OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

PRE-AUDIT SURVEY OF THE NEVADA COMMISSION FOR NATIONAL AND COMMUNITY SERVICE

OIG Audit Report Number 01-17
October 27, 2000

Prepared by:

KPMG LLP
2001 M Street N.W.
Washington, DC 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 March 22, 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 September 18, 2001, and complete its corrective actions by March 22, 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 Nevada Commission for National and Community Service OIG Audit Report Number 01-17

Introduction

The Corporation for National and Community Service, pursuant to the authority of the National and Community Service Act (NCSA), 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). They are a tool that allows OIG to plan future audit work related to the state commission's operations. 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. Recommendations for future audit work consider the pre-audit survey results, known audit coverage, and the amount of funding.

We engaged KPMG LLP to perform the pre-audit survey of the Nevada Commission for National and Community Service. We found that, in 1998, the Commission's administrative operations were transferred to a newly created not-for-profit organization, the Nevada Commission for National and Community Service, Inc, whose sole purpose is to administer programs authorized by the NCSA. Previously, the Commission's operations had been administered by the Nevada Department of Employment, Training and Rehabilitation.

Based on the limited procedures performed, KPMG concluded that the present Commission, the Nevada Commission for National and Community Service, Inc., has adequate controls over grant award, administration and monitoring. However, KPMG reports that the Nevada Department of Employment, Training and Rehabilitation (DETR) was unable to provide documentation to support payments to subgrantees, amounts claimed in financial status reports, and its monitoring of subgrantees. KPMG also reported that the DETR lacked procedures to obtain and review subgrantee audit reports.

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

KPMG recommended that OIG rely on the present Commission's annual audit when considering the extent of audit work at the Commission. However, KPMG recommended a full scope OIG audit of CNS funding administered by the Department of Employment, Training and Rehabilitation.

CNS OIG reviewed the report and work papers supporting its conclusions and concur with findings and recommendations presented. We provided copies of this report to the Nevada Commission for National and Community Service, Inc., the Nevada Department of Employment Training and Rehabilitation, and to the Corporation for National and Community Service for their review and comment. In their responses (Appendices C and D respectively), the Commission and the DETR concurred with the portions of the report that pertain to their operations. DETR provided additional information on the close out of its grants with CNS. The Corporation's response (Appendix E) disagreed with the recommended audit of DETR, arguing that to audit DETR will not improve the Commission's operations.

The purpose of this pre-audit survey was to assess internal controls that provide assurance that Federal funds were properly spent, assess risk, and determine the extent of audit work to be performed in the future. The results of this pre-audit survey indicate that DETR's internal controls did not provide reasonable assurance that costs charged to the Federal government were proper. Therefore, OIG concurs with KPMG's recommendation for a full-scope audit of the costs incurred during the DETR's administration of CNS grant funds. In accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," we will consider coverage provided by the State of Nevada's annual Circular A-133 audit and other audits performed under the Circular's requirements to determine the extent of our audit work.

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2001 M Street, NW
Washington, DC 20036

Telephone 202 533 3000
Fax 202 533 8500

October 27, 2000

Inspector General
Corporation for National and Community Service:

At your request, KPMG LLP (KPMG) performed a pre-audit survey of the Nevada Commission for National and Community Service (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 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.

Results in Brief

As discussed in the section below entitled *Overview of the Nevada Commission*, the Commission was part of the State of Nevada Department of Employment, Training and Rehabilitation (DETR) from its inception in 1994 through May 15, 1998. At that point, a newly-created not-for-profit organization, the Nevada Commission for National and Community Service, Inc. (NCNCS) assumed responsibility for the Commission's grants and activities. Therefore, we have separated our results below between the two entities.

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 since NCNCS assumed responsibility for Commission administration in May 1998:

- The Commission administers an open, competitive process to select national service subgrantees. However, the Commission had not established a thorough pre-award risk assessment process to fully evaluate applicants' financial and management capabilities for the program year 1999-2000 selection process.

- The Commission has developed adequate control policies and procedures to administer the Corporation's grant funds.

- The Commission has established adequate procedures to evaluate and monitor subgrantees.

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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 while it was a part of DETR:

- The Commission administered an open, competitive process to select national service subgrantees. However, DETR could not locate adequate documentation to support the rejection of grant funding and review of certain accepted applications.

- The Commission developed certain control policies and procedures to administer the Corporation's grant funds. However, DETR could not locate documentation to support payments to subgrantees and amounts reported in Financial Status Reports (FSRs).

- The Commission established procedures to evaluate and monitor subgrantees. However, DETR could not provide documentation supporting the procedures performed during site visits, and sufficient procedures were not in place to obtain and review subgrantee Office of Management and Budget (OMB) Circular A-133 audit reports.

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

Based on our preliminary assessments, we recommend the performance of a full scope audit of the Commission's grants administered by DETR for program years 1994-95 through 1997-98. In anticipation of this audit, we recommend that DETR attempt to locate all documentation supporting the proper administration of Commission grants and work with the Corporation for National and Community Service to close all Commission grants that DETR administered and to submit final FSRs for those grants.

However, considering that our preliminary assessments identified only one finding that has already been corrected, and the results of NCNCS' OMB Circular A-133 audit for the year ended June 30, 2000 did not identify any findings related to the AmeriCorps program, we recommend the Office of Inspector General place reliance on the results of the OMB Circular A-133 audit in considering whether any further audit procedures are required at the Commission for program years 1998-99 and 1999-2000.

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 provide 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 Commissions. The standards require, in part, that the 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 Nevada Commission

In a February 1994 Executive Order, the Governor of Nevada created the Nevada Commission for National and Community Service through which qualified service programs in the State of Nevada would receive funding from the Corporation. Through May 15, 1998, the Nevada Department of Employment, Training and Rehabilitation (DETR) administered the Commission's grants. At that point, the Governor of Nevada, by Executive Order, transferred the Commission's administration responsibilities to a newly created not-for-profit organization, the Nevada Commission for National and Community Service, Inc. (NCNCS), whose sole purpose is to administer programs authorized by the National and Community Service Trust Act of 1993. At the time of transfer:

- The Corporation assigned a new identifying number to the NCNCS Commission grants.
- The Corporation notified NCNCS that it was not responsible for the administration of any grants awarded to DETR nor for the closing of those grants. Accordingly, NCNCS did not receive any carryover funds from the prior grants.
- Final FSRs were not submitted and close-out procedures were not performed for the DETR-administered grants.
- The Commissioners appointed by the Governor of Nevada did not change.

The current Commission has 16 members. NCNCS is located in Fallon, Nevada, and operates with three employees, including an Executive Director, a Program Development Officer, and an Administrative Assistant. In addition, NCNCS maintains a contract with a bookkeeper for accounting services. The Executive Director has been in her position since the formation of NCNCS and has several years of experience with AmeriCorps grants. The formation of NCNCS and its employees' experience have contributed to the Commission's ability to operate Corporation grants consistently and retain documentation in an orderly fashion.

As part of DETR, the Commission was subject to the annual statewide OMB Circular A-133 audit. However, the Commission's AmeriCorps grants were not tested as major programs during that time. For the fiscal year ended June 30, 1999, NCNCS expended less than $300,000 in

federal funds and therefore was not required to receive an OMB Circular A-133 audit. For NCNCS' fiscal year ended June 30, 2000, the Commission's AmeriCorps grant was identified and tested as a major program as part of an OMB Circular A-133 audit performed by an independent certified public accountant. The audit reports did not contain any findings required to be reported under *Government Auditing Standards* or OMB Circular A-133.

NCNCS and DETR 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	$ 419,897	2	0*
1995-96	537,078	3	0*
1996-97	644,028	2	1*
1997-98	488,152	2	0*
1998-99	387,670	3	1
1999-2000	815,512	7	4

* For program years 1994-95 through 1997-98, DETR administered the Commission's grants but did not have sufficient procedures to identify subgrantees subject to OMB Circular A-133 audits. Thus, determination is based solely on the 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 1994-95 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 1994-95 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 grants, including internal controls over service hour and program accomplishment reporting.

As part of the procedures performed, we documented and tested internal controls in place at DETR and NCNCS 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 DETR management and NCNCS management during exit conferences held on December 5 and 6, 2000, respectively.

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 NCNCS, DETR and the Corporation. NCNCS', DETR's and the Corporation's responses to our findings and recommendations are included as Appendix C, D and E, respectively.

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."

Nevada Commission for National and Community Service, Inc. (May 16, 1998 to Present)

NCNCS has established an open, competitive process to select national service subgrantees. It advertises funding availability through its internet web site, mailing lists, newspapers and newsletters. In addition, selection officials sign conflict of interest statements annually, receive an instruction package, and use a standard form to evaluate each applicant, which currently includes an evaluation of the applicant's financial systems. However, we identified the following area for improvement within NCNCS' selection process.

Lack of Pre-Award Risk Assessment for Program Year 1999-2000

For program year 1999-2000, NCNCS had not yet established a thorough pre-award risk assessment process to fully evaluate applicants' financial and management capabilities. During that year, NCNCS terminated funding to one subgrantee because of management concerns. We believe if NCNCS' current pre-award risk assessment procedures had been in place at that time, NCNCS may not have originally funded this subgrantee. Because NCNCS currently has adequate procedures to perform pre-award risk assessments, including the review of an applicant's internal control structure, accounting procedures, and any prior-year audit reports, no recommendation is required related to this issue.

Nevada Department of Employment, Training and Rehabilitation (1994 through May 15, 1998)

DETR was responsible for the selection process for program years 1994-95 through 1998-99. During this period, DETR had established an open, competitive process to select national service subgrantees. It advertised funding availability through mailing lists and town forums. In addition, selection officials signed conflict of interest statements annually, received an instruction package, and used a standard form to evaluate each applicant. However, we identified the following areas for improvement within DETR's selection process.

Insufficient Procedures Related to Pre-Award Risk Assessments and Grievances

When DETR administered the Commission's grants, it did not have adequate pre-award procedures in place to evaluate applicants' financial and management capabilities. Evidence of such procedures did not exist for both new applicants tested. In addition, DETR did not have written grievance procedures for rejected grant applicants, as required by 45 CFR Section 2540.230. However, because DETR is no longer responsible for administering the Commission's grants, recommendations to address the above issues are not required.

Missing Documentation Supporting the Selection Process

As part of our procedures over the selection process, we noted that DETR could not provide:

- A listing of applications rejected for funding during program years 1994-95 through 1998-99.
- Copies of rejection letters that were sent to applicants who were denied funding.
- Documentation supporting the reasons for funding denials.
- Documentation supporting the review performed over two of four accepted applications tested.

DETR contends the above documentation existed, but due to the passage of time, it cannot be located. In accordance with 45 CFR Section 2541.420, entities are required to retain records for three years after the close of Corporation grants. Since the Corporation has not closed any of the Commission grants administered by DETR, DETR continues to be responsible for maintaining records to support those grants, including the documentation identified above.

Recommendation

We recommend that DETR work with the Corporation to close all Commission grants administered by DETR and to submit final FSRs for those grants. Further, DETR should locate and maintain the necessary documentation to support the proper administration of Commission grants for three years after the close of the related grants.

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)).

Nevada Commission for National and Community Service, Inc. (May 16, 1998 to Present)

NCNCS 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 withhold funding payments if subgrantees do not submit FSRs timely; to manage cash draw downs and disbursements to subgrantees; and to ascertain whether subgrantees have met their matching requirements. In program year 1999-2000, NCNCS began using the Web Based Reporting System (WBRS) for reporting of Commission and subgrantee program information. In addition, NCNCS personnel have adequate skills and experience to manage and administer Corporation grant funds. We identified no significant areas for improvement within this process at NCNCS as a result of the limited procedures performed.

Nevada Department of Employment, Training and Rehabilitation (1994 through May 15, 1998)

DETR had developed and implemented certain procedures that were intended to provide reasonable assurance that grant funds received from the Corporation were properly administered. For example, procedures were in place to ascertain whether subgrantees had met their matching

requirements. However, we identified the following areas for improvement within DETR's grant administration process.

Untimely and Inaccurate FSRs

In our sample of two Administrative Grant FSRs submitted by DETR:

- One was submitted 10 days late, and
- One contained a $43,739 mathematical error.

In addition, in our sample of two subgrantee FSRs from program years 1994-95 through 1997-98, one FSR was submitted 38 days late, and we did not find evidence supporting follow-up on this untimely submission.

As a result, DETR provided the Corporation untimely and inaccurate expenditure information. However, because DETR is no longer responsible for administering the Commission's grants, recommendations to address the above issues are not required.

Missing Documentation Supporting Grant Administration

As part of our procedures over grant administration, we noted that DETR could not provide adequate documentation to support:

- Payments to subgrantees, including documentation of funding requests submitted by subgrantees (four of four items tested).
- Federal expenditures reported on FSRs for subgrantees and the Commission (three of four items tested).

As noted above, DETR's Commission grants have not been closed. Therefore, DETR continues to be responsible for maintaining adequate records to support claimed costs, is subject to an audit of these grant funds, and could be held responsible for any questioned costs identified as part of such audits. Implementing the recommendation made in the Selecting Subgrantees section will help DETR address this issue.

Evaluating and Monitoring Subgrantees

As noted above, the Commission is responsible for monitoring subgrantee supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved.

Nevada Commission for National and Community Service, Inc. (May 16, 1998 to Present)

NCNCS has established controls to evaluate and monitor subgrantees, which includes reviewing program progress and financial reports and OMB Circular A-133 audit reports. In addition, NCNCS schedules site visits for each subgrantee during the grant period. NCNCS personnel use a standard site visit report form to document the results of each visit, and NCNCS notifies the subgrantees of the results of these site visits, including strengths, weaknesses, concerns, recommendations, and any necessary follow-up requirements.

NCNCS monitors and evaluates program goals and accomplishments reported by the subgrantees. Program goals are established at the beginning of a program. NCNCS then uses a number of methods to monitor and evaluate progress toward the goals. These methods include review of program financial reports, interim progress reports, and the annual accomplishment review report; site visits by NCNCS staff and commissioners; and regular communication with subgrantees.

We identified no significant areas for improvement within this process at NCNCS as a result of the limited procedures performed.

Nevada Department of Employment, Training and Rehabilitation (1994 through May 15, 1998)

DETR established controls to evaluate and monitor subgrantees, which included the performance of annual site visits to subgrantees. DETR notified the subgrantees of the results of these site visits and followed-up on the completion of necessary corrective action.

To monitor and evaluate program goals and accomplishments reported by the subgrantees, DETR reviewed progress reports and the annual accomplishment review report using information obtained during site visits. In addition, surveys of Members and other parties involved with the program were conducted, and outside evaluators verified reported accomplishments.

However, we identified the following area for improvement within DETR's subgrantee evaluation and monitoring process.

Insufficient Subgrantee Monitoring Procedures and Related Documentation

As part of our procedures over the evaluation and monitoring of subgrantees, we noted the following deficiencies at DETR when it was responsible for administering Commission grants:

- DETR did not have an adequate system in place to collect and review subgrantee OMB Circular A-133 audit reports (two of two items tested). OMB Circular A-133 Compliance Supplement, March 2000, Part 6 – Internal Control suggests that such a review and follow-up on subgrantees' audit reports is a key component of a program to monitor compliance with federal grant requirements.

- DETR did not adequately document its procedures performed during or the results of subgrantee site visits, including procedures performed to ensure Members were eligible to perform service, living allowances were being paid according to established guidelines, and hours accumulated for service were for authorized activities only (two of two items tested).

As a result of insufficient monitoring and evaluation of subgrantees, instances of material noncompliance related to the AmeriCorps program of which DETR was not aware may have existed and may not have been corrected. However, because DETR is no longer responsible for administering the Commission's grants, recommendations to address the above issues are not required.

*****

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 Nevada Commission for National and Community Service, Inc.; the management of the Nevada Department of Employment, Training and Rehabilitation; and the United States Congress and is not intended to be and should not be used by anyone other than these specified parties.

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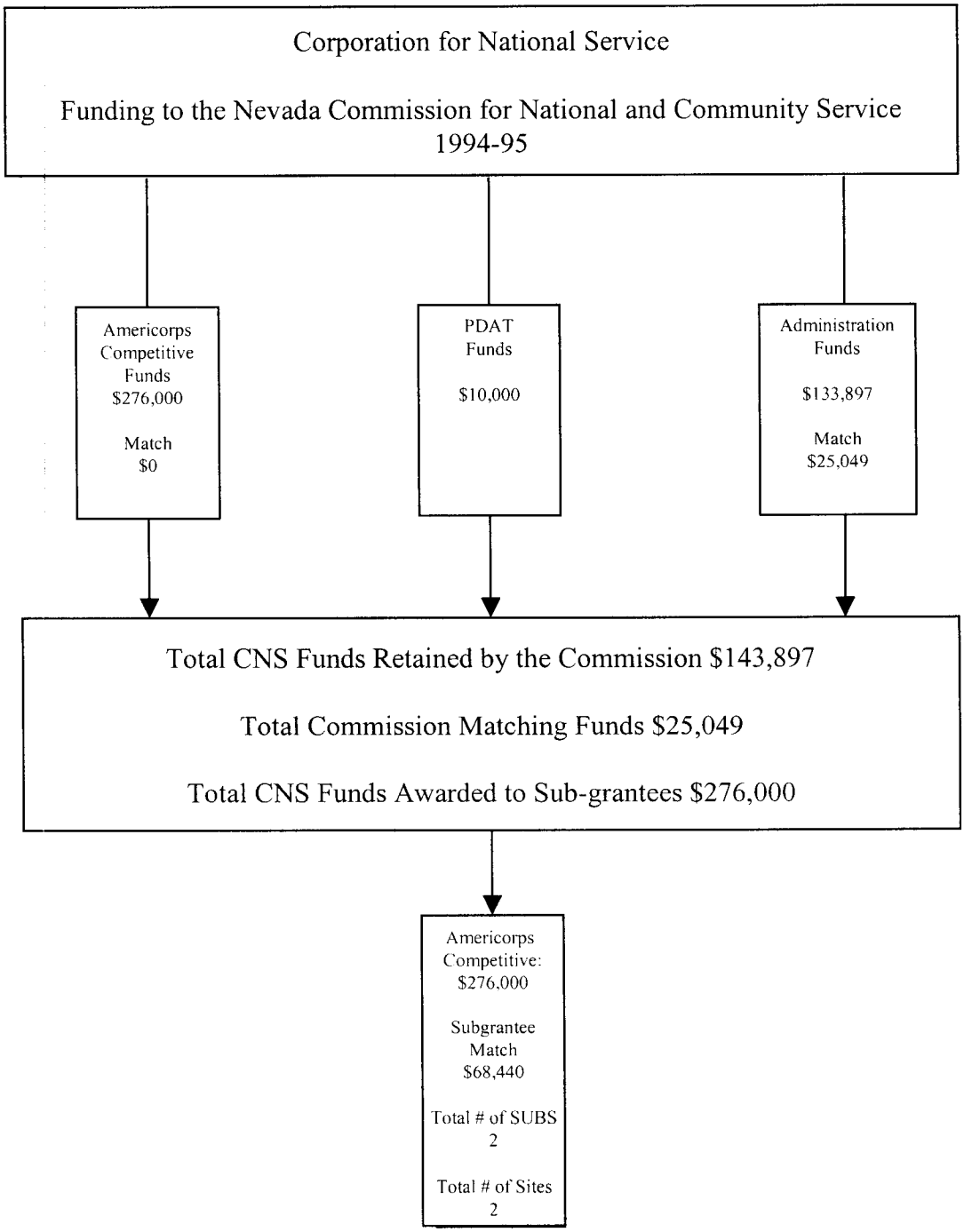
Commission Funding

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	$ -	$ -	$ -	$ -	$ 196,875	$ 292,375
CNS Competitive Grant Funds	276,000	333,591	453,034	399,342	-	236,184
CNS PDAT Funds	10,000	55,000	73,999	-	129,195	60,000
CNS Administrative Funds	133,897	148,487	116,995	88,810	35,600	160,453
Promise Fellows	-	-	-	-	26,000	66,500
Make a Difference Day Funds	-	-	-	-	-	2,000
State Matching Funds	25,049	30,147	43,521	44,580	23,345	162,500
	$ 444,946	$ 567,225	$ 687,549	$ 532,732	$ 411,015	$ 980,012

Commission Funding



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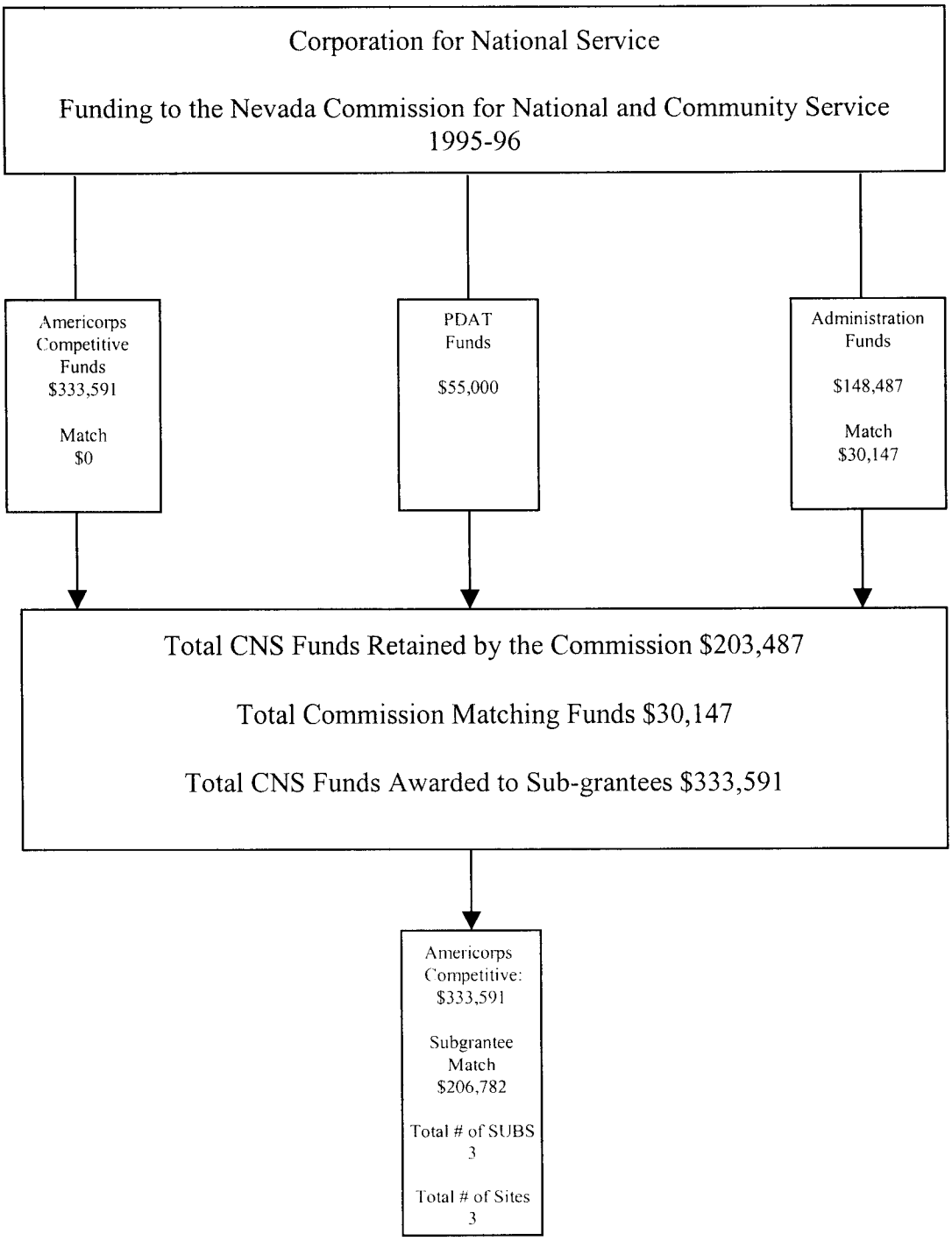

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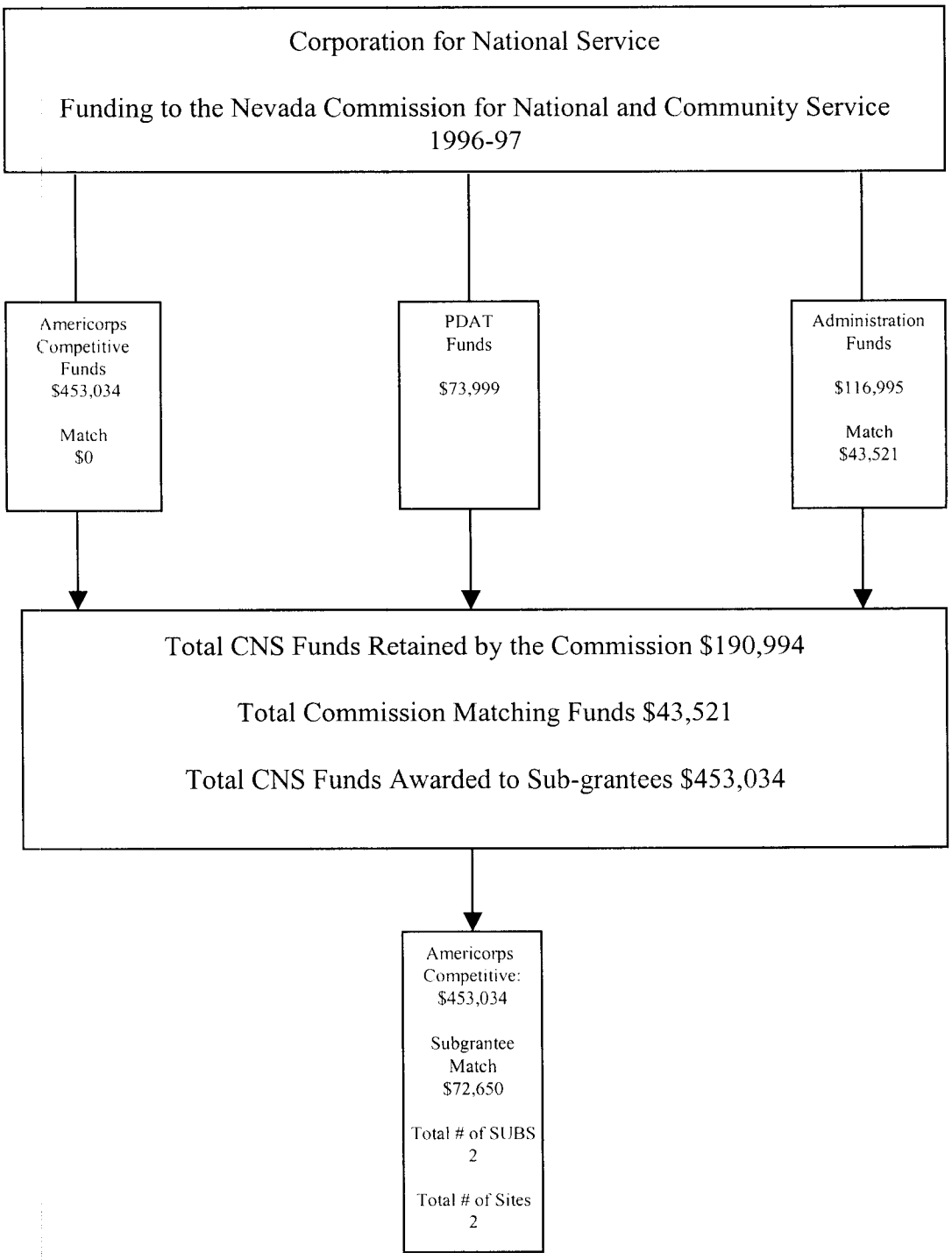

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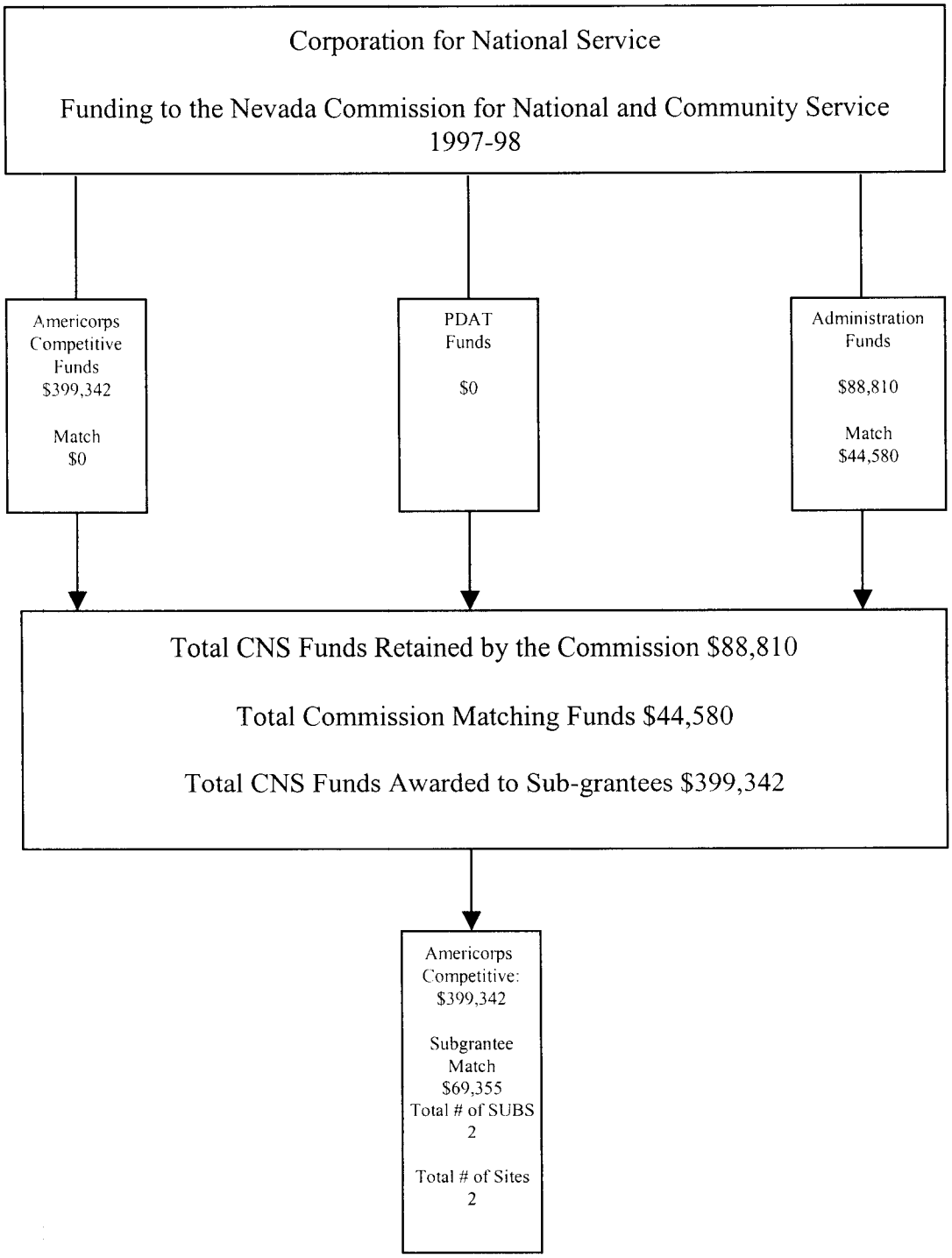

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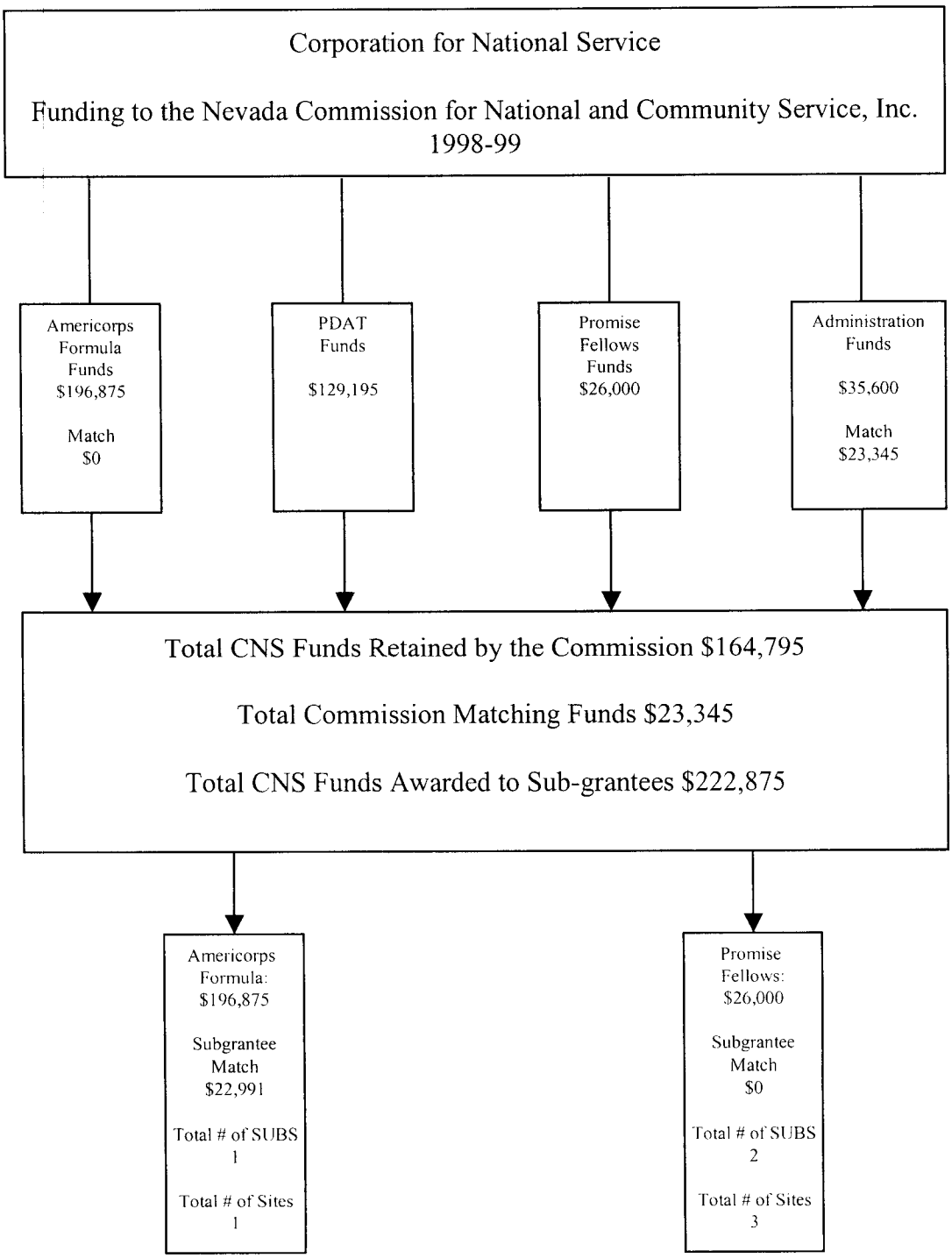
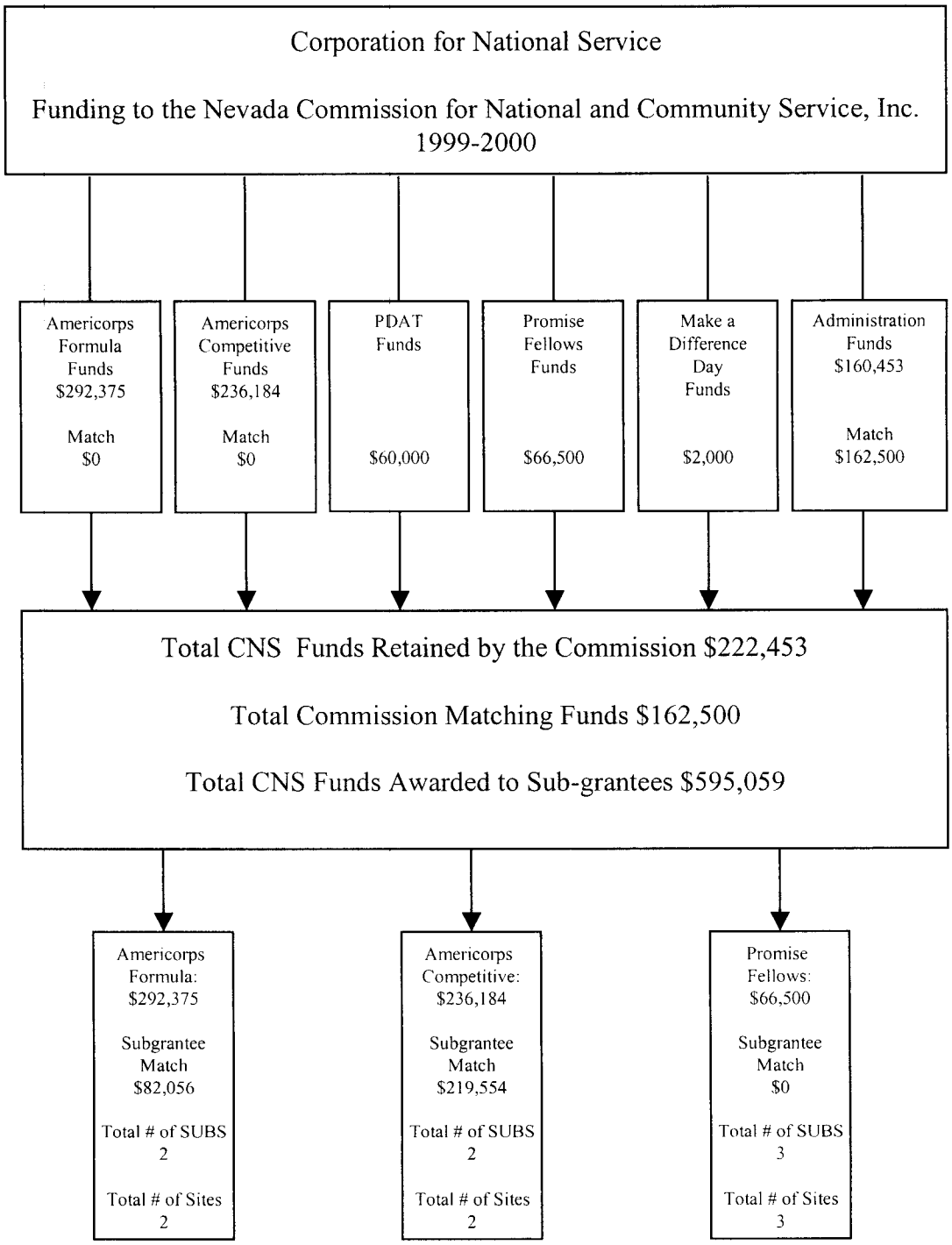


Commission Funding



Detailed Engagement Objectives and Methodology

Internal Control

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 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, 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;

- make a preliminary assessment of internal controls over service hour and program accomplishment reporting; 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.

Nevada Commission for National & Community Service, Inc.
Governor Kenny Guinn

Commissioners
Robyn Clayton
Chair
Janice Ayres
Vice-Chair
Stacy Thornton
Secretary
Janet Wright
Treasurer
Barbara Allen
Mendy Elliott
Gilbert Flores
Carolyn Forrester
Kevin Mack
Juan Rodriguez
Abby Rojas
Ellen Steiner
Craig Warner

Staff
Shawn R. Lecker-Pomaville
Executive Director
Karen R. Getto
Program Development Officer
Pamela D. Moore
Administrative Assistant
Disability Coordinator
aancncs@phonewave.net

Appendix C

Luise S. Jordan
Inspector General
Office of Inspector General
1201 New York Avenue, NW
Washington, DC 20525

Federal Express No. 819561101520

March 12, 2001

RE: Draft Report of Pre-Audit Survey, Nevada Commission for National and Community Service

Dear Ms. Jordan:

In response to your letter of Feb. 12, 2001, the Nevada Commission for National & Community Service Inc. agrees with the one finding reported on Page 6, Selecting Subgrantees, "Lack of Pre-Award Risk Assessment for Program year 1999-2000". Since no recommendation is required related to the issue because NCNCS, Inc. currently has an adequate procedure, we will continue to perform pre-award risk assessments now and in the future so that all Corporation federal funds are expended in accordance with federal requirements.

Please be advised that NCNCS Inc. is not responding in any way to findings or recommendations that pertain to the Commission when it was administered by DETR (Department of Employment, Training and Rehabilitation) during the time period of 1994 through June 1998. NCNCS Inc. became the legal entity to administer Nevada's AmeriCorps programs beginning July 1, 1998.

Sincerely,

Shawn Lecker Pomaville

SHAWN R. LECKER-POMAVILLE
Executive Director

90 North Maine Street, Suite 204 • Fallon, NV 89406 • 775.423.1461 • Fax: 775.423.8039

KENNY C. GUINN
Governor

STATE OF NEVADA

MYLA C. FLORENCE
Director

Appendix D

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
DIRECTOR'S OFFICE
500 E. Third Street
Carson City, Nevada 89713
Telephone (775) 684-3911 • Fax (775) 684-3908

March 8, 2001

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

Dear Ms. Jordan:

This letter is to respond to the draft report resulting from your pre-audit survey of the Nevada Commission for National and Community Service (NCNCS) during the period 1994 through May 15, 1998. It was during this period that the Nevada Department of Employment, Training and Rehabilitation (DETR) was responsible for grant funds received from the Corporation.

FINDINGS AND RECOMMENDATIONS

Selecting Subgrantees

Finding: *Missing Documentation supporting the Selection Process*

Recommendation: It is recommended that DETR work with the Corporation to close all Commission grants administered by DETR and to submit final FSRs for those grants. Further, DETR should locate and maintain the necessary documentation to support the proper administration of Commission grants for three years after the close of the related grants.

Response: DETR concurs with this finding and recommendation. We submitted the final FSRs and other fiscal closing documents for the period January 1994 through June 1998 on February 2, 2001 (see attached). There was no equipment inventory items with a

current market value of $5,000 or more purchased with federal grant funds. Also, there were no unused/residual supplies inventory purchased with federal funds having an aggregate fair market value exceeding $5,000. The equipment and supplies that DETR did have on hand were transferred to the newly created not-for-profit organization on, or before June 30, 1998. DETR's Final Project Report will be filed on, or before July 1, 2001.

Administrating Grant Funds

Finding: *Missing documentation Supporting Grant Administration*

Recommendation: DETR's Commission grants have not been closed. Therefore, DETR continues to be responsible for maintaining adequate records to support claimed costs, is subject to an audit of these grant funds, and could be held responsible for any questioned costs identified as part of such audits.

Response: DETR concurs with this finding and recommendation. We submitted the final FSRs and other fiscal closing documents for the period January 1994 through June 1998 on February 2, 2001 (see attached). There was no equipment inventory items with a current market value of $5,000 or more purchased with federal grant funds. Also, there were no unused/residual supplies inventory purchased with federal funds having an aggregate fair market value exceeding $5,000. The equipment and supplies that DETR did have on hand were transferred to the newly created not-for-profit organization on, or before June 30, 1998. DETR's Final Project Report will be filed on, or before July 1, 2001.

Sincerely,

Myla C. Florence, Director

Attachment
Cc: Libby Jones
Duane West
Marty Ramirez

Memorandum **Appendix E**

AmeriCorps National Service

CORPORATI
FOR NATION
SERVI

TO: Luise Jordan, Inspector General

THRU: William Anderson, Deputy Chief Financial Officer

FROM: Peter Heinaru, Director, AmeriCorps State and National

DATE: March 14, 2001

SUBJECT: Comments on the OIG Draft 01-17: *Pre-Audit Survey of the Nevada Commission for National and Community Service*

We have reviewed the draft pre-audit survey of the Nevada Commission for National and Community Service and are pleased to note that the Nevada Commission:

- administers an open, competitive process for its subgrant selections;
- has adequate control policies and procedures to administer the Corporation's grant funds; and
- has established adequate procedures to evaluate and monitor subgrantees.

The report contains one finding and no recommendations relating to the Nevada Commission for National and Community Service, Inc. which has administered Corporation grants since May 15, 1998.

In the area of **Selecting Subgrantees**, the report identified the following area of improvement: *Lack of Pre-Award Risk Assessment for Program Year 1999-2000.* For that year the Commission had not yet established a thorough pre-award risk assessment process to evaluate applicants' financial and management capabilities. The report continues that there is no recommendation associated with this finding because the Nevada Commission, Inc. currently has adequate procedures to perform pre-award risk assessments, including the review of an applicant's internal control structure, accounting procedures, and any prior-year audit reports.

The report contains five findings and one recommendation concerning the State of Nevada's Department of Employment, Training and Rehabilitation (DETR) which administered Corporation grants from 1994 to May 1998.

We note that no recommendation is made to audit the current Nevada Commission's operation; however, a full audit of DETR was recommended. Given the report's conclusion

1201 New York Avenu
Washington, DC 20525
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that the Commission has an effective operation; the success of Nevada's programs since its inception; and the absence of other indicators that there are problems with Nevada's AmeriCorps programs, the Corporation does not believe that an audit of the DETR grants is warranted or will result in improvements to the Commission's operations.