Office of the Inspector General
Corporation for National and Community Service

Audit of
Corporation for National Service
Grant Number 439S059 to the
West Virginia Bureau of Senior Services
Charleston, West Virginia

OIG Audit Report Number 01-12
April 6, 2001

Financial Schedules and
Independent Auditor's Reports

For the Period
July 1, 1997 to June 30, 2000

Delivery Order S-OPRAQ-99-D-0020-CNS-07
Leonard G. Birnbaum and Company
Certified Public Accountants
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Alexandria, Virginia 22310

This report was issued to Corporation management on September 24, 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 25, 2002, and complete its corrective actions by September 24, 2002. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

CORPORATION
FOR NATIONAL
SERVICE

Office of Inspector General
Corporation for National and Community Service
OIG Audit Report Number 01-12

Audit of Corporation for National Service Grant Number 439S059
to the
West Virginia Bureau of Senior Services

The Office of Inspector General engaged L. G. Birnbaum and Company, LLP to audit costs claimed by the West Virginia Bureau of Senior Services under CNS grant number 439S059. The audit covered the period July 1, 1997 through June 30, 2000 and included procedures to determine if costs claimed in financial reports prepared by the Bureau were allowable, internal controls were adequate to safeguard Federal funds, and whether the Bureau had policies and procedures adequate to ensure compliance with Federal laws, applicable regulations and award conditions.

As a result of the work performed, the auditors are questioning $63,418 of the $1,211,502 (5 percent) costs claimed over the three year period. About $56 thousand of the questioned costs results from the Bureau's withdrawal of funds from the Corporation in excess of expenditures it claimed and reported for the three fiscal years audited. The report discusses this condition in detail and provides information on other compliance issues as well as other questioned costs.

CNS OIG reviewed the report and the work papers supporting its conclusions. We agree with the findings and recommendations presented. The Corporation and the West Virginia Bureau of Senior Services responses to this report are discussed within the report and included in their entirety as Appendices A and B, respectively.

Inspector General
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Office of the Inspector General
Corporation for National Service
Audit of Corporation for National Service
Grant No. 439S059 to the
West Virginia Bureau of Senior Services

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Office of the Inspector General
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Audit of Corporation for National Service
Grant No. 439S059 to the
West Virginia Bureau of Senior Services

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REPORT SUMMARY AND HIGHLIGHTS

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Corporation for National Service

This report is issued under an engagement to audit the costs claimed by West Virginia Bureau of Senior Services from July 1, 1997 through June 30, 2000. This report focuses on the audit of claimed costs, internal control and compliance with Federal laws, applicable regulations and award conditions.

Our audit of West Virginia Bureau of Senior Services covered the funds awarded by the Corporation for National Service (Corporation) under Grant No. 439S059 for the period July 1, 1997 through June 30, 2000, which had a similar award period. Our audit of the costs claimed by West Virginia Bureau of Senior Services for its Foster Grandparent program disclosed the following:

	Period	Amount	Percentage Of Total
Award Budget	07/97 - 06/00	$ 1,267,403	-
Claimed Costs	07/97 - 06/00	$ 1,211,502	96%
Questioned Costs	07/97 - 06/00	$ 63,418	5%

SUMMARY OF AUDIT RESULTS

As a result of our audit of the aforementioned award, we are questioning costs totaling $63,418, which are summarized below and detailed in Exhibit A to the Independent Auditor's report. Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the award, or those costs which require additional support by the grantee or which require interpretation of allowability by the Corporation.

The following summarizes the costs questioned on the above award by reason:

Explanation	Amount
▪ Funds drawn-down, but not expended or returned to the Corporation	$ 55,901
▪ The minimum matching requirements were not met	7,517
Total Questioned Costs	$ 63,418

For a complete discussion of these questioned costs, refer to the Independent Auditor's Report.

COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

- West Virginia Bureau of Senior Services drew down funds from the Corporation in excess of expenditures over the three fiscal years audited. (Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting, Finding No. 1)

- Additional stipends paid by the State of West Virginia in excess of the amount established by the Corporation may not be included as part of the local support contribution. Minimum matching requirements for program operations, therefore, were not met by West Virginia Bureau of Senior Services for the 98/99 program year. (Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting, Finding No. 2)

- West Virginia Bureau of Senior Services could not document that the Semi-Annual Progress Reports and the Foster Grandparent Program Project Profile and Volunteers Activity Surveys had been prepared and submitted. (Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting, Finding No. 3)

- Review of volunteer records disclosed instances of noncompliance such as missing files and files that lacked current required information. (Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting, Finding No. 4)

- West Virginia Bureau of Senior Services did not maintain signed Memoranda of Understanding with all Volunteer Stations. (Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting, Finding No. 5)

Inspector General
Corporation for National Service

PURPOSE AND SCOPE OF AUDIT

Our audit covered the costs claimed under Grant No. 439S059 during the period July 1, 1997 through June 30, 2000, which had an award period of July 1, 1997 through June 30, 2000. The objectives of our audit were to determine whether:

1. Financial reports prepared by West Virginia Bureau of Senior Services presented fairly the financial condition of the award;

2. The internal controls were adequate to safeguard Federal funds;

3. West Virginia Bureau of Senior Services had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations and award conditions;

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

5. West Virginia Bureau of Senior Services had adequate procedures and controls to track and report progress toward achievement of the program objectives.

We performed the audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the award, as presented in the schedule of award costs (Exhibit A), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibit A. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

We provided a draft of this report to the Corporation's Office of Grants Management and to West Virginia Bureau of Senior Services. The Corporation's response is presented as Appendix A. West Virginia Bureau of Senior Services' response is presented as Appendix B.

BACKGROUND

The Corporation awarded Grant Number 439S059 in the amount of $1,267,403 for the period July 1, 1997 through June 30, 2000, to West Virginia Bureau of Senior Services for its Foster Grandparents program to assist children that have been identified as having special needs to enhance their self-esteem and ability to learn and to improve social skills and testing.

REPORT RELEASE

This report is intended for the information and use of the Corporation's Office of the Inspector General, as well as the Corporation's management, the West Virginia Bureau of Senior Services, and the United States Congress. However, this report is a matter of public record and its distribution is not limited.

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

We have audited the costs incurred by West Virginia Bureau of Senior Services for the below award. These costs, as presented in the Schedule of Award Costs (Exhibit A), are the responsibility of West Virginia Bureau of Senior Services' management. Our responsibility is to express an opinion on Exhibit A based on our audit.

Award Number	Award Period	Audit Period
439S059	July 1, 1997 to June 30, 2000	July 1, 1997 to June 30, 2000

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying financial schedules were prepared for the purpose of complying with the requirements of the award agreement as described in Note 1, and are not intended to be a complete presentation of financial position in conformity with generally accepted accounting principles of the United States.

MEMBER OF THE DIVISION FOR CPA FIRMS, PRIVATE COMPANIES PRACTICE SECTION
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Inspector General
Corporation for National Service

In our opinion, except for $63,418 in questioned costs, the Schedule of Award Costs referred to above presents fairly, in all material respects, the costs claimed for the period July 1, 1997 to June 30, 2000, in conformity with the award agreements.

This report is intended for the information and use of the Corporation's Office of the Inspector General, as well as the Corporation's management, the West Virginia Bureau of Senior Services, and the United States Congress. However, this report is a matter of public record and its distribution is not limited.

Leonard G. Birnbaum and Company

Alexandria, Virginia
April 6, 2001

FINANCIAL SCHEDULES

Exhibit A

West Virginia Bureau of Senior Services
Corporation for National Service Award No. 439S059
Schedule of Award Costs
From July 1, 1997 to June 30, 2000

Cost Category	Approved Budget	Claimed Costs	Questioned Costs	Exhibit B Note Reference
Member Support Costs:				
Stipends	$ 874,773	$ 774,609	$ -	
Travel	50,062	72,721	-	
Meals	12,093	7,405	-	
Physicals	2,724	-	-	
Insurance	2,164	-	-	
Subtotal	941,816	854,735	-	
Staff:				
Personnel Services	229,472	231,930	-	
Admin. Charge - Insurance	-	2,401	-	
SS Match	5,542	16,301	-	
Health Insurance	9,598	28,808	-	
Workers' Comp.	435	1,665	-	
Retirement	6,882	22,025	-	
Fringe Benefits	47,814	-	-	
Subtotal	299,743	303,130	-	
Operational:				
Office Expense	1,782	1,939	-	
Travel	6,640	8,698	-	
Vehicle Rental	3,498	2,886	-	
Fire and Other Insurance	-	1,454	-	
Contractual	3,387	12,685	-	
Computer Services	-	443	-	
Vehicle Maintenance	-	693	-	
Hospitality	-	3,871	-	
Miscellaneous	-	2,226	-	
Credit Card - Supplies	-	4,919	-	
Office Equipment Repair	-	446	-	
Grants, Awards, etc.	10,537	7,052	-	
Fed Sub. Disb.	-	6,325	-	
Subtotal	25,844	53,637	-	
MATCH SHORTFALL	-	-	7,517	2
EXCESS DRAWDOWNS	-	-	55,901	1
TOTAL FEDERAL FUNDS	$ 1,267,403	$ 1,211,502	$ 63,418	

The accompanying notes are an integral part of this financial schedule.

Schedule A-1

West Virginia Bureau of Senior Services
Corporation for National Service Award No. 439S059
Schedule of Award Costs
From July 1, 1997 to June 30, 1998

Cost Category	Approved Budget	Claimed Costs	Questioned Costs	Exhibit B Note Reference
Member Support Costs:				
Stipends	$ 288,600	$ 245,171	$ -	
Travel	15,190	14,575	-	
Meals	2,500	2,679	-	
Physicals	908	-	-	
Insurance	564	-	-	
Subtotal	307,762	262,425	-	
Staff:				
Personnel Services	72,443	74,022	-	
Admin. Charge - Insurance	-	890	-	
SS Match	5,542	5,147	-	
Health Insurance	9,598	9,694	-	
Workers' Comp.	435	459	-	
Retirement	6,882	7,032	-	
Subtotal	94,900	97,244	-	
Operational:				
Office Expense	1,782	116	-	
Travel	1,670	1,340	-	
Vehicle Rental	1,589	420	-	
Fire and Other Insurance	-	501	-	
Contractual	1,227	2,145	-	
Computer Services	-	56	-	
Vehicle Maintenance	-	119	-	
Hospitality	-	721	-	
Miscellaneous	-	605	-	
Credit Card - Supplies	-	473	-	
Office Equipment Repair	-	115	-	
Grants, Awards, etc.	2,877	6,900	-	
Subtotal	9,145	13,511	-	
EXCESS DRAWDOWNS	-	-	38,627	1
TOTAL FEDERAL FUNDS	$ 411,807	$ 373,180	$ 38,627	

The accompanying notes are an integral part of this financial schedule.

Schedule A-2

West Virginia Bureau of Senior Services
Corporation for National Service Award No. 439S059
Schedule of Award Costs
From July 1, 1998 to June 30, 1999

Cost Category	Approved Budget	Claimed Costs	Questioned Costs	Exhibit B Note Reference
Member Support Costs:				
Stipends	$ 295,504	$ 262,076	$ -	
Travel	19,646	28,500	-	
Meals	3,625	2,291	-	
Physicals	908	-	-	
Insurance	800	-	-	
Subtotal	320,483	292,867	-	
Staff:				
Personnel Services	77,294	77,258	-	
Admin. Charge - Insurance	-	1,008	-	
SS Match	-	5,264	-	
Health Insurance	-	9,334	-	
Workers' Comp.	-	548	-	
Retirement	-	7,331	-	
Fringe	23,607	-	-	
Subtotal	100,901	100,743	-	
Operational:				
Office Expense	-	92	-	
Travel	890	2,557	-	
Vehicle Rental	897	136	-	
Fire and Other Insurance	-	614	-	
Contractual	1,080	9,725	-	
Computer Services	-	170	-	
Vehicle Maintenance	-	218	-	
Hospitality	-	1,980	-	
Miscellaneous	-	233	-	
Supplies	-	4,296	-	
Rental Expense	-	281	-	
Awards	3,500	-	-	
Subtotal	6,367	20,302	-	
MATCH SHORTFALL	-	-	7,517	2
EXCESS DRAWDOWNS	-	-	13,839	1
TOTAL FEDERAL FUNDS	$ 427,751	$ 413,912	$ 21,356	

The accompanying notes are an integral part of this financial schedule.

Schedule A-3

West Virginia Bureau of Senior Services
Corporation for National Service Award No. 439S059
Schedule of Award Costs
From July 1, 1999 to June 30, 2000

Cost Category	Approved Budget	Claimed Costs	Questioned Costs	Exhibit B Note Reference
Member Support Costs:				
Stipends	$ 290,669	$ 267,362	$ -	
Travel	15,226	29,646	-	
Meals	5,968	2,435	-	
Physicals	908	-	-	
Insurance	800	-	-	
Subtotal	313,571	299,443	-	
Staff:				
Personnel Services	79,735	80,650	-	
Admin. Charge - Insurance	-	503	-	
SS Match	-	5,890	-	
Health Insurance	-	9,780	-	
Workers' Comp.	-	658	-	
Retirement	-	7,662	-	
Fringe	24,207	-	-	
Subtotal	103,942	105,143	-	
Operational:				
Office Expense	-	1,731	-	
Travel	4,080	4,801	-	
Vehicle Rental	1,012	2,330	-	
Fire and Other Insurance	-	339	-	
Contractual	1,080	815	-	
Computer Services	-	217	-	
Vehicle Maintenance	-	356	-	
Hospitality	-	1,170	-	
Miscellaneous	-	1,388	-	
Rental Expense	-	150	-	
Office Equipment Repair	-	50	-	
Grants, Awards, etc.	4,160	152	-	
Fed. Sub. Disb.	-	6,325	-	
Subtotal	10,332	19,824	-	
EXCESS DRAWDOWNS	-	-	3,435	1
TOTAL FEDERAL FUNDS	$ 427,845	$ 424,410	$ 3,435	

The accompanying notes are an integral part of this financial schedule.

West Virginia Bureau of Senior Services
Corporation for National Service Award No. 430S059
Notes to Financial Schedules

1. Summary of Significant Accounting Policies

Accounting Basis

The accompanying financial schedules, Exhibit A and Schedules A-1, A-2 and A-3, have been prepared from the books of account of the West Virginia Bureau of Senior Services. The basis of accounting utilized differs from generally accepted accounting principles. The following information summarizes these differences.

A. Equity

Under the terms of the award, all funds not expended according to the award agreement and budget at the end of the award period are to be returned to the Corporation. Therefore, West Virginia Bureau of Senior Services does not maintain any equity in the award and any excess of cash received from the Corporation over final expenditures, excluding any interest retained in accordance with OMB Circular A-102 and the Cash Management Improvement Act, is due back to the Corporation, together with accumulated interest.

B. 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.

Title to equipment acquired under Federal grants rests in West Virginia Bureau of Senior Services while used in the program for which it is purchased or in other future authorized programs. However, the Corporation has a reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds therefrom, is subject to Federal regulations.

C. Supplies

Minor materials and supplies are charged to expense when purchased.

2. Income Taxes

The West Virginia Bureau of Senior Services is an agency of the State of West Virginia government and, as such, is exempt from Federal and state income taxes.

Exhibit B

West Virginia Bureau of Senior Services
Corporation for National Service Award No. 430S059
Explanation of Questioned Costs
From July 1, 1997 to June 30, 2000

1. Excess Drawdowns

The West Virginia Bureau of Senior Services drew down $55,901 from the Corporation in excess of expenditures claimed for the three fiscal years under audit. These funds, which have not been returned, are calculated as follows:

	FY 1998	FY 1999	FY 2000	Total
Funds Drawn Down	$ 411,807	$ 427,751	$ 427,845	$1,267,403
Costs Claimed	373,180	413,912	424,410	1,211,502
Excess Drawdowns	$ 38,627	$ 13,839	$ 3,435	$ 55,901

2. Matching Costs

The grantee reported matching costs of $69,584 in fiscal years 1999. Of this amount, $41,110 represents additional stipends paid by the State of West Virginia.

Title 45, Chapter XXV, Section 2552.92(f) states that a Foster Grandparents "sponsor shall pay stipends at the same rate as that established by the Corporation." Therefore, stipend payments in excess of the amount established by the Corporation may not be included as part of the local support contribution. (continued on following page)

West Virginia Bureau of Senior Services
Corporation for National Service Award No. 430S059
Explanation of Questioned Costs
From July 1, 1997 to June 30, 2000

2. Matching Costs - continued

Accordingly, we have not considered these stipends in determining whether the grantee has met the 10 percent match required by the grant. The match shortfall was calculated as follows:

	FY 1999
Total Match Costs Claimed	$ 69,584
Less: Unallowable State Stipends	41,110
Allowable Match Costs	**28,474**
Additional match costs subsequently substantiated	16,681
Total Allowable Match Costs	45,155
Required match percentage	10%
Maximum program costs*	451,550
Less: allowable match costs	45,155
Maximum Federal share	406,395
Claimed costs - net	413,912
Match Shortfall	**$ (7,517)**

*Allowable match costs divided by 10 percent.

INDEPENDENT AUDITOR'S REPORT

ON

COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We have audited the Schedule of Award Costs which summarizes the costs claimed of the West Virginia Bureau of Senior Services under the Corporation for National Service (Corporation) grant award listed below, and have issued our report thereon dated April 6, 2001.

Award Number	Award Period	Audit Period
439S059	July 1, 1997 to June 30, 2000	July 1, 1997 to June 30, 2000

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the West Virginia Bureau of Senior Services' financial schedules are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and terms and conditions of the grant award, noncompliance with which could have a direct and material effect on the determination of allowable amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed

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several instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described below.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the West Virginia Bureau of Senior Services' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Finding No. 1

West Virginia Bureau of Senior Services drew down a total of $55,901 from the Corporation in excess of expenditures claimed for the three fiscal years under audit as noted below:

1998	1999	2000	Total
$38,627	$13,839	$3,435	$55,901

Office of Management and Budget (OMB) Circular A-102 and the Cash Management Improvement Act require agencies to minimize the time elapsing between transfer of Federal funds to recipients of grants and cooperative agreements and the recipient's need for the funds. Implicit in this requirement is the prompt return of Federal funds not expended by the recipient. Poor controls by the Bureau of Senior Services over the management of Federal funds caused this failure to return the excess cash drawn downs. As a result, the excess funds drawn down were unavailable for the benefit of volunteers in the areas served by the Bureau or for those who may have been served elsewhere had the money been returned as required.

Recommendation

We recommend that West Virginia Bureau of Senior Services return the $55,901 in funds not expended in the operation of its Foster Grandparents program, together with accumulated interest.

West Virginia Bureau of Senior Services' Comments

The West Virginia Bureau of Senior Services advises that it notified the Corporation's West Virginia State Office staff that, under the State's accounting system, all payments must be invoice generated and that any unobligated balances would be processed immediately upon written request.

Auditor's Response

Irrespective of the requirements of the accounting system of the State of West Virginia, the Bureau of Senior Services, by accepting the grant, agreed to its terms and conditions which include OMB Circular A-102. The Bureau of Senior Services does not deny that it held these excess funds. Since the Bureau of Senior Services rather than the United States Treasury had the use of these funds it is appropriate that the repayment include interest as required by the Cash Management Improvement Act.

Finding No. 2

West Virginia Bureau of Senior Services did not provide the minimum amount of matching funds required for the 1999 program year. The Foster Grandparents program requires grantees to provide matching funds at a minimum of 10 percent for program operating costs which include other Member costs, staff, operating costs, internal evaluation and administration.

The amounts claimed as matching costs which, by themselves, did not meet the minimum requirement, include excess stipend payments. Title 45, Chapter XXV, Section 2552.92(f) states that a Foster Grandparents "sponsor shall pay stipends at the same rate as that established by the Corporation." Therefore, stipend payments in excess of the amount established by the Corporation may not be included as part of the local support contribution.

Our tests of matching contributions disclosed that the Bureau paid additional stipends of $41,110 to its volunteers for 1999. Accordingly, we have not considered these stipends in determining whether the grantee has met the grant's match requirements. Our recalculation of the allowable Federal portion of the grant, as originally shown in Note 2 to Exhibit B to our Independent Auditor's Report, resulted in total questioned costs of $157,646 and $227,845 for fiscal years 1999 and 2000. The Bureau responded immediately to this finding by providing documentation supporting additional match costs. We have furnished copies of this documentation to the Corporation. Our review of

these documents concluded that, for the most part, they constituted acceptable match costs. Consideration of these costs reduced the net questioned costs to $7,517.

Recommendation

We recommend that West Virginia Bureau of Senior Services return the $7,517 over-expenditure of Federal funds that resulted from not having met the required match in the 1999 fiscal year, together with accumulated interest.

West Virginia Bureau of Senior Services' Comments

The West Virginia Bureau of Senior Services states that it was told that the stipend had been "grandfathered" and the program could operate under the same procedures as its predecessor, the West Virginia Department of Health and Human Resources, which the Bureau of Senior Services assumed included treating excess stipends as matching costs.

Corporation for National Service's Comments

The Corporation disagrees with our method of calculating questioned matching costs, stating that the Corporation process calculates the required match based on the allowable federal costs claimed. The Corporation's method calculates the match shortfall by assuming that the otherwise allowable claimed federal costs are 90 percent of the total program costs, and that the difference between 10 percent of the total program costs and a lesser amount matched by the grantee should be the amount questioned.

Auditor's Response

As noted in Appendix A, the response from the Corporation, the West Virginia Bureau of Senior Services received permission from the Corporation to pay a higher stipend than the Federal stipend. The memo granting that permission, however, specifically states that the increased stipend cannot be used to meet required match.

As to the Corporation's method of calculating questioned costs, the Corporation is confusing match shortfall and questioned costs resulting from match shortfall. Simply put, if a grantee does not meet its match requirements which, in this case, is 10 percent of total program costs, then the otherwise allowable total federal costs are in excess of 90 percent of total program costs and such excess, under the matching terms of the grant, is unallowable and, hence, is the amount of questioned costs.

Finding No. 3

West Virginia Bureau of Senior Services was unable to document that the Project Progress Reports (PER) and the Foster Grandparents Program Project Profile and Volunteers Activity Surveys had been prepared and submitted. The Foster Grandparents Program Operations Handbook, Chapter 11, Section 50 - Reports, states that the grantee "has the responsibility to maintain project records in accordance with generally accepted accounting practices and to provide for the preparation and submission of required reports." Foster Grandparents program files were transferred by the Bureau to another organization at the end of fiscal year 2000 when the Bureau ceased its operation of the program. Program management was unable to determine the reason for the inability to locate the reports requested for review, but suggested that the records may have been lost in the transfer or accidentally discarded. As a result we were unable to determine whether the Bureau fulfilled its responsibility to provide Project Progress Reports and the Program Project Profile and Volunteers Activity Surveys.

Recommendation

As of June 30, 2000, the West Virginia Bureau of Senior Services no longer operates the Foster Grandparents Program. We, therefore, make no recommendation with respect to this finding.

West Virginia Bureau of Senior Services' Comments

The Bureau of Senior Services states that when the Corporation directed the transfer to the new sponsor, all materials were boxed and transferred and the Bureau assumes they were either misplaced or inadvertently discarded.

Auditor's Response

No response is offered since we did not make any recommendation on this finding.

Finding No. 4

We reviewed participant files at the offices of the United Way of Kanawha Valley, Inc. This review disclosed numerous instances of missing or outdated information. The Foster Grandparents Program Operations Handbook, Chapter 11, Section 51 - Recordkeeping, states that the "sponsor must develop a recordkeeping system which will permit the orderly collection, storage, and retrieval of information relating to volunteer stations, the project's volunteers, and fiscal aspects of project operation." The Handbook requires the grantee to maintain a file on each Foster Grandparent containing a signed enrollment form, designation of beneficiary, the name of the volunteer station and other information.

Approximately 130 participants were enrolled in the Foster Grandparent program during the three years of the grant. We tested the files of 30 Foster Grandparents, 10 from each fiscal year, for nine attributes per file. We noted 2 missing files, 60 attributes that had not been updated for the current year, driver information missing from one file and one enrollment application that had not been signed. The following schedule lists the numbers of files containing exceptions by fiscal year that were disclosed as a result of this review:

Exception	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
Files not located.	1	1	-
Documentation not current.	7	9	9
Driver documentation not in file.	-	1	-
Application not signed.	-	-	1

The lack of certain required information from the Foster Grandparent files appears to have been caused by a failure to review the files systematically so as to ensure that all required data was updated annually. As a result, we determined that most of the volunteer files tested were incomplete with respect to the information required by the regulations to be maintained by the program office.

Recommendation

As of June 30, 2000, the West Virginia Bureau of Senior Services no longer operates the Foster Grandparents Program. We, therefore, make no recommendation with respect to this finding.

West Virginia Bureau of Senior Services' Comments

The West Virginia Bureau of Senior Services states that it is possible that some items were misplaced during the transfer of files to the new sponsor.

Auditor's Response

No response is offered since we did not make a recommendation on this finding.

Inspector General
Corporation for National Service

Finding No. 5

We reviewed the file of Memoranda of Understanding (MOU) with volunteer stations at the offices of the transferee entity. This review disclosed missing or unsigned documents in several instances. Of the 20 volunteer stations identified, we noted that 6 MOU's, or 30 percent, were either missing or unsigned. The Foster Grandparents Program Operations Handbook, Chapter 11, Section 51 - Recordkeeping, states that "the project should maintain a file on each volunteer station containing a current, signed Memorandum of Understanding."

The files containing the MOU's were transferred by the Bureau, along with volunteer and other program files, to the successor organization at the end of fiscal year 2000. As was noted in Finding 3, program management was unable to determine the reason for the missing documentation. It was not possible, therefore, to accurately determine through program records that the Memoranda of Understanding had been completed or updated with all of the volunteer stations in accordance with the regulations.

Recommendation

As of June 30, 2000, the West Virginia Bureau of Senior Services no longer operates the Foster Grandparents Program. We, therefore, make no recommendation with respect to this finding.

West Virginia Bureau of Senior Services' Comments

The West Virginia Bureau of Senior Services again states that the transfer of a large number of files to the new sponsor could have resulted in lost records.

Auditor's Response

No response is offered since we did not make a recommendation on this finding.

This report is intended for the information and use of the Corporation's Office of the Inspector General, as well as Corporation's management, the West Virginia Bureau of Senior Services, and the United States Congress. However, this report is a matter of public record and its distribution is not limited.

Leonard G. Birnbaum and Company

Alexandria, Virginia
April 6, 2001

Appendix A

Response of the Corporation's Office of Grants Management

CORPORATION
FOR NATIONAL
SERVICE

To: Luise Jordan, Inspector General

Thru: William Anderson, Deputy Chief Financial Officer

From: Peg Rosenberry, Audit Resolution Coordinator

Cc: Tess Scannell, Acting Director, Senior Service Corps
Harold Williams, Director, Southern Service Center

Date: September 6, 2001

Subject: Request for Comments on Draft Report 01-12; Audit of the Corporation's Grant to the West Virginia Bureau of Senior Services Grant

We have reviewed the draft report on the audit of the grant to the West Virginia Bureau of Senior Services. Our review was limited to information contained in the report. We have not yet conducted a comprehensive review of the issues presented nor obtained comments from the grantee. We will do so during the audit resolution process and will address all of the findings and recommendations in the final management decision. Therefore, we are not providing detailed comments at this time. However, we do have the following preliminary comments on some of the findings and questioned costs.

In some cases, specific senior corps programs are permitted to pay a higher stipend than the federal stipend. The West Virginia Bureau of Senior Services received permission to do so from the Corporation in 1999. The memo granting permission specifically states that the costs of the increased stipend may not be used as part of the required grantee share. The Corporation agrees that those costs should not have been used to meet the required match.

As a result, we agree that the West Virginia Bureau of Senior Services did not meet the minimum requirement for match. However, in determining questioned costs the auditors did not follow the method prescribed by the Corporation. The Corporation process calculates the required grantee match based on the allowable federal costs claimed. Since the allowable federal costs claimed for the two years in which the bureau did not meet the required match were $833,322, the required grantee match is $92,591. Therefore, the shortfall in match needed from the West Virginia Bureau of Senior Services is $42,078. This amount could increase or decrease once we have had time to conduct a comprehensive review of pertinent information.

Appendix B

Response of West Virginia Bureau of Senior Services

STATE OF WEST VIRGINIA
BUREAU OF SENIOR SERVICES
1900 Kanawha Boulevard, East
Holly Grove - Building 10
Charleston, West Virginia 25305-0160
Telephone (304) 558-3317
FAX (304) 558-0004

Bob Wise
Governor

Ann M. Stottlemyer
Commissioner

August 31, 2001

Ms. Luise S. Jordan, Inspector General
Corporation For National Service
Office of Inspector General
1201 New York Avenue, NW
Washington, DC 20525

Dear Ms. Jordan:

Thank you for the opportunity to respond to the draft report of our Foster Grandparent audit of Grant 439S059. We will address each section of the report individually.

I. QUESTIONED COSTS

A. Excess Drawdowns

The Corporation for National Service Foster Grandparent program operated on a Quarterly Advance Request For Funds. We followed Corporation directives to draw 1/4 of the grant award each quarter in advance. Expenditures for each grant were reported on a quarterly basis, with a final financial report submitted at the end of each grant period. The final reports verified any unobligated funds for that grant period. These reports were filed within established time frames as issued by the Corporation for National Service, and were reviewed by Corporation Regional Financial Staff, Mr. Douglas Gerry, (on-site for two years).

State Corporation staff were notified that under the State's accounting system, all payments must be invoice generated. Any unobligated balances would be processed immediately upon written request. We have never received a request for return of those funds. Once again, upon receipt of a request for return of unobligated balances, a payment will be processed through the central State accounting system to generate a check. The balance of $55,901.19 is reserved in our Federal clearing account for that purpose. This documentation of the remaining balance was also provided to the audit firm.

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INSPECTOR GENERAL

B. Matching Costs

When the Bureau of Senior Services (formerly the Commission on Aging) was approached by State Corporation staff and asked to serve as grantee for the Foster Grandparent Program due to the WV Department of Health and Human Resources withdrawing as sponsor, we did so to maintain uninterrupted services. At that time, we assumed the program as is, with current grant level, current match sources, and current staff. Part of that current match was the State stipends paid by the WV Legislature to the Grandparents. Had we known that was no longer considered to be a legitimate match, we would have been hesitant to assume sponsorship. We were told that the stipend had been "grandfathered" and the program could operate under the same format as before. That was the previous sponsor's main source of match also, and never questioned by the Corporation, and was reviewed on-site at our location by Mr. Gerry and State Corporation staff and again never questioned.

To our surprise the audit firm notified us it was unallowable, so pending any dispute of such, we submitted other documented match for the grant periods indicated, which hopefully will eliminate most, if not all, of those questioned costs.

We still feel the State stipends should be considered an appropriate matching resource given the nature of the shift to our agency in a very narrow time frame and the implied approval of the grant and its related sources at that time. We operated the program no differently than the previous sponsor, and they had no questioned costs in this area. The State stipends totaled $83,049 in the periods questioned.

II. FINDINGS

1) We take exception to this finding. The Bureau of Senior Services reported the program financial status as required by the Corporation within established time frames. At no time were they unaware of the exact amount of any unobligated funds. We indicated reimbursement of those monies would require an invoice or request for such. Those funds are remaining in the account specifically for that program pending written documentation that allows us to process a release of the funds through the central state accounting system. We cannot generate our own checks; we must follow established state law.

We operate over 30 federal grants from Department Health and Human Services and Department of Labor. Our cash controls have never been in question with those programs, and grants are closed in a timely basis or the unobligated balance is considered carryover and included as part of the next year's award. The Corporation had done this until the end of the 1998 grant. We do not consider this poor controls on our part, but a failure of the federal grantor agency to follow-up on provided reports and include such as carryover, (which they had done the previous six years), or provide the requested written request to allow us to draw a check to return the funds.

2) (Please refer to our discussion of the match issue under QUESTIONED COSTS.) We were "grandfathered" in by the Corporation at the stipend rate being paid when we assumed sponsorship. That should be considered the allowable rate and any non-federal portion paid as part of that rate should be allowable match, as implied when the grant was transferred.

3) As was discussed with the audit staff by Bureau program staff, the reports were prepared and submitted as required by Corporation policy. When the Corporation directed that we transfer all program files to the new sponsor, all materials were boxed and transferred.

We had no control of the whereabouts of those files after that point and must assume they were either misplaced or inadvertently discarded. Program staff on the Grandparent program had been with the program over seven years and had provided this material to State and Regional Corporation staff on their reviews on-site, so it did exist.

4) Every effort was made by program staff to maintain the appropriate information for each Grandparent file. As is #3, these files were reviewed after transfer to the new grantee, which occurred in a very quick turnaround. It is possible some items were misplaced at this time. It is also apparent minimal documentation errors may have occurred.

5) Please refer to finding #3 response, the large volume of files (numerous fiscal years for 130+ Grandparents and 20 locations) required to be transferred in a hurried fashion could have resulted in lost records.

Once again, thank you for the opportunity to respond to the draft report. Upon receipt of a written request for refund of unobligated monies of $55,901.19, we will immediately process a check through the State of West Virginia accounting system.

If you have any further questions or if we can provide additional information, please don't hesitate to contact us.

Sincerely,

Ann M. Stottlemyer
Commissioner

KYB/vgs

cc: Leonard G. Birnbaum and Company