OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

PRE-AUDIT SURVEY OF THE MARYLAND GOVERNOR'S OFFICE ON SERVICE AND VOLUNTEERISM

OIG Audit Report Number 01-16
November 28, 2000

Prepared by:

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

Under CNS OIG MOU # 98-046-5003
With the Department of Labor
DOL Contract # J-9-G-8-0022
Task # B9G0V203

This report was issued to Corporation management on April 4, 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 October 1, 2001, and complete its corrective actions by April 4, 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

CORPORATION
FOR NATIONAL
SERVICE

Pre-Audit Survey of the Maryland Governor's Office on Service and Volunteerism OIG Audit Report Number 01-16

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 throughout the nation.

Thus, state commissions play an important role in the oversight of AmeriCorps programs and expenditures. The Corporation has indicated that it intends to give them greater responsibility. However, the Corporation lacks a management information system that maintains comprehensive information on its grants including those to state commissions and subgrantees. Moreover, although the Corporation began state commission administrative reviews in 1999, the Corporation, historically, has not carried out a comprehensive, risk-based program for grantee financial and programmatic oversight and monitoring. It is also unlikely that AmeriCorps programs are subject to compliance testing as part of state-wide audits under the Single Audit Act due to their size relative to other state programs.

Therefore, CNS OIG has initiated a series of pre-audit surveys intended to provide basic information on the state commissions' operations and funding. The surveys are designed to provide a preliminary assessment of the commissions' pre-award and grant selection procedures, fiscal administration, and monitoring of subgrantees (including AmeriCorps Member activities and service hour reporting). Recommendations for future audit work consider the pre-audit survey results, known audit coverage, the amount of funding, and other risks. For each survey, we also issue a report to the state commission and to the Corporation communicating the results and making recommendations for improvement, as appropriate.

We engaged KPMG LLP to perform the pre-audit survey of the Maryland Governor's Office on Service and Volunteerism (the Commission). Based on the limited procedures performed, KPMG concluded that the Commission administers an open, competitive process to select national service subgrantees. Moreover, although during the survey KPMG found conditions that indicated its internal controls in earlier years were not always adequate, the Commission has, in recent years, established control policies and procedures to provide reasonable assurance that grant funds are properly administered and to evaluate and monitor its subgrantees.

Based on their preliminary assessment from this pre-audit survey, KPMG recommends that the Commission further enhance its site visit monitoring documentation and that OIG perform limited-scope audit procedures considering the findings from earlier years.

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

The Commission's and the Corporation's responses are included in this report as Appendices C and D, respectively. Both responses take issue with the recommendation for further OIG work, however limited in scope, at the Commission. The Commission's response also provides additional information on the improvements that it has implemented while the Corporation's response disagrees with recommendations to improve the Commission's monitoring procedures and documentation. As described on page 5, KPMG considered the Commission's comments and made certain revisions to the report.

CNS OIG reviewed the report, with which we concur, and the work papers supporting its conclusions. We also noted the arguments against further OIG audit work. We believe it is important to clarify that CNS OIG intends to perform audit work at most, if not all, of the state commissions over the next several years and that the purpose of the pre-audit surveys is to gather information to allow CNS OIG to determine the timing of and the extent of future audit work. In performing our audit work at the Commission, we will consider the Commission's corrective actions and the Corporation's oversight efforts. Further, in accordance with OIG policies and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," we will consider the results of independent financial and compliance audits performed at the Commission and its subgrantees in determining the nature and scope of our future audit work.

Pre-Audit Survey of the
Maryland Governor's Office on Service and Volunteerism
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2001 M Street, N.W.
Washington, D.C. 20036

November 28, 2000

Inspector General
Corporation for National and Community Service:

At your request, KPMG LLP (KPMG) performed a pre-audit survey of the Maryland Governor's Office on Service and Volunteerism (the Commission). The primary purpose of this survey was to provide a preliminary assessment of:

- the adequacy of the pre-award selection process;
- the fiscal procedures; and
- the effectiveness of monitoring of its AmeriCorps State subgrantees, including AmeriCorps Member activities and service hours, and program accomplishments reporting.

We were also to report on the recommended scope of additional audit procedures to be performed at the Commission.

Results in Brief

Based on the results of the limited procedures performed, we have made the following preliminary assessments regarding the Commission's systems for administering its AmeriCorps grants:

- The Commission administers an open, competitive process to select national service subgrantees.

- The Commission has developed control policies and procedures to administer the Corporation's grant funds. However, the Commission's control policies and procedures to ensure the timeliness, accuracy, and validity of the Commission and subgrantee Financial Status Reports during program years 1994-1995 through 1997-1998 were inadequate.

- The Commission has developed control policies and procedures to evaluate and monitor subgrantees. However, the Commission could not provide documentation to demonstrate the procedures performed during site visits for program years prior to 1998-1999.

The section below entitled Findings and Recommendations describes the weaknesses noted above in further detail and addresses additional issues noted during the survey.

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

The Commission forms part of the Executive Department of the State of Maryland, and as such, is annually subject to an Office of Management and Budget (OMB) Circular A-133 audit performed by the State Comptroller's Office. The Commission's AmeriCorps grants were identified as a major program and tested as part of an OMB Circular A-133 audit performed by the State Comptroller's Office for the State's fiscal year ended June 30, 1999 (the most recent report available). The auditor's report included an immaterial instance of noncompliance related to the AmeriCorps program which indicated Financial Status Reports, Federal Cash Transaction Reports and enrollment and end of term reports were not submitted on a timely basis. Therefore, based on our preliminary assessments, and the nature of the findings identified herein, we recommend the performance of limited audit procedures to address the findings related to grant administration and subgrantee monitoring.

Additionally, we recommend that the Corporation follow up with the Commission to determine that appropriate corrective actions are implemented to address the conditions reported herein, and that the Corporation consider these conditions in its oversight and monitoring of the Commission.

Background

The National and Community Service Trust Act of 1993, P.L. 103-82, which amended the National and Community Service Act of 1990, established the Corporation for National and Community Service.

The Corporation, pursuant to the authority of the Act, 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 the educational, human, environmental, and public safety needs throughout the nation, especially addressing those needs related to poverty. In return for this service, eligible Members may receive a living allowance and post service educational benefits.

Currently, the Corporation awards approximately two-thirds of its *AmeriCorps State/National* funds to State Commissions. State Commissions are required to include 15 to 25 voting Members. Each Commission has a responsibility to develop and communicate a vision and ethic of service throughout its State.

The Commissions provides AmeriCorps funding to approved applicants for service programs within their states and are responsible for monitoring these subgrantees' compliance with grant requirements. The 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. The Commissions are prohibited from directly operating national service programs.

The Corporation's regulations describe standards for financial management systems that must be maintained by State Commissions. The standards require, in part, that the State Commissions maintain internal controls that provide for accurate, current, and complete disclosure of the financial and programmatic results of financially assisted activities, and provide effective control and accountability for all grant and subgrant cash, real and personal property, and other assets.

Overview of the Commission

The Maryland Governor's Office on Service and Volunteerism, located in Baltimore, has received AmeriCorps grant funds from the Corporation for National and Community Service since program year 1994-1995. The Commission operates as part of the State of Maryland's Executive Department. The Commission has seventeen employees including an Executive Director, a Director of Programs, a Director of Volunteerism, a Chief Operating Officer, a Grants Manager, and various assistants and support staff.

As part of the State, the Commission is annually subject to an OMB Circular A-133 audit performed by the State Comptroller's Office.

The Commission provided us with the following information for all program years:

Program Year	Total Corporation Funding	Number of Subgrantees	Number of Subgrantees Subject to A-133 Audits*
1994-95	$3,923,513	11	6
1995-96	6,644,970	39	9
1996-97	6,497,286	36	10
1997-98	6,924,557	19	11
1998-99	6,799,727	18	6
1999-2000	6,608,141	20	6

* Determination is based solely on dollar value of federal awards passed through the Commission for each program year. Remaining subgrantees could be subject to an OMB Circular A-133 audit if they received additional federal grant funds from other sources.

Appendix A contains more detailed information on funding received from the Corporation during program years 1994-1995 through 1999-2000.

Objectives, Scope, and Methodology

We were engaged by the Office of the Inspector General, Corporation for National and Community Service, to provide an assessment of the systems and procedures in place at the Commission for administering its AmeriCorps grants and for monitoring the fiscal activity of subgrantees. The primary purpose of this pre-audit survey was to provide a preliminary assessment of:

- the adequacy of the pre-award selection process;
- the fiscal procedures at the Commission; and
- the effectiveness of monitoring of its AmeriCorps State subgrantees, including AmeriCorps Member activities and service hours, and program accomplishment reporting.

We were also to report on the recommended scope of additional audit procedures to be performed at the Commission.

Our survey included the following procedures:

- reviewing applicable laws, regulations, grant provisions, the Corporation's *State Administrative Standards Tool*, and other information to gain an understanding of legal, statutory and programmatic requirements;

- reviewing OMB Circular A-133 reports and current program year grant agreements for the Commission;

- obtaining information from Commission management to complete flowcharts documenting the hierarchy of AmeriCorps grant funding for program years 1994-1995 through 1999-2000; and

- performing procedures to achieve the objectives detailed in Appendix B to assess the Commission's internal controls, selection of subgrantees, administration of grant funds, and monitoring of subgrantees including internal controls over service hours and performance accomplishment reporting.

As part of the procedures performed, we documented and tested internal controls in place at the Commission using inquiries, observations, and examination of a limited sample of source documents. Finally, we summarized the results of our work to develop the findings and recommendations presented in this report. We discussed all findings with the Commission management during an exit conference on November 28, 2000. Subsequent to that date, we communicated with the Commission to clarify and resolve certain matters related to our preliminary findings and to obtain additional information to finalize our report.

Our procedures were performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to, and did not, perform an audit of any financial statements, and the procedures described above were not sufficient to express an opinion on the controls at the Commission, or on its compliance with applicable laws, regulations, contracts and grants. Accordingly, we do not express an opinion on any such financial statements, or on the Commission's controls or compliance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We provided a draft of this report to the Commission and the Corporation. The Commission's and the Corporation's responses to our findings and recommendations are included as Appendix C and D respectively. We have changed the title of and added clarifying language to the finding "Documentation of Site Visit Procedures" on page 6, and revised our recommendation based on the Commission's response and information provided during our pre-audit survey. No additional changes were made to the report.

Findings and Recommendations

Selecting Subgrantees

According to 45 CFR Section 2550.80(b)(1), "Each State must administer a competitive process to select national service programs to be included in any application to the Corporation for funding."

The Commission administers an open, competitive process to select national service subgrantees. The Commission advertises funding availability through mailing lists, newspapers and newsletters. In addition, selection officials sign conflict of interest statements annually, receive an instruction package, and uses a standard form to evaluate each applicant. We identified no significant areas for improvement within this process as a result of the limited procedures performed.

Administering Grant Funds

As part of the grant administration process, "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity" (45 CFR Section 2541.400 (a)).

The Commission has developed and implemented procedures that are intended to provide reasonable assurance that grant funds received from the Corporation are properly administered. Procedures are in place to manage cash draw downs and disbursements to subgrantees, made through the Executive Department which has served as the Commission's fiscal agent since 1994. The Commission's personnel have adequate skills and experience to manage and administer Corporation grant funds. However, we identified the following area for improvement within the administering process.

Procedures and Controls over Timeliness, Accuracy and Validity of Financial Status Reports (FSRs)

Due to a lack of documentation, we were unable to determine whether the procedures followed by the Commission prior to program year 1998-1999 included a process to ensure timely submission of subgrantee FSRs. In several instances during this time period, subgrantees' FSRs were submitted late. Additionally, due to lack of documentation, we were unable to determine whether procedures existed to review the accuracy of subgrantee FSRs, or whether matching amounts were reviewed as part of procedures performed during FSR review or during site visits.

The AmeriCorps provisions 16(a) prescribe that Grantees such as the Commission should set subgrantee reporting requirements consistent with their need for timely and accurate reports. 45 CFR Section 2543.21(a) prescribes standards for financial management systems of grant recipients. Federal grant recipients financial management systems are required to provide accurate, current, and complete disclosure of the financial results of each federally sponsored project or program. Financial management systems are also required to provide for records that identify the source and application of funds for federally sponsored activities. However, no

recommendation is considered necessary at this time because the Commission implemented procedures to address these issues in program year 1998-1999.

Evaluating and Monitoring Subgrantees

As noted above, the Commission is responsible for monitoring subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. The Commission has established controls to evaluate and monitor subgrantees, which include reviewing program and financial reports and scheduling site visits for each subgrantee during the grant period. The Commission personnel use a standard site visit report form to document results of each visit, and the Commission notifies the subgrantees of the results of these site visits, including strengths, weaknesses, concerns, recommendations, and any necessary follow-up requirements.

In addition, the Commission evaluates program accomplishments reported by the subgrantees. The Commission uses a standard form to compile program objectives which were originally stated in the grant application. By establishing the objectives in this format and sharing it with the subgrantees at the beginning of the program year, it is clear how the program will be evaluated and what types of documentation must be maintained. The Commission requires that the programs address their accomplishments towards meeting the stated objectives on a quarterly basis, citing both numerical and other informational data. However, we identified the following area for improvement related to the evaluation and monitoring of subgrantees.

Documentation of Site Visit Procedures

Due to lack of documentation of procedures conducted during site visits prior to program year 1998-1999, we were unable to determine whether the Commission reviewed/evaluated: (i) subgrantee accounting systems, records and support for grant expenditures; and (ii) Americorps Member timesheets, eligibility, living allowances, service hours, and members' awareness of prohibited activities. The Commission's standard site visit monitoring tool implemented for use in program year 1998-1999 provides information as to the procedures conducted during site visits. However, we noted that, although the site monitoring tool is maintained, it does not identify what documents the reviewer tested. Therefore, subsequent reviewers would be unable to examine the same documentation if a question arose about the results of the site visit.

Recommendation

We recommend the Commission require the reviewer to document the specific items examined, where applicable, during site visits. Although not specifically required by a law or regulation, including the items noted above in a standard monitoring tool enhances the Commission's ability to consistently evaluate key compliance and programmatic requirements, validate the results of its reviews, and ensure the completion of all monitoring steps at each subgrantee visited.

Other Observations

Use of Web Based Reporting System

We determined that the Commission has not fully implemented the Web Based Reporting System (WBRS) due to various technical problems. Discussions held with the Commission personnel indicate that they are using WBRS when possible, but continue to maintain prior processes until WBRS is fully functional.

*****

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

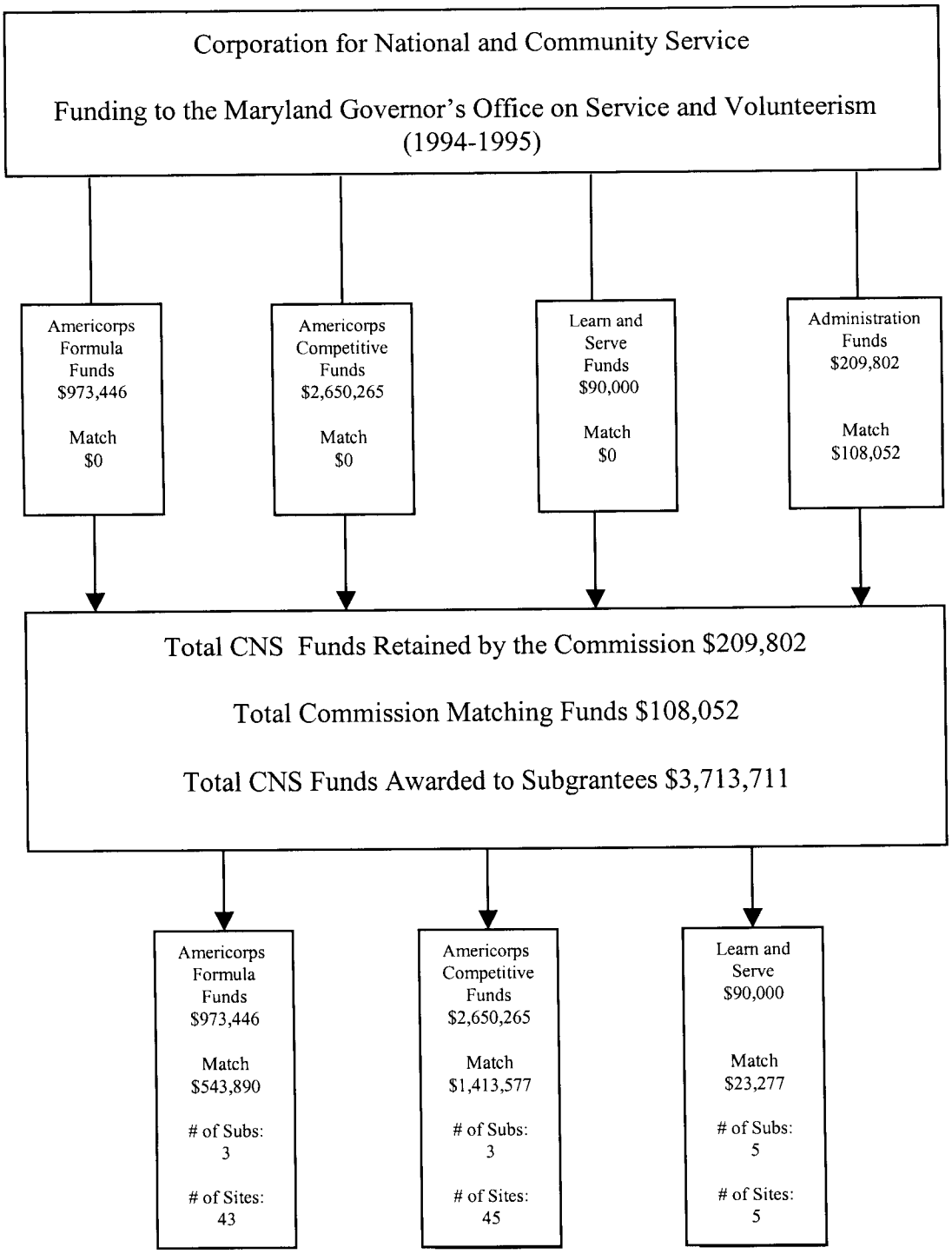
KPMG LLP

Commission Funding Appendix A

The table below and the flowcharts on the following pages depict the Commission's funding over the past six program years.

Funding Source and Type	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
CNS Formula Grant Funds	$973,446	$924,030	$1,188,491	$1,256,112	$893,146	$531,579
CNS Competitive Grant Funds	2,650,265	4,943,289	4,458,159	4,809,039	4,399,080	4,249,779
Make a Difference Day	-	-	-	-	-	2,000
Community Based Learn and Serve	90,000	173,000	224,000	181,500	112,500	112,499
Disabilities – Subtitle H	-	-	165,000	264,967	333,626	265,174
America Reads	-	-	-	-	386,128	769,238
Promise Fellow Funds	-	-	-	-	185,000	190,100
PDAT Funds	-	90,000	164,503	213,692	240,000	194,400
Administrative Funds	209,802	514,651	297,133	199,247	250,247	293,372
State Matching Funds	108,052	109,658	87,929	396,932	426,472	174,473
	$4,031,565	$6,754,628	$6,585,215	$7,321,489	$7,226,199	$6,782,614

Commission Funding



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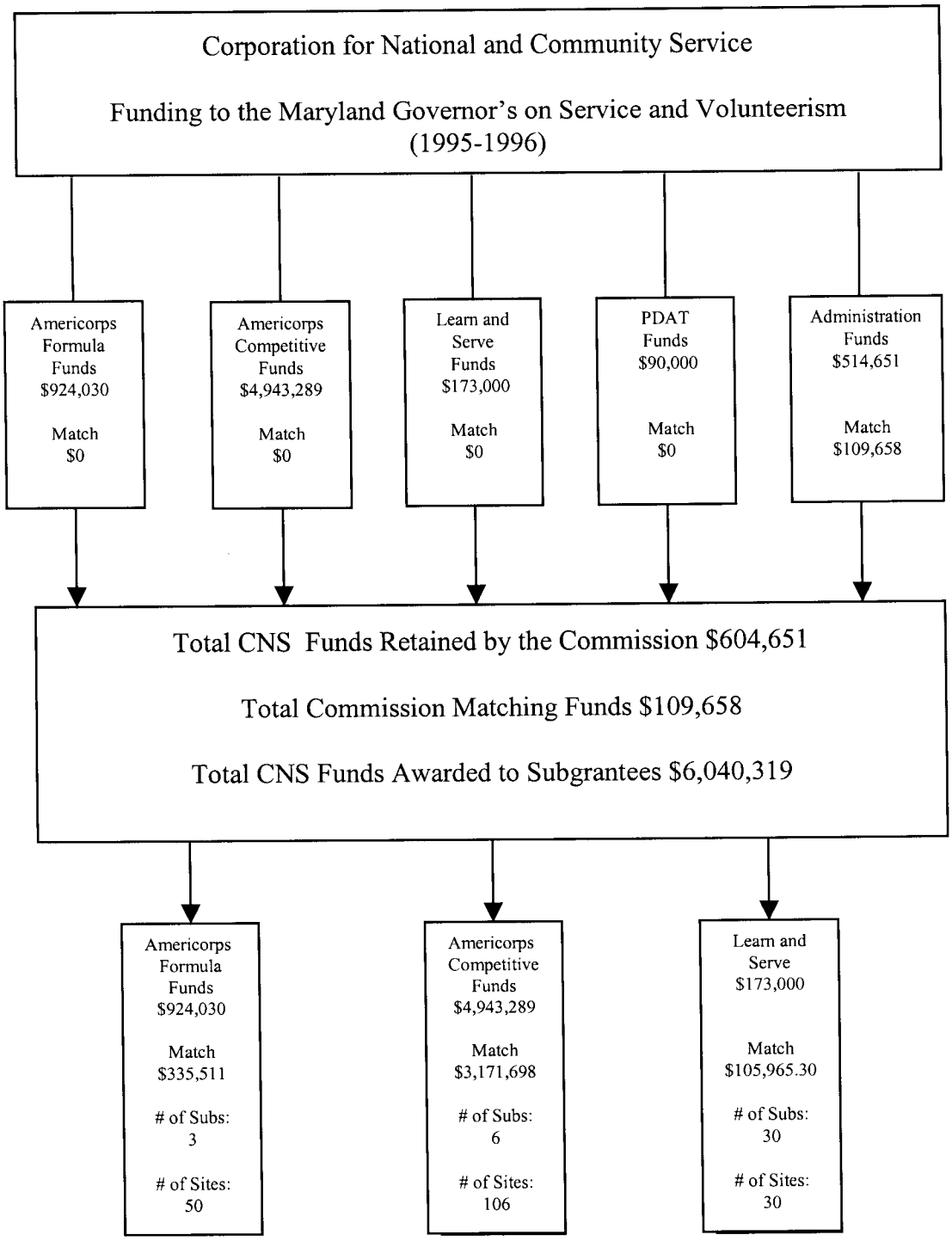

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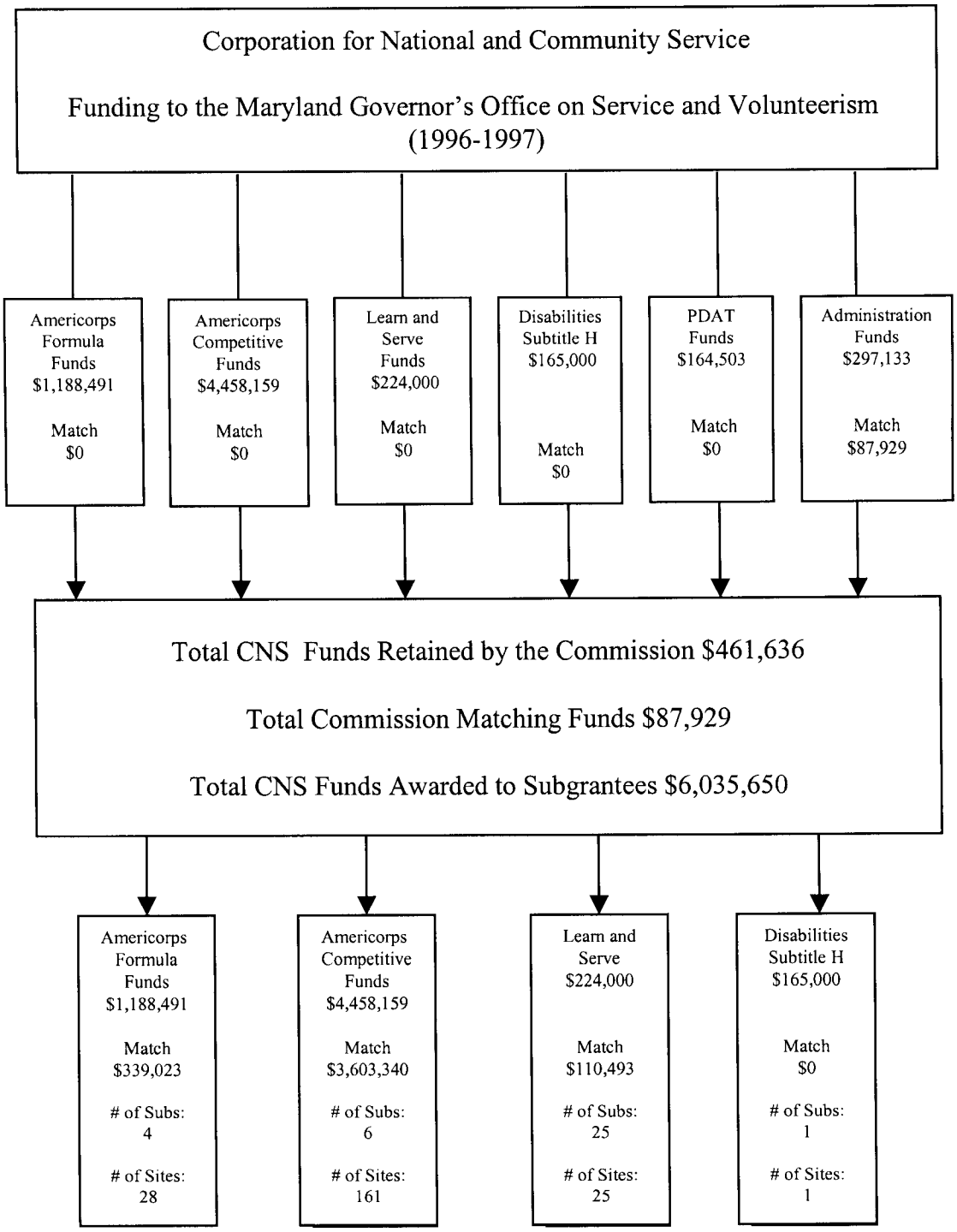

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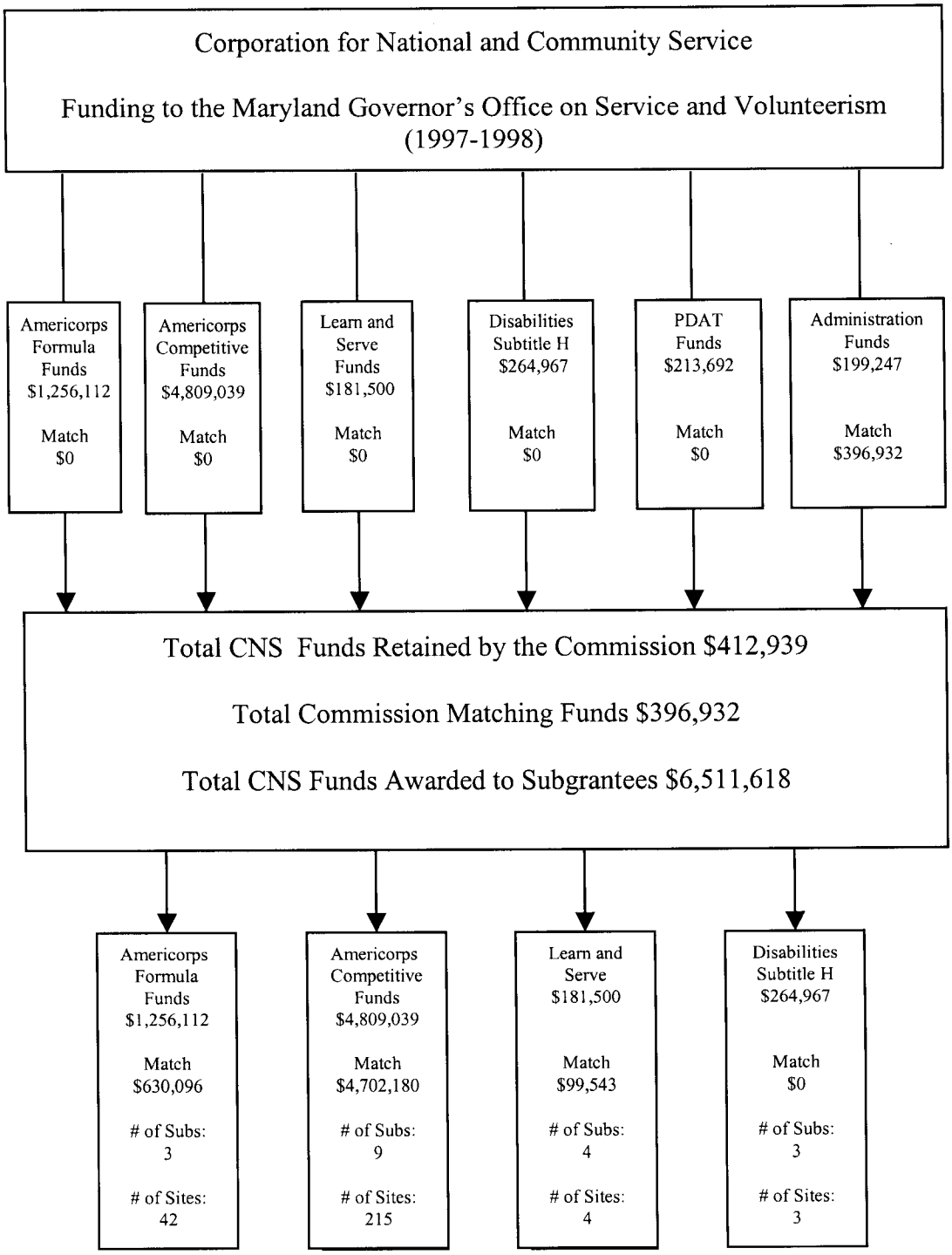

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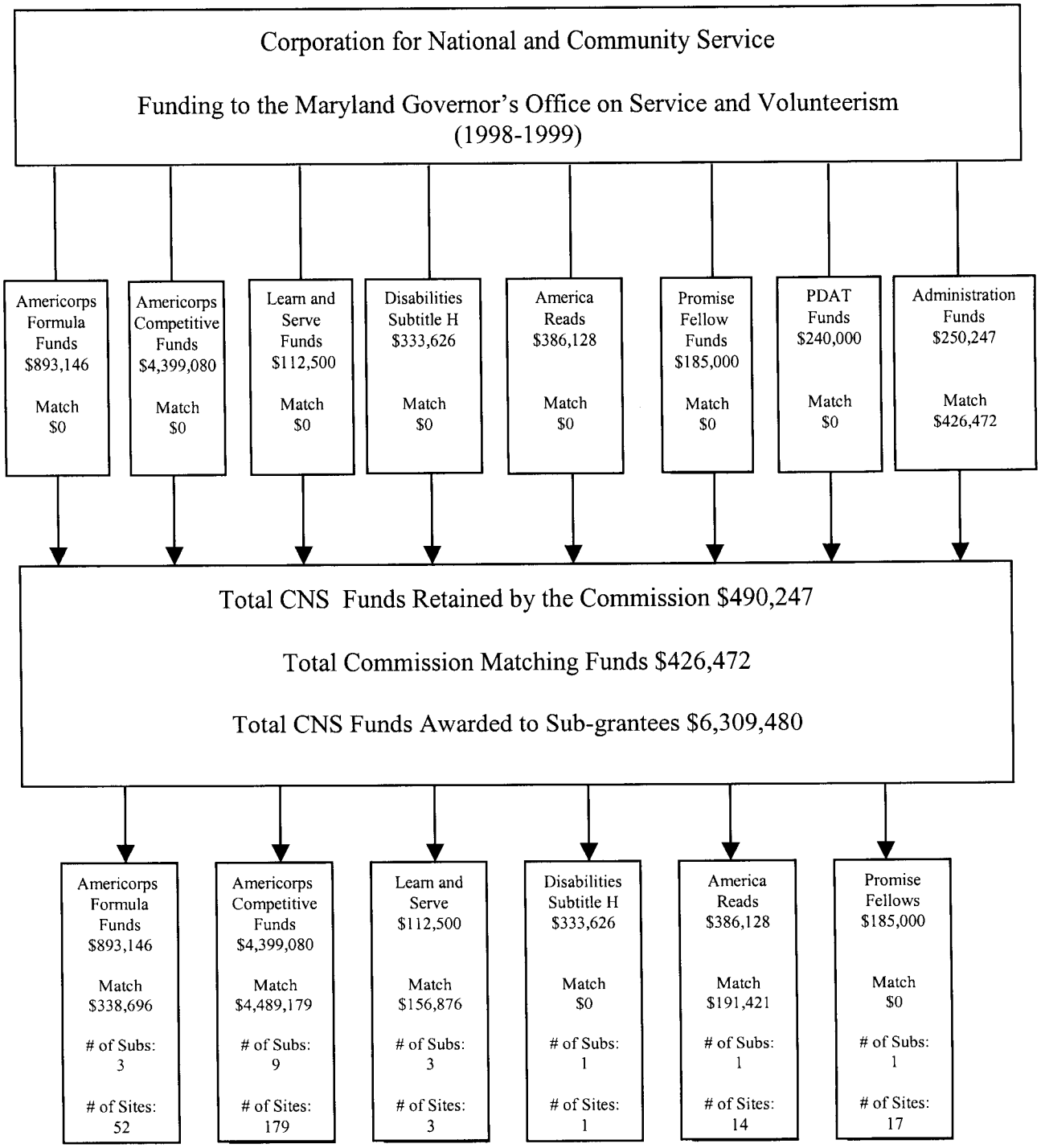

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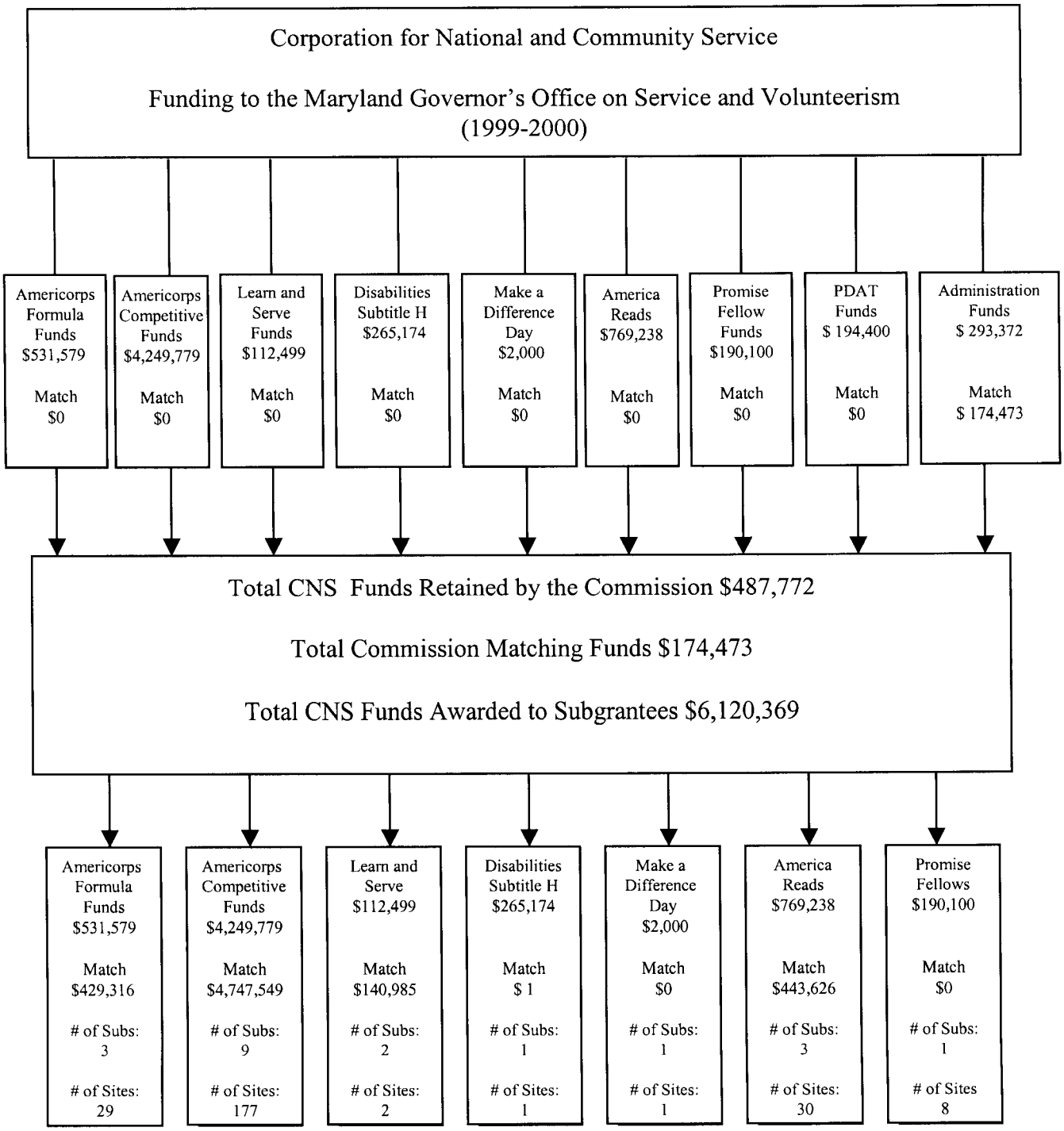

Detailed Engagement Objectives and Methodology

Appendix B

Internal Controls

Our objective was to make a preliminary assessment of the adequacy of the Commission's financial systems and documentation maintained by the Commission to provide reasonable assurance that transactions are properly recorded and accounted for to: (1) permit the preparation of reliable financial statements and Federal reports; (2) maintain accountability over assets; and (3) demonstrate compliance with laws, regulations, and other compliance requirements.

In order to achieve the above objective, we identified the compliance requirements with a direct and material effect on the Commission's AmeriCorps grant program, as follows: activities allowed or unallowed and allowable costs; eligibility; matching; period of availability of Corporation funds; suspension and debarment; subrecipient monitoring; and reporting by the Commission to the Corporation. We then interviewed key Commission personnel to assess the Commission's controls surrounding these requirements.

Selecting Subgrantees

Our objectives were to make a preliminary assessment:

- of the adequacy of the systems and controls utilized by the Commission to select national service subgrantees to be included in an application to the Corporation;
- as to whether the Commission evaluated the adequacy of potential subgrantee financial systems and controls in place to administer a Federal grant program prior to making the award to the subgrantees; and
- as to whether Commission involvement in the application process involved any actual or apparent conflict of interest.

In order to achieve the above objectives, we interviewed key Commission management personnel and documented procedures performed by the Commission during the pre-award financial and programmatic risk assessment of potential subgrantees. We also reviewed documentation to determine if conflict of interest forms for each subgrantee applicant tested were signed by selection officials annually and maintained by the Commission.

Administering Grant Funds

Our objectives were to:

- make a preliminary assessment of the adequacy of the systems and controls utilized by the Commission to oversee and monitor the performance and progress of funded subgrantees;
- make a preliminary assessment as to whether the Commission's organizational structure and staffing level and skill mix are conducive to effective grant administration;

- make a preliminary assessment as to whether the Commission provided adequate guidance to subgrantees related to maintenance of financial systems, records, supporting documentation, and reporting of subgrantee activity;

- make a preliminary assessment of the adequacy of financial systems and documentation maintained by the Commission to support oversight of subgrantees and required reporting to the Corporation (including Financial Status Reports, progress reports, enrollment and exit forms, and change of status forms); and

- determine whether the Commission has procedures in place to verify the accuracy and timeliness of reports submitted by the subgrantees.

In order to achieve the above objectives, we reviewed Financial Status Reports and progress reports submitted by subgrantees, as well as Financial Status Reports submitted by the Commission to the Corporation, to preliminarily assess the accuracy of submitted Financial Status Reports and progress reports. We also preliminarily assessed whether the Commission's implementation of the Web Based Reporting System (WBRS) had enhanced the grant administration process.

Evaluating and Monitoring Subgrantees

Our objectives were to:

- make a preliminary assessment of the adequacy of the systems and controls utilized by the Commission, in conjunction with the Corporation, to implement a comprehensive, non-duplicative evaluation and monitoring process for their subgrantees;

- determine whether the Commission has an established subgrantee site visit program in place and make a preliminary assessment of the effectiveness of its design in achieving monitoring objectives;

- make a preliminary assessment of the adequacy of the Commission's procedures used to assess subgrantee compliance with Corporation regulations (e.g., those governing eligibility of Members, service hour reporting, prohibited activities, payment of living allowances to Members and allowability of costs incurred and claimed under the grants by subgrantees, including reported match);

- make a preliminary assessment of the adequacy of the Commission's procedures for obtaining, reviewing and following up on findings included in the subgrantee OMB Circular A-133 audit reports, where applicable;

- determine whether program goals are established and results are reported and compared to these goals; and

- make a preliminary assessment of the adequacy of the procedures in place to evaluate whether subgrantees are achieving their intended purpose.

In order to achieve the above objectives, we documented the procedures performed by the Commission to evaluate and monitor individual subgrantees. In addition, we judgmentally selected subgrantees and obtained the Commission's documentation for site visits. We reviewed the documentation to preliminarily assess the adequacy of the procedures performed by the Commission to assess financial and programmatic compliance and related controls at the sites. We also determined whether the Commission received and reviewed OMB Circular A-133 audit reports from subgrantees.

STATE OF MARYLAND
EXECUTIVE DEPARTMENT

PARRIS N. GLENDENING
GOVERNOR

Appendix C

KATHLEEN KENNEDY TOWNSEND
LIEUTENANT GOVERNOR

GOVERNOR'S OFFICE ON SERVICE AND VOLUNTEERISM

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LYNN A. BOPP, Executive Director

March 19, 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:

The Maryland Governor's Commission on Service and Volunteerism (MGOSV) has received and reviewed the findings and recommendations of the draft report on the OIG's Pre-Audit Survey of the Maryland Commission. Our responses are as follows:

Results in Brief:

"The Commission's AmeriCorps grants were identified as a major program and tested as part of an OMB Circular A-133 audit performed by the State Comptroller's Office for the State's fiscal year ended June 30, 1999. The auditor's report included an immaterial instance of noncompliance related to the AmeriCorps program which indicated Financial Status Reports, Federal Cash Transaction Reports and enrollment and end of term reports were not submitted on a timely basis. Therefore, based on our preliminary assessments, and the nature of the findings identified herein, we recommend the performance of limited audit procedures to address the findings related to grant administration and subgrantee monitoring"

MGOSV Response:

We respectfully disagree with the recommended limited scope audit related to grant administration and subgrantee monitoring. First, we would like to note that the noncompliance with timely submission of Financial Status Reports and enrollment and end of term reports was related to a non-compliance issue by the MGOSV's sub-grantees. The MGOSV was not cited for submitting late federal reports. Furthermore, since the 1998-1999 program year, we have implemented and thoroughly documented strong

financial and programmatic oversight and monitoring procedures. Finally, our federal pre-audit survey found these issues of non-compliance related to grant years prior to the 1998 grant year, and thus noted that the MGOSV has remedied these findings in its subsequent grant years.

Finding Number 1:

Administering Grant Funds: Procedures and Controls over Timeliness, Accuracy and Validity of Financial Status Reports (FSRs)

Recommendation Number 1:

"No recommendation is considered necessary at this time because the Commission implemented procedures to address these issues in program year 1998-1999."

Finding Number 2:

Evaluation and Monitoring of Sub-grantees: Adequacy of Site Visit Procedures

Recommendation Number 2:

"The Commission should focus on measures for improving the effectiveness of its evaluation and monitoring of sub-grantees as follows:

- *Add procedures to the current site visit monitoring tool to instruct Program Managers to perform tasks to determine: (i) how Member restricted activities are monitored; (ii) whether Member timesheets or rosters exist and how time charged is verified; and (iii) whether living allowances are being paid according to established guidelines.*

- *"Additionally, instructors should require the reviewer to document the specific items examined, where applicable. Although not specifically required by a law or regulation, including the items noted above in a standard monitoring tool enhances the organization's ability to consistently evaluate key compliance and programmatic requirements, validate the results of its reviews, and ensure the completion of all monitoring steps at each subgrantee visited."*

MGOSV Response:

Since the 1998-1999 program year, the MGOSV has thoroughly revised the site visit monitoring tools to specifically monitor Member restricted activities; Member timesheets; and Member living allowance payments. The MGOSV site visit-monitoring tool includes all the items recommended and is on file in the MGOSV office.

Other Observations:

Use of Web Based Reporting System: Not fully implemented due to various technical problems.

MGOSV Response:

We would like to clarify this other observation related to the Web Based Reporting System (WBRS). The MGOSV was not required to fully implement the WBRS system until the 2000-2001 program year. Currently, the MGOSV is using the WBRS system as directed by Corporation requirements.

We trust that our responses satisfy the concerns raised in the report. We appreciate the opportunity to respond to the report. Should you have any questions, or need additional information, please do not hesitate to contact me at (410) 767-1216.

Sincerely,

Lynn A. Bopp

Lynn A. Bopp
Executive Director

cc: Stacy Bishop, MGOSV Grants Manager
Keith Hart, MGOSV Director of Programs
William Varga, Assistant Attorney General
Robert Platky, Director of Financial Administration
Pat Kirk, Commission Chair
Stacie Rivera, Special Assistant to the Lieutenant Governor
Cheryl Blankenship, CNS Senior Program Officer

Appendix D

MEMORANDUM

AmeriCorps National Service

CORPORATION FOR NATIONAL SERVICE

Date: March 22, 2001

To: Luise Jordan, Inspector General

Thru: Bill Anderson, Deputy Chief Financial Officer

From: Peter Heinaru, Director, AmeriCorps State and National

Subject: Comments on the OIG Draft Report 01-15, *Pre-Audit Survey of the Maryland Governor's Office on Service and Volunteerism*

We have reviewed the draft pre-audit survey of the Maryland Governor's Office on Service and Volunteerism (the Commission). Based on the results presented in the draft report we are pleased to note that the Commission:

- administers an open, competitive process to select national service subgrantees;
- has developed adequate control policies and procedures to administer the Corporation's grant funds; and
- has developed adequate control policies and procedures to evaluate and monitor subgrantees.

The report contains two recommendations related to the section titled ***Evaluating and Monitoring Subgrantees***. The first recommendation is that the Commission "Add procedures to the current site visit monitoring tool to instruct Program Managers to perform tasks to determine: (i) how Member restricted activities are monitored; (ii) whether Member timesheets or rosters exist and how time changed is verified; and (iii) whether living allowances are being paid according to established guidelines." The Corporation disagrees with this recommendation. Since the 1998-1999 program, year the Commission has thoroughly revised its site monitoring tool to specifically monitor member restricted activities, member timesheets, and to verify that member living allowances are being paid according to established guidelines. The revised current site monitoring tool is on file in the Commission office and is utilized by the Program Managers. We believe that the Commission's site visit tool provides adequate coverage over the Corporation's programs.

The second recommendation is that ". . . instructors should require the reviewer to document the specific items, where applicable. Although not specifically required by

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law or regulation, including the items noted above in a standard monitoring tool enhances the organization's ability to consistently evaluate key compliance and programmatic requirements, validate the results of its reviews and ensure the completion of all monitoring steps at each subgrantee visited." The Corporation disagrees. The Commission has implemented a risk-based strategy that has been in place since the 1998-1999 program year. The Commission methodology adequately documents the results and resolution of issues identified on site visits and provides a level of oversight of its subgrantees based on the level of risk.

In the section titled ***Other Observations***, KPMG states that ". . . the Commission has not fully implemented the Web Based Reporting System (WBRS) due to various technical problems. Discussions held with the Commission personnel indicate that they are using WBRS when possible, but continue to maintain prior process until WBRS is fully functional." We wish to point out that at the time the pre-audit survey was performed, the Commission was not required to have WBRS fully implemented. Since that time the Commission has fully implemented WBRS.

Finally, the section titled ***Results in Brief*** includes a recommendation for a limited scope audit of the Commission's grant administration and subgrantee monitoring. The Corporation does not believe such an audit is necessary. Given the generally favorable results presented in the survey and the absence of other indicators of risk at the Commission, the Corporation believes that it would be more effective for the Commission to address these matters through the State Administrative Standards Review process.

cc: Peg Rosenberry
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