submitted by the grantee. This will assist us greatly in the Corporation's audit resolution process. We will respond to all findings and recommendations during the audit resolution process after the audit is issued.

We note that there are several recommendations to the Commission to "establish policies and procedures" related to various functions. In most of these instances, the Commission has indicated it implemented the relevant policies and procedures over the past two to three years, as was acknowledged in the earlier Pre-audit Survey performed by KPMG. However, this audit report does not provide sufficient detail to determine how the existing policies need to be improved. The Corporation and Commission will need additional information to determine what corrective actions may be needed regarding the Commission's current operations.

We also do have the following preliminary comments on some of the findings and questioned costs. The following comments reflect some of the discussions we have had to date with the Commission concerning the audit.

Finding A3: The auditors questioned costs related to living allowances and education awards paid to some AmeriCorps members because "Sufficient documentation to verify that members

NATIONAL SERVICE: GETTING THINGS DONE
AmeriCorps • Learn and Serve America • National Senior Service Corps
1201 New York Avenue, N.W. • Washington, D.C. 20525
telephone: 202-606-5000 • website: www.nationalservice.org

met eligibility requirements was not maintained." One of the documents that auditors were looking for, "date of high school diploma or equivalent certificate, if attained," was not readily available in the records of the Central Oregon Community College AmeriCorps program. As a result, KPMG has questioned living allowance and education awards related to COCC. We note that the statutory restriction to using the education award greatly diminishes—if not eliminates—any risk in this regard. Almost all members use the education award to pay the cost of attendance at a Title IV institution of higher education or to repay student loans used to cover such costs. Title IV institutions of higher education are required to document high school diploma (or equivalent) attainment for all students in attendance. Therefore, requiring grantees to duplicate this documentation is not necessary to assure compliance with the statutory eligibility requirements related to high school diplomas. Indeed, in this particular matter, the community college had such documentation, rendering the issue moot for the purposes of this audit.

Finding A2: Documentation to support AmeriCorps members' terms of service was not maintained, resulting in questioned costs.

Response: The Commission's response indicates that the member documentation exists, but was not readily available at the time of the audit. The Commission is working with its sub-grantees to retrieve additional supporting documentation such as timesheets, W-2 forms, attendance schedules, training rosters, and other documentation to support maintenance of appropriate records. This supporting documentation, along with information in SPAN, will be reviewed and analyzed during the formal audit resolution process to determine if adequate documentation was maintained on members.

Finding B9: The auditors stated that documentation to support that an orientation was conducted for enrolled members was not maintained by certain subgrantees. They reviewed the member files and determined that the documentation did not exist in the file, citing the Corporation's provisions that require an orientation.

Response: The Corporation's provisions do not require that each member's file include documentation that he or she received an orientation to the program. The program needs to conduct an orientation and can document it in several ways. That evidence could include the agenda for the orientation session, a member handbook, or orientation and training materials.

Finding 6: The audit report stated that the value of an in-kind contribution could not be determined and questioned $72,000 in match.

Response: The subgrantee, Friends of the Children, provided documentation to support the value of the rental space. However the auditors stated they could not assess the reasonableness of the square footage used to allocate the rent due to lack of documentation. The report is not clear as to why the auditors did not accept the documentation, which included the square footage used by the program and the value of the square footage.

Grants Management Finding: The audit report noted grants management as a material weakness, citing the Commission's A-133 procedures as one basis for the determination. The

audit report recommends the Commission implement procedures to obtain and review grantee Single Audit reports and resolve issues of non-compliance.

Response: The Commission has developed an A-133 audit database that tracks the audits, including findings and their resolution. This database was completed in July 1999. In fact, KPMG used the information from the database to prepare for their audit and knew that these procedures were in place.

Finally, the Corporation agrees with the Oregon Commission that this draft report does not reflect the improvements the Commission has made to its policies, procedures and systems over the last three years. Beginning in 1999, the Commission began a process to put comprehensive policies and procedures in place and worked closely with Corporation staff to review and improve its systems. In addition to providing extensive phone technical assistance, Corporation staff made several visits to Oregon to provide technical assistance. The Commission also received technical assistance from the Corporation's financial management technical assistance provider Walker and Co, LLP. The audit report contained at least seven recommendations for the Commission to "establish" policies and procedures. Yet, in every case, the Commission already has the policies and procedures in place. The audit report would have been more balanced if it had acknowledged that such policies and procedures were in place and described specific ways to improve them.

APPENDIX C

KPMG'S COMMENTS ON COMMISSION RESPONSE

KPMG's Comments on Commission Response

The following paragraphs present KPMG's comments on the information presented in the Commission's general and specific responses to the findings and recommendations included in this report. We continue to believe our findings are valid, based on the results of the incurred cost audit performed on the costs claimed by the Commission and its subgrantees. Further, our recommendations, once fully implemented should result in improvements to internal controls over the operations of the Commission and those of its subgrantees.

General Response

Commission's Response

The Commission questions why the report did not recognize all of the significant improvements that it believes were shared with the audit team, and indicates that they believe there is an inconsistency between the pre-audit survey report issued by KPMG in August 2000, and the incurred cost audit report.

KPMG's Comment

As already noted in our report, we have acknowledged that due to the short period of time between the completion of the pre-audit survey and the commencement of the incurred cost audit, there was insufficient time for the Commission to take all necessary corrective actions on the matters discussed in the pre-audit survey. As a result, we did not conduct follow up reviews and tests to confirm whether the Commission's corrective actions had been effectively implemented. Further, the period covered by the incurred cost audit was a timeframe beginning in January 1994 and continuing through August 2000. Therefore, all or any corrective actions taken as a result of the pre-audit survey would have been taken subsequent to the audit period under consideration. The findings presented in the incurred cost audit report provide a reflection of the Commission's and its subgrantees' financial management practices prior to any of the corrective actions being implemented. As a result, our recommendations may, in some instances, be a repetition of those presented in the pre-audit survey.

Commission's Response

The Commission's response indicates that inaccurate findings have been presented in the report.

KPMG's Comment

To the extent the Commission provided detail to support this statement in its specific response, we have adjusted the findings as appropriate. However, the findings presented in the report were considered to be exceptions as a result of either the lack of documentation or inadequacy of information/documentation that was provided to us by the Commission or its subgrantees.

Commission's Response

The Commission's response indicates that the audit team was unprepared to conduct the audit and no specific protocols had been established by KPMG prior to their arrival.

KPMG's Comment

The audit was conducted in accordance with *Government Auditing Standards* using the CNS OIG's audit program for a Full Scope Incurred Cost Audit of Corporation Awards with Subrecipients as a guide. Our audit approach had been developed prior to the conduct of the audit, with the participation of CNS OIG and its approval. As with any audit, it is necessary for the audit team to spend time to assess the financial systems and internal controls in existence at each of the entities being audited, since each has its own individual financial and operational procedures. Once this is done, the auditor is in a better position to request specific information required to conduct the audit. The audit process at the Commission and at its subgrantee locations was complicated by the fact that there had been several changes in employees and key management personnel during the period under audit, and certain former subgrantees no longer participated in or administered the AmeriCorps program. These circumstances necessarily resulted in time spent to determine how the audit approach should be amended to accommodate these factors.

Commission's Response

The Commission's response indicates that KPMG was unwilling to accept documentation related to a finding for one subgrantee, which they believed met the criteria set forth by the Inspector General during the June 26, 2001, exit interview.

KPMG's Comment

At the time of the exit interview, the Commission and its subgrantees were given an additional two weeks to provide missing documentation noted in the original findings. We adjusted a number of findings to reflect the additional documentation provided by the Commission and subgrantees subsequent to the exit interview. However, as it relates to the specific subgrantee mentioned in the Commission's response, we had specifically requested that copies of supporting documentation be provided and that the certification of a responsible official reflect the fact that these were true copies of the original documents. A certification by itself is not considered adequate supporting documentation for audit purposes. As a result, we continued to question the costs related to the sample items and, due to the pervasive nature of the number of exceptions, questioned the costs associated with all similar items. Follow-up by the Corporation will be necessary for the ultimate resolution of this finding.

Commission's Response

The Commission's response indicates that the exit interview was the first notice that the Commission received that there would be significant findings.

KPMG's Comment

Although no written findings were provided at the end of the audit fieldwork, preliminary notification of the findings had been verbally communicated to both the Commission and several subgrantees a month before the exit conference. The written findings were submitted prior to the exit conference, and an additional two weeks were provided so that the Commission and its subgrantees would have an opportunity to respond.

Commission's Response

The Commission's response indicates that several mathematical errors were noted in the report.

KPMG's Comment

The details of these errors have not been provided to us and therefore we are not in a position to follow up on this comment. The amounts reported were obtained from information provided to us by the Commission and its subgrantees during the course of our audit.

Specific Response

Commission's Response

Material Weaknesses

The Commission's response indicates it disagrees with our recommendations, since the recommended grants and program management systems were fully developed and implemented prior to the pre-audit survey conducted by KPMG in June, 2000.

The response also indicates the recommended financial management and reporting policies and procedures were established and had been utilized regularly for the past two years.

KPMG's Comment

As previously discussed, our audit report covers the period January 1994 through August 31, 2000, and our responsibility is to report on conditions that existed based on the results of our audit work conducted on Commission and subgrantee systems and controls in place during this period. In preparing our report, we incorporated the results of the pre-audit survey, since there was insufficient time for the Commission to take all necessary corrective actions on the matters discussed in that report.

Although Commission management informed us that they have taken steps to improve its monitoring process, corrective actions had not been fully implemented as of August 2000, which is supported by the results of this audit and the pre-audit survey. The nature and number of findings identified at subgrantee locations and presented in this report are a result of the inadequate monitoring practices previously in place. Therefore, we continue to believe our recommendations are valid. We have reworded certain of our recommendations to acknowledge the Commission's efforts in developing procedures and controls to improve the effectiveness of its evaluation and monitoring of its subgrantees.

The pre-audit survey identifies certain other findings related to the Commission's financial management and reporting practices which were in the process of correction subsequent to August 2000. We continue to believe our recommendations are valid. However, we have reworded them to acknowledge the Commission's efforts in developing procedures and controls to improve its financial management and reporting practices.

AmeriCorps Grant

Compliance findings resulting in questioned costs

Commission's Response

The Commission expressed its concern over what it perceives to be inconsistent methods used to determine some of the questioned costs.

KPMG's Comment

The questioned costs identified in the report were developed using either actual costs (in those instances that actual costs were provided by the Commission and its subgrantees) or estimated costs (in those instances that actual costs were not readily available). We have included language in the report to inform the reader that estimated costs have been used in certain instances.

Lack of documentation related to eligibility requirements

Commission's Response

The Commission indicated it was confused by this finding, specifically as it relates to the Central Oregon Community College (COCC) program.

It also indicates that it had developed and implemented a formal procedure for development of a file maintenance process and monitoring of Member files in 1999, and that changes recommended during the pre-audit survey were immediately implemented by the Commission.

KPMG's Comment

Our comment related to the COCC program finding has been provided under our comments to the Commissions' general response. We have reworded our recommendation to acknowledge the Commission's efforts in developing procedures and controls to improve file maintenance practices.

Documentation to support selected payments claimed under the grant was not maintained.

Commission's Response

The Commission indicated it was confused as to the amount of question costs reported for selected payments and in-kind gifts for which original documents were submitted to KPMG.

KPMG's Comment

There was an error on our part in reporting the amount of the questioned costs. We have changed the report to reflect the correct amount ($3,000) that is being questioned due to lack of supporting documentation.

The remaining amounts have been questioned because the supporting documentation provided did not agree to or was not adequate to support the total amount claimed. Our reasons for questioning these amounts have been provided in the report.

The basis of an in-kind contribution could not be determined.

Commission's Response

The Commission indicated it disagreed with this questioned cost, since the dollar amount identified in the report has been previously validated by the program's independent auditor.

KPMG's Comment

We have clarified our basis for questioning these amounts in the related section of the report.

Match amounts did not agree to Financial Status Reports.

Commission's Response

The Commission indicated that it agreed that the agency's official accounting records did not accurately reflect the match amounts shown in the Financial Status Reports, but disagreed with our decision not to accept additional information provided by the program to KPMG for its review subsequent to the exit conference.

KPMG's Comment

We have clarified our basis for questioning these amounts in the related section of the report.

APPENDIX D

KPMG'S COMMENTS ON CORPORATION'S RESPONSE

KPMG Comments on Corporation's Response

The following paragraphs present KPMG's comments on the information presented in the Corporation's response to the findings and recommendations included in this report, where appropriate. Additionally, we have reworded our recommendations in the report to acknowledge the Commission's efforts in developing procedures and controls to improve the effectiveness of its evaluation and monitoring of its subgrantees, as well as its financial management and reporting processes.

General

Corporation's Response

The Corporation has requested that KPMG provide additional information to determine what corrective actions are needed to further strengthen the relevant policies and procedures related to various functions that were implemented by the Commission over the past two years.

KPMG's Comment

As indicated in our comments to the Commission's response, due to the short period of time between the completion of the pre-audit survey and the commencement of the incurred cost audit, there was insufficient time for the Commission to take all necessary corrective actions on the matters discussed in the pre-audit survey. As a result, we did not conduct follow up reviews and tests to confirm whether the Commission's corrective actions had been effectively implemented.

Finding A3

Corporation's Response

The Corporation reiterated the Commission's concern over questioned costs related to the Central Oregon Community College program.

KPMG's Comment

See KPMG comments to the Commission's response provided as Appendix C (page C.5).

Finding B9

Corporation's Response

The Corporation indicated that the AmeriCorps provisions do not require that each member's file include specific documentation that he or she received an orientation to the program, but that this can be documented in a variety of ways.

KPMG's Comment

In reviewing the information that was provided by the subgrantees, we accepted a variety of documentation such as an agenda for the orientation, or orientation and training materials. The subgrantees identified in the report with these exceptions represent those who did not submit any documentation or provided inadequate documentation as support for the orientation that was purported to have been held.

Finding 6

Corporation's Response

The Corporation's response supported the Commission's response that a subgrantee, Friends of the Children, had provided sufficient documentation to support the value of the rental space.

KPMG's Comment

As indicated in our report, we were unable to assess the reasonableness of the square footage used by the program. Although some documentation was provided, it was not sufficient as support for the square footage allocation to the AmeriCorps program.

Grants Management Finding

Corporation's Response

The Corporation indicated its support of the Commission's statement that it had developed an A-133 audit database that tracks the audits, including findings and their resolution.

KPMG's Comment

As indicated in our response to the Commission, although Commission management informed us that they have taken steps to improve its monitoring process, corrective actions had not been fully implemented as of August 2000, which was supported by the results of the pre-audit survey and related findings. The nature and number of findings identified at subgrantee locations and presented in this report are a result of the inadequate monitoring practices previously in place. Therefore, we continue to believe our recommendations are valid.