OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

Review of the Corporation's Use of Single Audit Reports

OIG Audit Report Number 01-14
November 14, 2000

This report was issued to Corporation management on February 1, 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 July 31, 2001, and complete its corrective actions by February 1, 2002. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of the Inspector General
Corporation for National and Community Service
Audit Report Number 01-14

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Office of the Inspector General
Review of the Corporation's Use of Single Audit Reports

Since 1984, the Single Audit Act has required the Corporation for National Service to ensure that audits for its grant recipients are performed, as required under the guidelines of OMB Circular A-133, and that the Corporation receives the reports in a timely manner. These audit reports provide valuable information on Corporation grantees, including financial reporting, internal controls, compliance with Federal laws and grant provisions, and performance of their grants. This information can assist the Corporation in its evaluation of the Federal funds financial management capabilities of grant applicants, and in its oversight and monitoring of current grantees. The Act also requires the Corporation to review the reports, track and follow-up on single audit findings, and in some cases, issue management decisions to ensure that grantees take appropriate corrective action.

During fiscal year 2000, the Office of the Inspector General performed a review to determine whether the Corporation's current procedures provided reasonable assurance that single audit reports are obtained, reviewed, and tracked, and that findings, if any, are being resolved. This review is a follow-up on two previously issued OIG reports[1] that identified weaknesses related to obtaining and resolving Single Audit Act reports. Additional information on our objectives, scope and methodology is provided in Appendix I.

RESULTS IN BRIEF

We found that the Corporation's management controls for collection and use of single audit information are inadequate. The Corporation's current procedures at the headquarters Grants Management Office and the two Service Centers we visited did not provide reasonable assurance that the Corporation is aware that the required single audits are being performed, or that single audit information is being obtained, reviewed, tracked, and resolved in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, revised June 24, 1997.

Specifically, we found that:

- Corporation controls fail to ensure that required audits are performed, that the reports are received in a timely fashion, and that follow-up on findings is performed in a timely fashion.

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[1] OIG Report 98-02, *Pre-Award Financial Assessment of Grant Applicants*, issued in April 1998, reported that the Grants Management Office did not always collect information required for assessing grantees, such as information from single audit reports. OIG Report 99-12, *Audit of the Corporation for National and Community Service's Fiscal Year 1998 Financial Statements*, issued in April 1999, first reported that the Corporation has not established a routine methodology for obtaining and reviewing grantees' single audit reports. More recently, the audit of the Corporation's fiscal year 1999 financial statements (OIG Audit Report 00-01) revealed that the Corporation still lacked a routine methodology to review single audit reports.

- Corporation controls fail to ensure that management decisions on audit reports are issued timely and that appropriate and timely corrective action is taken.

- Corporation controls do not ensure that single audit information is considered as part of the Corporation's grant award, grant management and grant closeout process.

On July 6, 2000, the Corporation issued Policy Number 102, *Audit Resolution under the Single Audit Act*, but with no new procedures to implement the policy. Our review of the policy reveals that it does not effectively address all requirements of OMB Circular A-133. We are recommending that CNS strengthen its policy and issue additional procedures to correct the conditions we found.

The Corporation was provided with an opportunity to comment on this report. Their response (Appendix II) takes issue with components of two of the findings and remains silent on the third. OIG's responses to the Corporation's comments are included in the body of the report following discussion of each finding and related recommendations.

BACKGROUND

The Office of Management and Budget provides guidance on implementation of the Single Audit Act in OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. The Circular requires that non-Federal entities that expend $300,000 or more in Federal awards during a year have a single audit.[2] The Circular includes standards for conducting audits of Federal awards to non-Federal entities.

The Single Audit Act and OMB Circular A-133 make agencies responsible for ensuring that its grantees have required audits, obtaining audit reports, tracking related audit findings and following up on corrective actions. OMB Circular A-133 also addresses actions that Federal entities should take if a grantee refuses to comply and obtain a Single Act audit, including withholding Federal funds.

Under the Circular, all single audit reports are to be sent to the Federal Audit Clearinghouse for inclusion in a database of single audits. The results of the audit are entered into the online database for use by Federal departments and agencies to monitor their grantees. The Clearinghouse forwards single audit reports with findings and questioned costs to the appropriate Federal awarding agency for resolution. The Circular requires that the agency issue a management decision within six months of receipt of the audit report on findings that relate to the awards it makes to recipients.

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[2] With one exception to this requirement, the non-Federal entities may elect to have a program-specific audit conducted when they expend Federal awards under only one Federal program and the Federal program's laws, regulations, or grant agreements do not require a financial statements audit of the auditee.

At the Corporation, management and oversight of grants occurs at different organizational levels, depending upon the program involved. The Grants Management Office at CNS headquarters manages and oversees most grants funded by appropriations related to the National and Community Service Act. The Corporation's five Service Centers manage and oversee all grants funded by appropriations related to the Domestic and Volunteer Service Act, and the grants awarded through states, to state education agencies under the Learn and Serve America program.[3]

FINDINGS

I. Corporation controls fail to ensure that required audits are performed, that the reports are received in a timely fashion, and that follow-up on findings is performed in a timely fashion.

Under Grants Management Office guidelines at Corporation headquarters, the responsible grants officer is to review Single Audit Act reports and indicate by notation whether further action is needed on the front of the audit report. If no further action is needed, the grants officer is to file the single audit report in the grantee's organization file. For findings or recommendations that need follow-up, the grants officer is to prepare a letter to the grantee and request that the grantee respond within 30 days. Upon receipt, the responsible grants officer is to review the response, note whether the response was satisfactory or unsatisfactory, and initial and date it. The grants officer is then to forward the response to the Grants Management Office Audit Liaison Official for final review, tracking, appropriate internal Corporation follow-up and reporting, and filing in the organization file.

To assess the adequacy of the Corporation procedures utilized to obtain and review single audits, and to resolve reported findings and questioned costs, we judgmentally selected a sample of 23 single audit reports that contained findings directly related to a Corporation program and had been forwarded by the Federal Audit Clearinghouse to the Corporation.

At the Corporation headquarters, we determined what actions were taken with 13 of the 23 single audit reports with findings that OIG had previously reviewed and forwarded to the Grants Management Office for follow-up. The Grants Management Office located five of the 13 corresponding official and organization grant files, but was unable to locate the remaining eight files. Six of these eight files were subgrantee files, for which Grants Management Office does not have primary oversight responsibility. Our review of the five files revealed that two did not contain the single audit report. In addition, we found no evidence, such as notations or accompanying documentation, to indicate that Grants Management staff reviewed or followed up on the single audit reports in accordance with the Grants Management guidelines noted above.

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[3] The five Service Centers provide financial, administrative, management, budgeting, and grant making support to the aforementioned national service programs operating within the following respective geographic regions: Atlantic, Pacific, North Central, Southern, and Southwest. These Service Centers are located in Philadelphia, Pennsylvania; San Francisco, California; Chicago, Illinois; Atlanta, Georgia; and Dallas, Texas.

Furthermore, of the 13 single audit reports selected for our testing, three contained questioned costs. According to the Grants Management Office, there was no documentation maintained on this resolution because these reports related to subgrantees and, under its Grants Management Guidelines GMG 99-13, the primary grantee has this oversight responsibility. OIG requested the Corporation determine whether audit resolution and follow-up were taken. The Grants Management Office responded that collection actions had been completed for two of them. The Grants Management Office indicated that questioned costs still remain an open issue for one report. The Corporation has not yet issued a management decision on this remaining report, which was received by the Corporation on November 8, 1999.

At the Southern Service Center, we determined what actions were taken with five single audit reports with findings. We found no documentation to support that the single audit reports were reviewed. According to a grants official at the Service Center, three of the five audit reports were yet to be reviewed (one covered fiscal year end December 31, 1998 and the other two fiscal year end December 31, 1999). Although the grants official stated that he performed a review of the remaining two grant files, there was no documentation to support the review.

At the North Central Service Center we again determined what actions were taken with five single audit reports with findings. For four of the five reports, the Service Center had appropriately reviewed the report, taken follow-up action and documented the process. However, the Service Center was not able to locate the fifth report. Further, the Service Center was not aware that the Clearinghouse's online database listing for this grantee's single audit included questioned costs under both its Foster Grandparents Program and Senior Corps Program.

We also found that AmeriCorps*VISTA grants at the two Service Centers were not included in the Service Centers' procedures because VISTA grants are typically less than $300,000, according to grants officials. However, our review of AmeriCorps*VISTA grantee funding during Fiscal Year 2000 revealed that, at each Service Center, three such grantees were awarded well over $300,000 through the Corporation. Moreover, organizations that receive less than $300,000 per year from the Corporation might receive additional Federal funds from other sources that would make them subject to OMB Circular A-133 requirements.

Our review of the Corporation's July 6, 2000 policy reveals that the new policy requires the log in of reports, but lacks requirements or procedures to ensure timely delivery of required reports to the Clearinghouse by its grantees, and that the policy requires consideration of CNS grant funds only, rather than Federal financial assistance as defined by the Act (See Table I, page 6).

We recommend that the Corporation review and revise its control procedures for determining which grantees are subject to OMB Circular A-133 audits to ensure that all required Circular A-133 audits are performed, that the audit reports are received and reviewed by the Corporation in a timely fashion, and that follow-up is performed in accordance with Circular

A-133 requirements. Procedures should be established that require documentation to identify the staff members responsible for:

- performing the review of Circular A-133 reports,
- documenting the receipt and review of the reports, and
- maintaining the documentation.

Corporation Comment

The Corporation took issue with this finding. Its response stated that the audit sample is misleading in that the audit report pointedly notes that the Corporation was unable to locate the remaining eight files. The Corporation stated that out of the 13 audits, eight were related to subgrantees, not grantees and, therefore, not the direct responsibility of the Corporation to track.

As a general comment, the Corporation stated that it would have been more helpful if OIG had provided timely feedback on the policies as they were being implemented and then surveyed audits processed under the new system.

OIG Response

Under procedures in place at the time, OIG transmitted single audit reports which had findings related to Corporation programs from the Clearinghouse to the Corporation for audit follow-up. Our sample was drawn from the reports we sent to CNS for follow up. As part of our procedures, we identified what actions were taken regarding these reports. The Grants Management Office became aware that the eight pertained to subgrantees upon our inquiry. Moreover, the main point of our finding was that for the five reports that were located, our procedures revealed that there was no documentation at Grants Management Office to support that audit follow-up was performed in accordance with Corporation guidance.

OIG believes that a key component of internal control is assessment of corrective actions taken. The Corporation does not have a mechanism to determine whether its policies, procedures and corrective actions are effective.

CNS Location:	Corporation for National Service Policies For Use of Single Audit Reports Prior to July 6, 2000 Status of Policies	Status of Control Procedures	OIG Review Findings	CNS Policy 102 – Issued July 6, 2000 Does the new policy address the findings?
Circular A-133 Requirement: ***Ensure required audits are performed and that audit reports are received timely.***				
Grants Management Office	Draft – March 1999	A-133 audit reports required for grant award or close-out	Documentation not required; evidence that reports are routinely reviewed is lacking.	Policy requires log in of reports, but lacks requirements or procedures to ensure timely receipt.
			Review of reports is not required during the grant period.	No. Policy requires "periodic" review of Clearinghouse database.
			Procedures do not include asking grantees the amount of all Federal expenditures.	No. Policy requires consideration of CNS grant funds rather than Federal Financial Assistance as defined in the Circular.
Southern and North Central Service Centers	Referred to "Interim Grant Management Handbook for Staff" issued May 1994.	Reports required/used for grant award or close-out only	Not required during grant period.	No.
			Excludes AmeriCorps Vista grantees, several of which appear to expend in excess of $300,000 annually.	The policy does not mention AmeriCorps Vista grantees. The policy requires consideration of CNS grant funds only as discussed above.
			Procedures do not include asking grantees as to the amount of Federal financial assistance.	No, the policy requires consideration of CNS grant funds only.
			Interim Handbook is out of date and conflicts with current Federal requirements in OMB Circular A-133.	Yes.
			No evidence that procedures require CNS staff to obtain evidence from the audit Clearinghouse during the grant period.	No.

CNS Location:	Corporation for National Service Policies For Use of Single Audit Reports Prior to July 6, 2000 Status of Policies	Status of Control Procedures	OIG Review Findings	CNS Policy 102 – Issued July 6, 2000 Does the new policy address the findings?
Circular A-133 Requirement: ***Issue Management Decision within six months and ensure grantee takes appropriate and timely corrective action.***				
Grants Management Office	Draft – March 1999	Draft - March 1999	GMO was unable to locate 8 of 13 grant files. Five files contained no evidence of follow-up. Three included questioned costs. One of the three had not been resolved.	CFO is responsible for ensuring that a system for tracking and documenting all audit follow-up actions and corrective actions is in place.
Southern and North Central Service Centers	Interim Guidance as described above	No written procedures.	No written procedures and no evidence to document review at Southern Service Center.	Grants Official is responsible for periodically checking the Clearinghouse (at least once a year) to determine if an audit was conducted and is on file with the Clearinghouse, and documenting his or her actions in the official grant file.

CNS Location:	Corporation for National Service Policies For Use of Single Audit Reports Prior to July 6, 2000			CNS Policy 102 – Issued July 6, 2000
	Status of Policies	Control Procedures	OIG Review Findings	Does the new policy address the findings?
Circular A-133 Requirement: Consider Single Audit or other audit information as part of the grant award process.				
Grants Management Office	Draft – July 1999	Draft – July 1999	The draft guidelines provide guidance for the collection and review of single audit reports as part of the grant award process. However, based on our review of the five files, there was no documentation to indicate that Grants Management staff performed such a review.	No, the new policy addresses audit resolution of findings from single audits reports.
Southern and North Central Service Centers	Interim Guidance as described above	No written procedures.	While responsible grants staff at the Service Centers are to determine whether the grantee submitted its single audit report and to review the single audit report, we found no documentation to indicate a review was performed.	No, the new policy addresses audit resolution of findings from single audits reports.

II. Corporation controls fail to ensure that management decisions on audit reports are issued timely and that appropriate and timely corrective action is taken.

For NCSA grants, the Grants Management Office issued NCSA Grants Management Guidelines GMG 97-06, "Pre-Award Reviews," as a draft dated July 29, 1999. In accordance with this guidance, when the Corporation considers an applicant for an award, the responsible Grants Management staff are to obtain and review that applicant's most recent single audit report, among other things, in order to assess the adequacy of that applicant's financial management systems.[4] Grants Management staff are to use the "Grants Office Certification" form to formally document the results, which are then included in the Grants Management Office's in-house grants database. On this form, Grants Management staff are to identify the grantee's cognizant or oversight agency,[5] check off "yes" or "no" to any findings and issues, and to provide an explanation if findings and issues were not resolved.

However, there are no written procedures that require the collection and review of information from Single Audit Act reports after the grant award is made. Further, our review disclosed that information from more recent single audit reports is not required to be considered during close-out of NCSA grants.

For the two Service Centers we visited, grants officials referred to Chapter XII of the *Interim Grants Management Handbook for Staff*, dated May 1994 as the written guidance on obtaining and reviewing information from current single audits.[6] Although grant officials stated that staff are to obtain and review A-133 audit information on DVSA grantees at the time of the grants award process and closing out of the grant, the Service Centers have no written procedures requiring the use of A-133 audit information during the grant award process.

In our view, by not obtaining and reviewing single audits during the grant award process, during the grant period, and at grant close-out, the Corporation might not be aware of information useful to the oversight and monitoring of its grants.

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[4] We reported previously on deficiencies in the Grants Management Office's pre-award procedures in OIG Report 98-02, *Review of Corporation for National Service Pre-Award Financial Assessment of Grant Applicants*. While Grants Management revised GMG 97-06, "Pre-Award Reviews," in response to the deficiencies, it has yet to finalize all the corrective actions contained in the report.

[5] For findings that affect the programs of more than one Federal agency, the Circular requires a "cognizant" or "oversight" agency to be designated to coordinate the audit resolution. Under OMB Circular A-133, a cognizant agency provides the predominant amount of direct funding to a recipient that expends more than $25 million a year in Federal awards. An oversight agency is the Federal awarding agency that provides the predominant amount of direct funding to a recipient that expends less than $25 million a year in Federal awards and is not assigned to a cognizant agency. During fiscal year 2000, the Corporation identified 46 recipients for which it is the oversight agency and no recipients for which it is the cognizant agency.

[6] During our field work, we found that information in the May 1994 guidance was outdated. Subsequently, the guidance has been superseded by Corporation Policy Number 102, *Audit Resolution under the Single Audit Act*. Specific requirements summarized above were not impacted by the updated guidance.

We recommend that the Corporation clarify and strengthen its guidelines by including specific, written procedures that direct staff to obtain and review single audit reports during the grants award process, the term of the grant, and close-out of the grant, and to document the completion of their review of single audit reports and maintain such documentation.

Corporation Comment

The Corporation stated that it does not agree that its controls do not ensure that single audit information is consistently obtained and reviewed as part of the Corporation's grant award, grant management, and grant close-out process.

OIG Response

Based on OIG's review of the procedures for obtaining and reviewing single audit reports, we determined that the headquarters Grants Management Office has no written procedures that require the collection and review of information from these reports after the award is made and from more recent A-133 audit reports during the close-out of National and Community Service Act grants. Further, Service Centers have no written procedures that require use of A-133 audit information during the grant award process for Domestic Volunteer Service Act grants. Thus, the current procedures do not ensure that single audit information is consistently obtained and reviewed as part of the Corporation's grant award, grant management, and grant close-out process. Our finding supports the need for procedures, since the results of our testing showed that reviews of A-133 audit information were not being performed and documented by responsible grants staff.

III. Corporation controls do not ensure that single audit information is considered as part of the Corporation's grant award, grant management and grant closeout process.

Corporation Policy Number 102, *Audit Resolution under the Single Audit Act*, was issued by the Corporation on July 6, 2000. Our review of the policy indicates that it primarily addresses the resolution of findings under single audits. It does not adequately address how the Corporation is to determine which of its grantees are required to have Circular A-133 audits. For example, as noted in the Table on page 6, the policy does not specifically require Corporation staff to inquire of grant applicants the amount of Federal assistance they have received. Rather, the policy seems to require the grants officer to determine the amount of the Corporation award, and from this amount determine whether an Circular A-133 audit is required. This practice could lead the Corporation to incorrectly conclude that certain applicants and grantees are not required to have an A-133 audit.

The policy also does not comprehensively address the requirement that the Corporation receive and review A-133 audit reports on a timely basis. It also does not require the receipt and review of reports during the grant award process, during the grant period, and at grant close-out. Instead, the policy requires that a Corporation official "periodically" review Clearinghouse data, which is defined as once a year.

Moreover, the policy relies heavily on a Corporation Circular A-133 audit tracking database, which has not yet been implemented. This database, when implemented, is intended to be the means to

document many of the requirements of the new policy, including logging in receipt of Circular A-133 audit reports and tracking the status of each follow-up activity and corrective action. However, until the database is implemented, the policy is unworkable, as there is no alternative written policy for tracking Circular A-133 audit reports in the interim.

We recommend that the Corporation amend its recent policy to:

- require consideration of all Federal financial assistance in determining which grantees are subject to a Circular A-133 audit, and establish procedures that require Grants Management staff to inquire of the grantees about all Federal financial assistance;

- address timely receipt of single audit reports, review all available single audit reports, and resolve findings and questioned costs; and

- provide a means other than the tracking system, which is not yet in place, of documenting compliance with the policy.

We also recommend that the Corporation engage in a systematic review of its use of Circular A-133 audit information after implementation of the Circular A-133 audit tracking database and its newly issued policy to help ensure that the policy and database are functioning as intended, and that the Corporation is in compliance with the requirements of OMB Circular A-133.

We recommend that the policy be amended to address timely receipt and review of Circular A-133 audit reports.

Corporation did not Comment

The Corporation's response did not specifically address this finding or the related recommendations.

APPENDIX I

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objective was to assess whether the Corporation's current procedures are adequate to provide reasonable assurance that single audit information is obtained, reviewed, tracked and resolved. In particular, we reviewed the procedures: (1) for ensuring Corporation grantees required to be audited under the Single Audit Act are audited and reports are received by the Corporation in a timely manner; (2) for reviewing information contained in the Federal Audit Clearinghouse; (3) for reviewing the results of the audits that were performed; and (4) for considering single audit information in the grant award process.

Our procedures included a review of laws and regulations on the use of single audit information, specifically, the Single Audit Act of 1984, as amended, and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, revised June 24, 1997, as well as reviews of relevant Corporation policies and procedures related to single audits. We interviewed grant officials at the headquarters and at two of the Corporation's five Service Centers, Southern and North Central, to obtain an understanding of and to document the Corporation's current procedures. Additionally, we performed a walk through of such procedures with a grants officer. The review was performed during the period February 4 through November 14, 2000, and was performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

OIG modified the date of the report from the draft to this final report to more accurately reflect the end of audit fieldwork date. The draft report showed a report date of July 20, 2000. However, subsequent to the issuance of the Corporation's Policy Number 102, *Audit Resolution under the Single Audit Act*, OIG conducted additional fieldwork to review the new policy with respect to the Corporation's current procedures in place to obtain, review, track, and follow up on single audit findings and in consideration of the requirements of OMB Circular A-133. OIG completed its fieldwork, including the analysis of the new policy, as of November 14, 2000.

Our review included assessing the adequacy of the procedures utilized to obtain and review single audits, and to resolve reported findings and questioned costs. Specifically, we judgmentally selected a sample of 23 single audit reports that contained findings directly related to a Corporation program and had been forwarded by the Federal Audit Clearinghouse to the Corporation. Thirteen of the reports related to National and Community Service Act grants and ten related to Domestic Volunteer Service Act grants. We identified what actions were taken in response to the findings and questioned costs, if any. We also reviewed the documentation maintained on the reviews, follow-up, and resolution of findings.

The 13 single audit reports tested at Grants Management Office included:

- 5 state commission grantees;
- 1 AmeriCorps subgrantee;
- 6 AmeriCorps grantees; and
- 1 AmeriCorps/Learn and Serve America grantee.

The 10 single audit reports tested at the two Service Centers included:

- 1 Retired and Senior Volunteer Program (RSVP) grantee;
- 1 Senior Companion grantee;
- 3 Foster Grandparent grantees;
- 3 grantees with both Foster Grandparent and Senior Companion grants; and
- 2 grantees that had both Foster Grandparent and RSVP grants.

We provided a draft of this report to the Corporation for National and Community Service for comment. The Corporation's response to our findings and recommendations is included as Appendix II. The Corporation disagreed in part with the report. The Corporation provided its comments to certain findings and OIG responded accordingly in the report. The Corporation reported that it will respond to all findings and recommendations at the issuance of the audit report.

APPENDIX II

THE COPRORATION'S RESPONSE

CORPORATION FOR NATIONAL SERVICE

MEMORANDUM

TO: Luise S. Jordan
Inspector General

THRU Anthony Musick
Chief Financial Officer

FROM: Bruce Cline
Director of Grants Management

DATE: January 19, 2001

SUBJECT: Response to the Draft Audit Report 01-14, *Survey of the Corporation's Use of Single Audit Reports.*

We have reviewed the draft report 01-14, *Survey of the Corporation's Use of Single Audit Reports.* According to the OIG report, this survey was conducted to "determine whether current procedures provide reasonable assurance that single audit reports are obtained, reviewed, and tracked and that findings, if any, are being resolved in accordance with requirements of OMB Circular A-133." Due to the limited timeframe for response, our comments are primarily based on information contained in the report and we have not yet conducted a comprehensive analysis nor reviewed work papers related to the findings. We will respond to all findings and recommendations when the audit is issued.

While the Corporation recognizes that its A-133 processes needed improvement, we do not agree with all of the conclusions drawn from the findings in the draft report. The OIG survey was conducted over a 10-month period, February through December, during which the Corporation reviewed and rewrote its A-133 policies and procedures. In July 2000, midway through the OIG survey, the Corporation issued and implemented new A-133 policies and procedures.

The OIG surveyed audits that were processed using policies and procedures that we had already determined needed revision. Although the draft report indicates that OIG reviewed the new policy as part of the survey, OIG completed its fieldwork in July and did not provide any feedback to the Corporation until December. It would have been more helpful if OIG had provided timely feedback on the policies as they were being implemented and surveyed audits processed under the new system.

One particular component of the report related to the audit sample is misleading. The draft report refers to 13 audits that the OIG requested for its sample. Of that sample, Corporation staff

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informed the OIG that eight of the audits were related to subgrantees, not grantees and, therefore, not the direct responsibility of the Corporation to track. The Corporation did produce the files for the five grantees in the sample and informed the auditor that the other eight were not the responsibility of the Corporation. We reiterated this during the exit conference. Despite this, the audit report pointedly notes that the Corporation "was unable to locate the remaining eight files." This is misleading and unfairly characterized the successful efforts of grants staff to provide audit files for its grantees. Furthermore, it obscures the fact that 60% of the sample requested by the OIG should not have been part of the sample.

Finally, the Corporation does not agree that its controls do not ensure that single audit information is consistently obtained and reviewed as part of the Corporation's grant award, grant management, and grant close-out process. Single audit information is considered at least three times as part of the grant processes for three-year grants – before an award is issued and as part of the grant management process before second and third year funding is approved. Grants are also not closed if any audit issues have not been resolved.

While the recommendations are not timely, the survey does suggest several improvements to the current policies that the Corporation will consider when it makes its Management Decision on the audit.

cc: Wendy Zenker

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