OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

PRE-AUDIT SURVEY OF THE MAINE COMMISSION FOR COMMUNITY SERVICE

OIG Audit Report Number 01-19
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 January 24, 2001. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than July 23, 2001, and complete its corrective actions by January 24, 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 Maine Commission for Community Service OIG Audit Report Number 01-19

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). For each survey, we will 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 Maine Commission for Community Service. Based on the limited procedures performed, KPMG concluded that the Commission administers an open, competitive process to select national service subgrantees. KPMG also concluded that the Commission has established adequate control policies and procedures for fiscal administration, and established controls to evaluate and monitor subgrantees. However, in these two areas, KPMG noted areas needing improvement and made recommendations thereon. The report also recommends that the Corporation follow-up to ensure appropriate corrective actions are put into place to correct the conditions reported herein, and the performance of limited scope audit procedures for all program years.

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

CNS OIG reviewed the report and work papers supporting its conclusions. We agree with the findings and recommendations presented therein.

In response to a draft of this report, both the Maine Commission and the Corporation expressed disagreement either in whole, or in part, with the findings and recommendations. (See Appendices C and D.) The Corporation's response mischaracterizes the findings and recommendations and fails to recognize that the recommendations are made to address the specific conditions noted and, if implemented, will result in more effective grant administration and monitoring.

As described on page 4 of their report, KPMG reviewed the responses and opted not to change the findings and recommendations section of the report. We concur with KPMG's decision.

Pre-Audit Survey of the
MAINE COMMISSION FOR COMMUNITY SERVICE
Table of Contents

RESULTS IN BRIEF 1

BACKGROUND 2

OVERVIEW OF THE MAINE COMMISSION 3

OBJECTIVES, SCOPE, AND METHODOLOGY 3

FINDINGS AND RECOMMENDATIONS 5

APPENDIX A, COMMISSION FUNDING: 1994-95 THROUGH 1999-2000 ..... A.1

APPENDIX B, DETAILED ENGAGEMENT OBJECTIVES AND METHODOLOGY B.1

APPENDIX C, MAINE COMMISSION FOR COMMUNITY SERVICE RESPONSE C.1

APPENDIX D, CORPORATION RESPONSE D.1

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

October 27, 2000

Inspector General
Corporation for National and Community Service:

At your request, KPMG LLP (KPMG) performed a pre-audit survey of the Maine Commission for 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

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 adequate control policies and procedures to administer the Corporation's grant funds. However, we noted employee access authority to the Web Based Reporting System (WBRS) should be more appropriately restricted, and the Commission should enforce its procedures regarding completion and timely submission of Financial Status Reports (FSRs) by subgrantees.

- The Commission has established controls to evaluate and monitor subgrantees. However, the Commission should improve its process for documenting the results of its evaluation and monitoring activities.

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 assessment, we recommend the performance of a limited-scope audit for program years 1994-95 through 1999-2000 with focus on fiscal reviews, support for allowable costs, and financial reporting.

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

Additionally, we recommend that the Corporation follow up with the Commission to determine that appropriate corrective actions are put into place 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 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 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 Maine Commission

The Maine Commission for Community Service, located in Augusta, Maine, has received AmeriCorps grant funds from the Corporation for National and Community Service since program year 1994-95. The Commission operates as part of the State of Maine's Planning Office and has 4 employees: an Executive Director, a Program/Grant Officer, a Technical Assistance/Training Officer and an administrative assistant. The Executive Director has been with the Commission since 1996, as have several other members of the staff. The Program/Grant Officer joined the Commission in 1998 and the Commission has not experienced any turnover of its key employees since then.

As part of the State of Maine's Planning Office, the Commission is annually subject to the OMB Circular A-133 audit performed by the Maine State Auditors' Office. However, the Commission's AmeriCorps grants have never been tested as a major program.

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	$ 473,047	1	1
1995-96	989,771	3	2
1996-97	1,059,504	4	3
1997-98	1,547,299	6	5
1998-99	1,754,125	7	5
1999-2000	1,946,861	8	3

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 the procedures detailed in Appendix B over the Commission's internal controls, selection of subgrantees, administration of grant funds, and evaluation and monitoring of grants.

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 Commission management during an exit conference on October 27, 2000.

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 Corporation's responses to our findings and recommendations are included as Appendix C and D respectively. We have incorporated the corrections in factual information referred to in the Commission's response in this report. However, we continue to believe our recommendations presented in the Findings and Recommendations section of this report, if implemented, will result in improvements to internal controls over Commission operations. Accordingly, that section of this report remains unchanged.

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 three newspapers that together have a distribution area that covers the entire state, and via e-mail notices to all programs and commissioners advising them of availability of funds. In addition, selection officials sign conflict of interest statements annually, receive an instruction package, and use a standard form to evaluate each applicant, which includes an evaluation of the applicants' financial systems. However, we noted the following matter related to the selection of subgrantees process.

Evaluation of Grant Applications

During our review, we noted that the peer review forms used to evaluate grant applicants do not include the names of the individuals who reviewed the applicants. Since the reviewers' names are not disclosed on the review form, it is difficult to establish a connection between each reviewer and his or her corresponding signed conflict of interest forms.

No recommendation for this finding is considered necessary because the policy of not disclosing the name of the reviewers on the review forms is consistent with the State's policy and is done to ensure the anonymity of the reviewer.

Administering Grant Funds

As part of the grant administration process, "Grantees are responsible for managing the day-to-day operations of grants and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with 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 withhold funding payments if subgrantees do not submit Financial Status Reports (FSRs) timely; to manage cash draw downs and disbursements to subgrantees; and to ascertain whether subgrantees have met their matching requirements. The Commission's personnel have adequate skills and experience to manage and administer Corporation grant funds. However, we identified the following matters related to the grant administration process.

WBRS Access Controls

We determined that the Commission has implemented WBRS. Our discussions with Commission personnel indicate that they are using WBRS and that they are very satisfied with its performance.

The Commission, along with the Corporation, has established a set of controls for the use of WBRS by the subgrantees. Most of these controls are embedded in the system, such as automated calculation of

costs in the FSR, tracking of AmeriCorps Members' hours and projection of hours to fulfill requirements, and automated carry-forward of financial and reporting data from prior periods.

However, we noted that more then one user at the subgrantee level was granted "Program Director" and/or "Finance Director" access authority within a specified program. In addition, we noted that more than one profile had been established for a single user. The integrity of the reporting process through WBRS could be compromised with users gaining access to levels of authority that do not coincide with their employee profiles.

Lack of Timely Submission of Financial Status Reports

According to 45 CFR, 2541.410 (b)(4), "When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period."

We examined the entire population of FSR submissions from inception through June 30, 2000 (23 reporting periods), and noted that 10 PDAT, 12 Administrative, and 8 AmeriCorps consolidated FSRs were not submitted to the Corporation on a timely basis. We also noted that five Administrative FSRs and six AmeriCorps consolidated FSRs for program years 1994-95, 1996-97 and 1999-2000 were missing from the Commission's files. In addition, we noted that copies of e-mail correspondence with subgrantees, in accordance with the Commission's policy of using e-mail to follow up with subgrantees regarding the late submission of FSRs, are not always maintained to verify that this policy is being consistently followed.

Control Weaknesses over Drawdowns

During our review, we noted that support for a $38,393 drawdown made during program year 1994-95 did not provide specific information on expenses being reimbursed for the Commission's Administrative grant. In addition, we noted 1 out of 10 AmeriCorps subgrantee reimbursements selected corresponding to program year 1999-2000 was made approximately 40 days after the drawdown process began.

No recommendation for this finding is considered necessary because adequate supporting documentation was available for drawdowns for program years 1995-96 through 1999-2000. In addition, no exceptions were noted regarding the timeliness of reimbursements for program years 1994-95 through 1998-99 and the late reimbursement noted in program year 1999-2000 appeared to be an isolated incident.

Recommendations

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

- Develop and implement control procedures to restrict the level of access authority granted to the different users of WBRS, as appropriate.

- Enforce procedures to ensure compliance in the preparation and timely submission of FSRs. In addition, we recommend that the Commission enforce its policy regarding e-mailing subgrantees when their FSRs are late.

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 annual site visits for each subgrantee during the grant period. However, we identified the following areas for improvement related to the evaluation and monitoring of subgrantees.

Lack of Adequate Program Review Documentation

The Commission's current policy is to perform program reviews every year and fiscal reviews every third year during subgrantee site visits. The Commission relies on OMB Circular A-133 reports for fiscal monitoring in other years, even though the AmeriCorps grant may not be subject to detail testing as a major program for the subgrantee. Commission policies require the use of a preprinted program review and fiscal review checklist to assure itself that procedures performed during these reviews are complete. However, the Commission could not provide adequate documentation supporting annual program and fiscal reviews for the 19 subgrantees' site visits we selected for review. Nine program review checklists for program years 1994-95 through 1998-99 and 14 fiscal review checklists for program years 1994-95 through 1999-2000 were missing from the Commission's files. Of the 19 site visit reports we reviewed, transaction testing was only required to be performed for program year 1998-99; however, the Commission was not able to provide documentation supporting the specific transactions tested. Further, the Commission's policy is to select only three members files for detail testing during each site visit. This sample size may be too small to be representative of the population for larger subgrantees.

Review of Performance Measures and Program Results

The Commission relies on its subgrantees to accurately report program results. The Commission also relies on general acknowledgements that program events have occurred instead of documentation that will adequately support the statistics included in reported program results. Evidence of data verification of the program result statistics found on the subgrantee Annual Accomplishment Reports (AAR) while present in the subgrantee files, did not adequately support the program results stated within the AAR. Also, the Commission's procedures do not outline specific procedures for obtaining documentation to verify program results.

Recommendations

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

- Develop and implement procedures to test both fiscal and programmatic selected transactions during site visits on an annual basis (Member eligibility, prohibited activities, allowability of costs). The number of files selected for transaction testing should be increased to provide a more representative sample of the population, and the items selected for review should be specifically identified in the site visit documentation.
- Establish an internal review procedure to ensure site visit documentation is comprehensive, complete, and retained in subgrantee files for future reference.

- Develop and implement written procedures to verify the accuracy of reported subgrantee performance measures and program results during site visits. Specific items verified should be identified in the site visit documents included in subgrantee files.

*****

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 Maine Commission for Community Service, 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

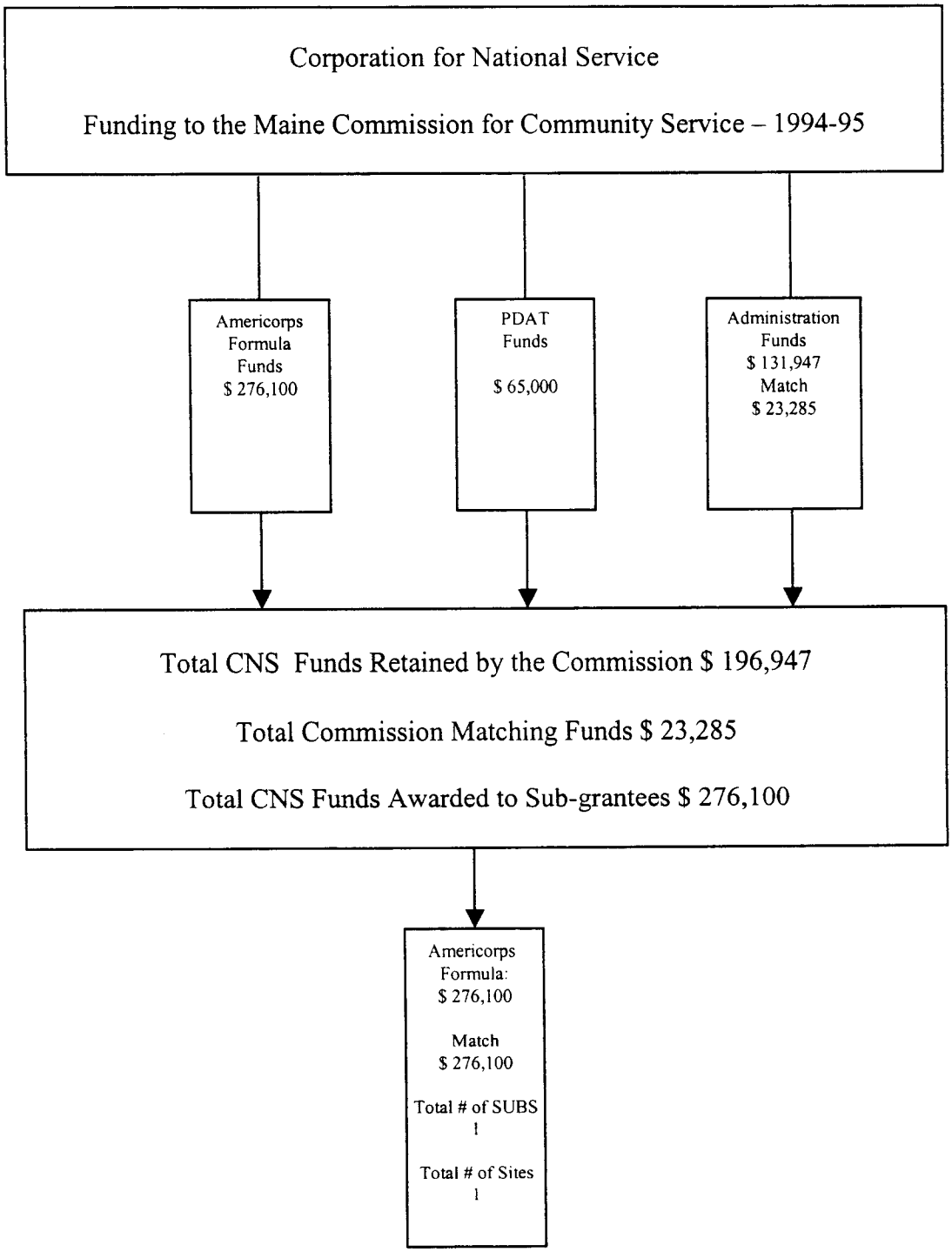
Commission Funding Appendix A

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

Funding Source	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
CNS Formula Grant Funds	$276,100	$319,500	$316,104	$454,814	$465,009	$439,405
CNS Competitive Grant Funds	-	276,000	175,255	726,600	698,856	720,000
CNS Learn and Serve Funds	-	148,000	52,317	126,500	-	-
CNS PDAT Funds	65,000	70,000	96,000	96,000	190,000	98,000
CNS Admin Funds	131,947	176,271	201,608	143,385	126,510	121,058
Subtitle H	-	-	218,220	-	-	337,500
America Reads	-	-	-	-	148,750	102,898
Promise Fellows	-	-	-	-	125,000	128,000
State Matching Funds	23,285	39,323	45,035	53,577	118,576	119,065
	$496,332	$1,029,094	$1,104,539	$1,600,876	$1,872,701	$2,065,926

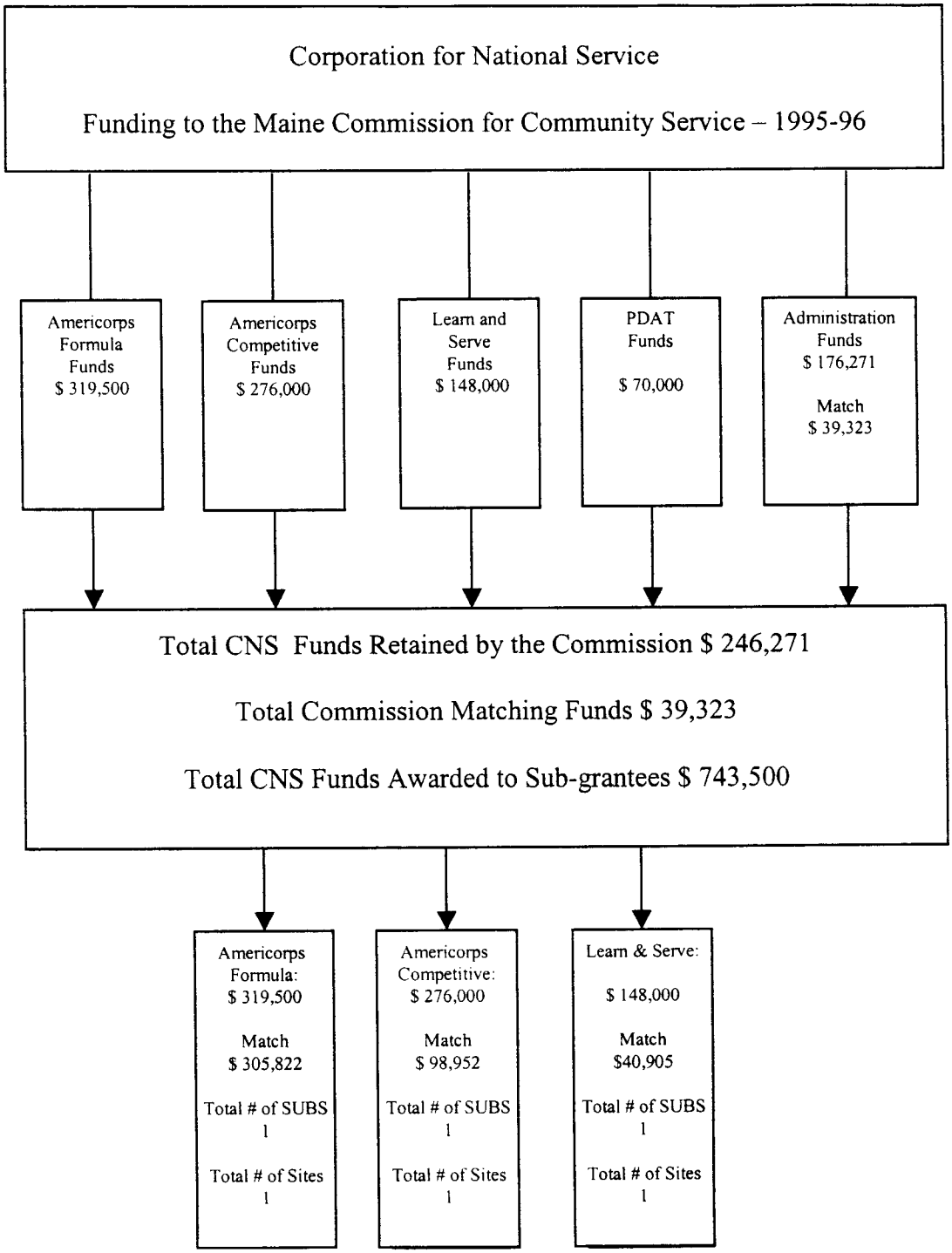
Commission Funding

Appendix A



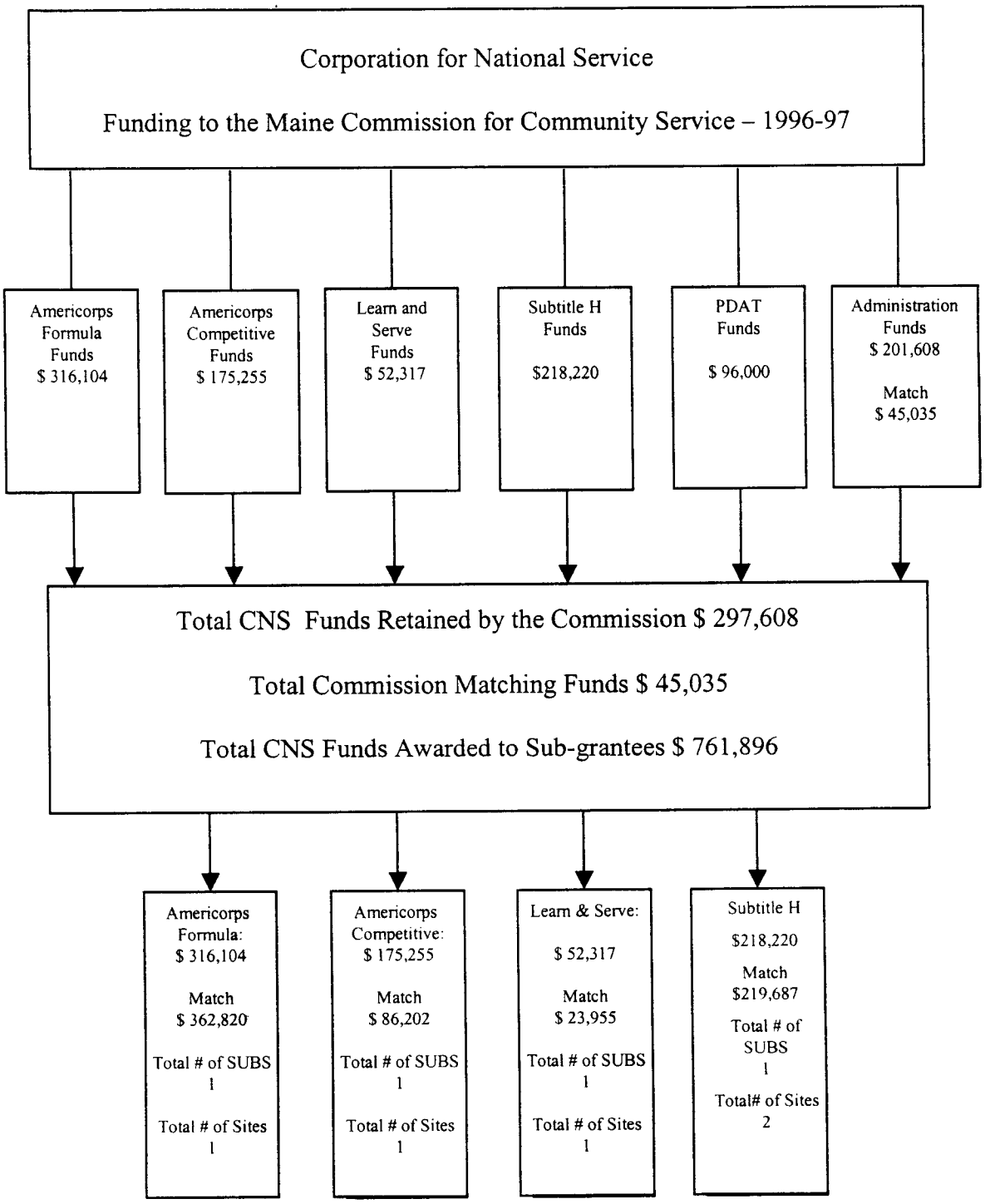
Commission Funding

Appendix A



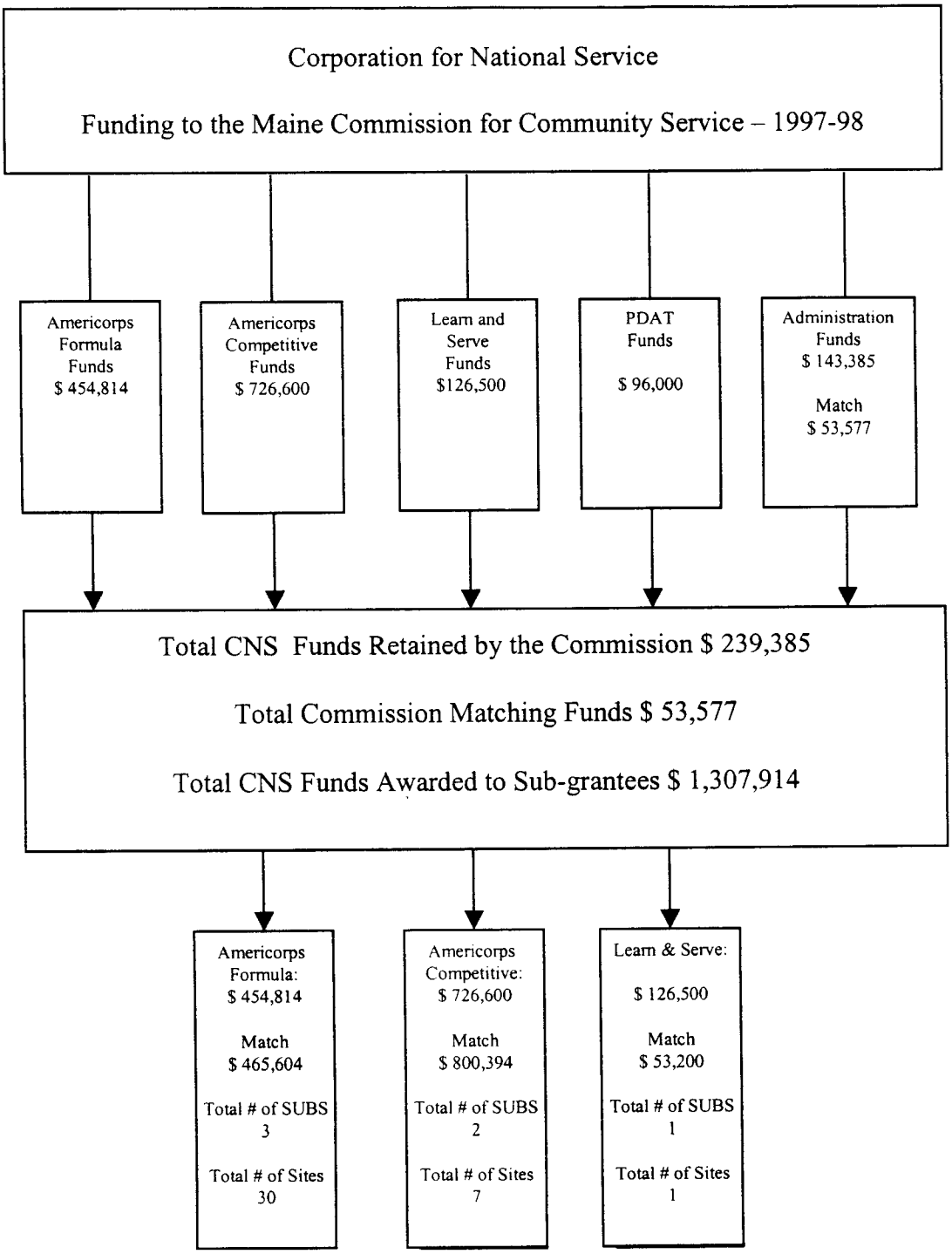
Commission Funding

Appendix A



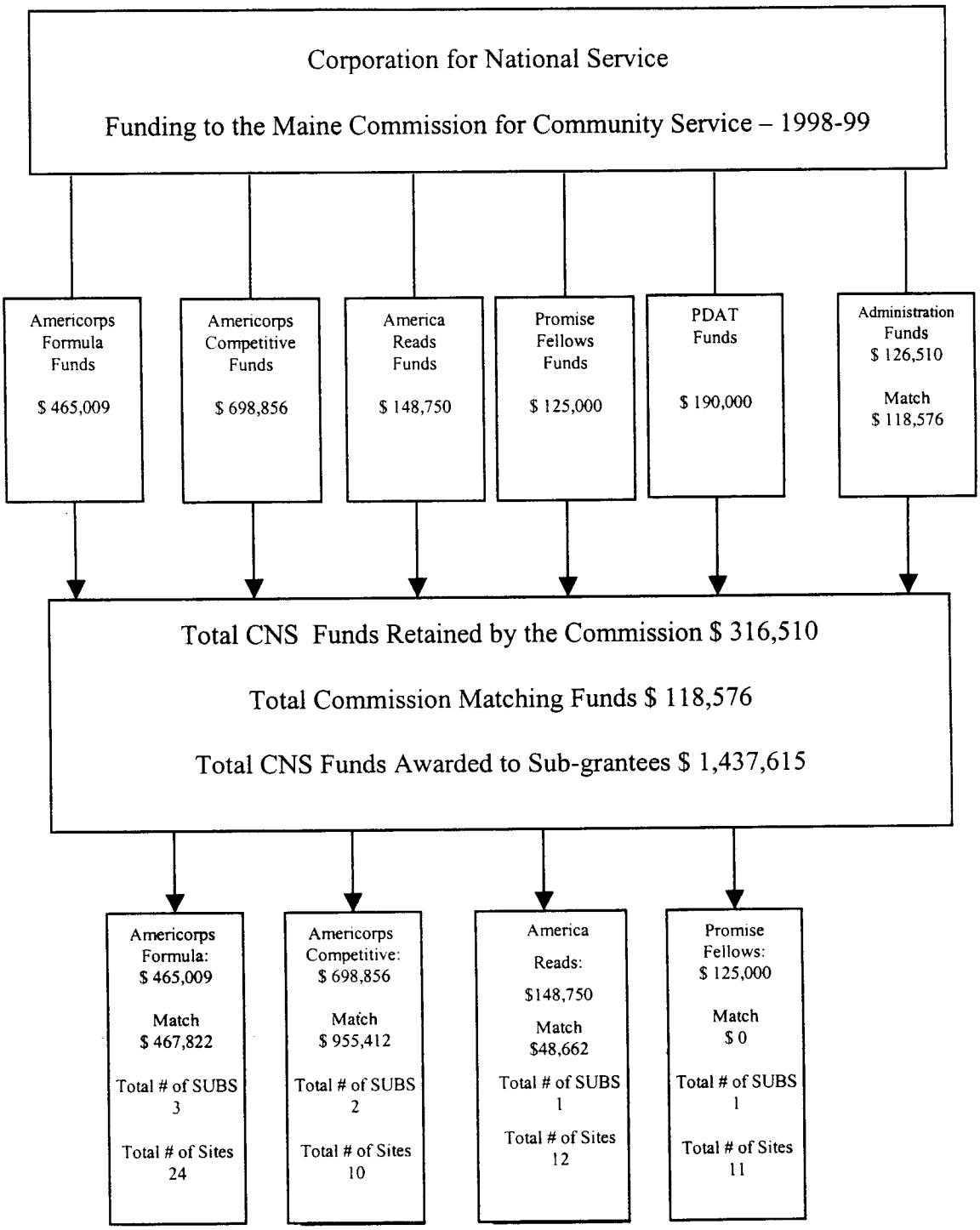
Commission Funding

Appendix A



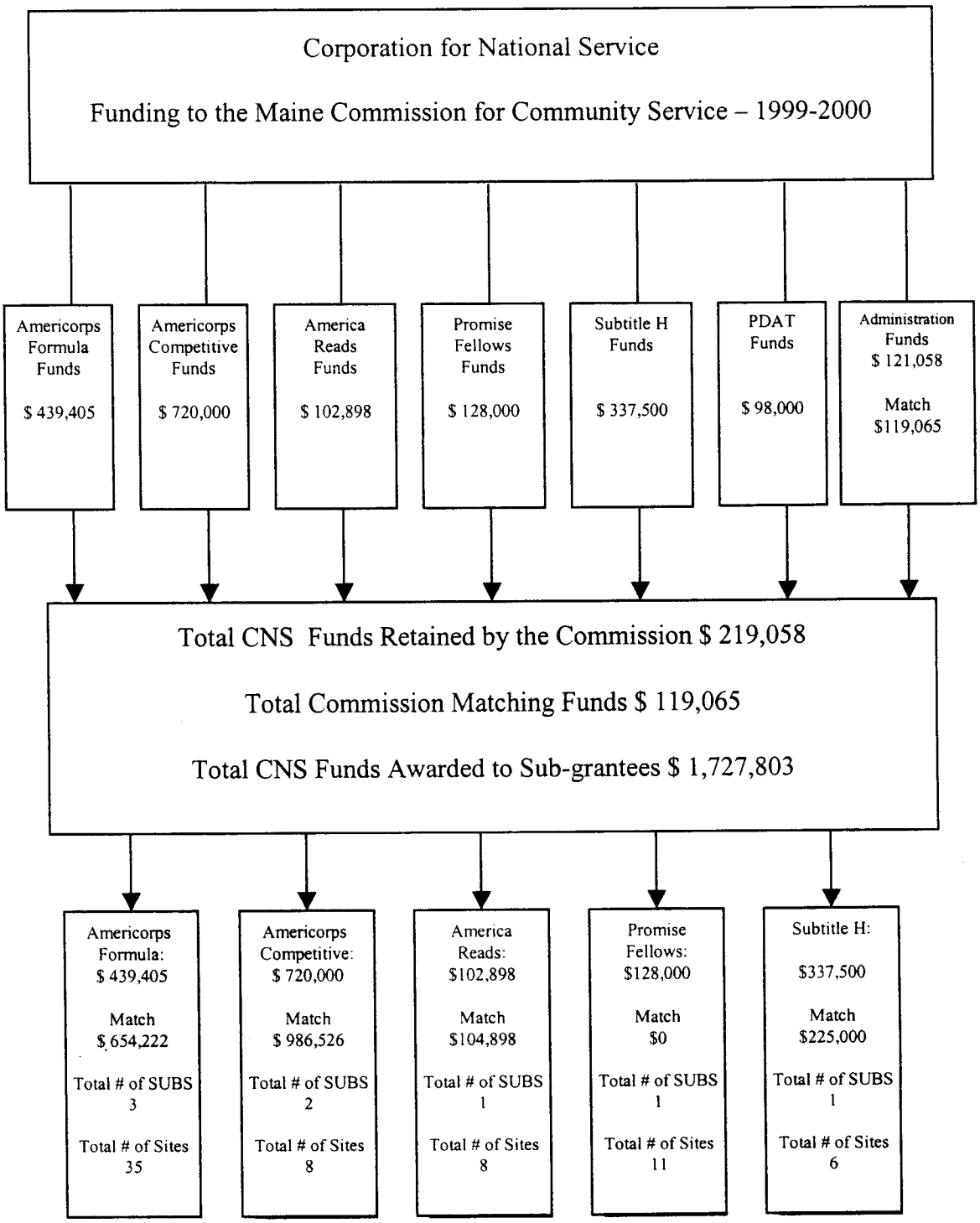
Commission Funding

Appendix A



Commission Funding

Appendix A



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 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 selection officials signed conflict of interest forms for each subgrantee applicant tested 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, 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 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 hours 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.

The Maine Commission for Community Service

Maine State Planning Office, Executive Department
38 State House Station, Augusta, ME 04333
voice: (207) 287-5313 ● facs: (207) 287-8059 ● email: mccs@state.me.us
www.state.me.us/spo/mccs

January 10, 2001

Dean A. Reuter
Deputy Inspector General for Audit and Policy
Office of Inspector General
1201 New York Avenue, NW
Washington DC 20525

Dear Mr. Reuter:

This letter constitutes the response of the Maine Commission for Community Service to the draft "Pre-Audit Survey of the Maine Commission for Community Service" dated October 27, 2000 (OIG Audit Report Number 01-19). We note that the the absence of any significant findings in this report reflect the presence of excellent grant administration systems at the Commission as well as the strong working relationship with the State Planning Office. As happens with the start up of any program, there were issues in the early years which have been overcome as an understanding of the program regulations has developed.

Before addressing your findings and recommendations, we would like to point out two factual errors. The first is on page 3, paragraph 2, in the listing of Commission employees. The Director of Finance is not an employee of the Commission but, rather, the State Planning Office. The fourth employee of the Commission is an administrative assistant.

The second error is in Appendix A: Commission Funding. The flow chart box labeled "Education Only Award Funds" shows grant moneys of $337,500. In fact, the single Education Award Only project awarded through the Commission has no administrative or grant funding associated with it. All costs of operation are underwritten by the sub grantee, the University of Maine Cooperative Extension Service. The funds noted on your chart as Ed Award Only are, in fact, the grant moneys associated with a Sub H Governor's Initiative demonstration project which happens to function much like a Sub C AmeriCorps program but is not, in fact, governed by that funding stream.

In our response, the comments from the Survey Report appear in italics with references to the draft page numbers. Our notations follow immediately.

Page 5. Evaluation of Grant Applications.

During our review we noted that the peer review forms used to evaluate grant applicants do not include the names of the individuals who reviewed the applicants. Since the reviewers' names are not disclosed on the review form, it is difficult to establish a connection between each reviewer and his or her corresponding signed conflict of interest forms.

While it is true that reviewers do not sign the paper rating form (and we note that no recommendation was made in connection with this finding), the Maine selection process does have reviewers develop questions for the second step of the selection process: an interview of applicants by all review panel members. Each reviewer develops questions for the proposal he or she reads and scores. The questions are submitted to the commission for formatting prior to the interview which results in the commission having faxes and other communication from reviewers that does tie them directly to the applications they read and scored. Thus, the scoring sheets for the pure paper review (step one in our process) are not the only documents available to make the link between reviewer and application.

Page 6. Administering Grant Funds: WBRS Access Controls.

Develop and implement control procedures to restrict the level of access authority granted to the different users of WBRS, as appropriate.

This recommendation appears to be a direct tie to the report's observation that there are several profiles for a single individual at the sub grantee level and that more than one individual is designated to share a single set of authorizations in the system.

The WBRS system has four sub grantee level roles which were designed to accommodate the widely varying sizes and administrative practices of sub grantees in states. This means that in one large agency which operates two separate AmeriCorps grants, the administrative staff (two individuals) who are accountable within agency policies for fiscal reporting and program activity reporting are designated as Program Director and Finance Director for each of the grants.

At the other end of the spectrum is a very tiny nonprofit in which the single staff person has been given two titles corresponding to Program Director and Finance Director by the local board. The individual logs into the WBRS system according to the functions to be carried out during that session. Again, this reflects the non profit's checks and balances which the Commission is fully apprised of as part of the contracting process.

In the middle of the spectrum is an agency which confers authority according to the role various administrators have in the program. Thus, three people end up with WBRS Program Director profiles but the work they do in WBRS is restricted to data that matches their job responsibilities in the program. For example, the person responsible for all Member forms and time approves only those documents.

The Commission maintains that its practice is appropriate and conforms to the standards applied to the paper reporting system used by the Corporation prior to the 1999-2000 year. The Commission looks to the internal controls and delegation of authority in each sub grantee for assurance that the individuals approving documents have the authority to do so. The Commission asks each sub grantee to provide two forms during the contracting process. The first asks the nonprofit board or public agency to identify by name or job title the persons authorized by their job descriptions to enter into contracts. That same form asks the sub grantee to identify which individual in the organization is authorized to submit official financial reports. (This information is then noted in WBRS as part of the Grantee Information Profile.)

On a second form, the sub grantee identifies the individuals who should be associated with each WBRS role. They do this in the context of instructions from the Commission that assignment of authority should directly reflect authorities evident in either a person's job description or agency policy. The WBRS audit trail then provides the Commission with a quick and direct check that the agency's own rules regarding signatures and accountability are being followed as reports are filed during the grant period.

In its role as a lead designer of WBRS, this Commission points out that the terms "Program Director" and "Finance Director" as used in WBRS are role titles for <u>functions</u> in the <u>system</u> (i.e., functions associated with Program versus functions associated with Finance). They are not, and have never been intended to reflect, job titles in sub grantee operations.

Page 6. Administering Grant Funds: Timely Submission of FSRs

Enforce procedures to ensure compliance in the preparation and timely submission of FSRs. In addition, we recommend that the Commission enforce its policy regarding emailing sub grantees when their FSRs are late.

The Commission notes that, of the 12 Administrative FSRs identified as being submitted after the deadline, 7 were less than 10 days late. All the late AmeriCorps FSRs were the direct result of late submissions by sub grantees which did prompt the commission to not just email but call the preparers to impress on them the need for urgency in complying with the reporting deadline. The combination of phone calls and emails generally brings the desired result.

Page 6. Administering Grant Funds: Control Weaknesses over Drawdowns

During our review, we noted that support for a $38,292 drawdown made during program year 1994-95 did not provide specific information on expenses being reimbursed for the Commission's Administrative grant.

Prior to the arrival of the preaudit survey team, the Commission and its administrative agency had notified the manager that the state has a system for archiving records that is not easy to access on short notice. A request was made for a list of documents which should be on hand so that any in the records archiving system could be retrieved. Such a list was not provided but the Commission and others did use common sense to determine what documents might need to be available. In the case of the drawdown mentioned, documentation was not retrieved from archives because the need for it was not evident from the information provided by the audit team.

Page 7. Evaluating and Monitoring Subgrantees: Testing transactions.

Develop and implement procedures to test both fiscal and programmatic selected transactions during site visits on an annual basis (Member eligibility, prohibited activities, allowability of costs). The number of files selected for transaction testing should be increased to provide a more representative sample of the population, and the items selected for review should be specifically identified in the site visit documentation.

and

Page 7. Evaluating and Monitoring Subgrantees: Internal Review Procedure.

Establish an internal review procedure to ensure site visit documentation is comprehensive, complete, and retained in sub grantee files for future reference.

and

Page 8. Evaluating and Monitoring Subgrantees: Verifying sub grantee program results.

Develop and implement written procedures to verify the accuracy of reported sub grantee performance measures and program results during site visits. Specific items verified should be identified in the site visit documents included in sub grantee files.

The Commission notes with interest (and a good deal of concern) that the language in the Survey Report is sufficiently different from that of the preliminary findings we signed at the October 27 exit conference as to mislead readers of the Survey Report. The wording of preliminary findings shared in the exit conference on October 27 is closer to an accurate portrayal of the facts. As all 13 participants in that meeting can attest the Commission stated strong exceptions to many aspects of those findings during that exit conference.

The Survey report states that "the Commission could not provide adequate documentation supporting annual program and fiscal reviews for the 19 subgrantees' site visits we selected for review". Not true. If even the Preliminary Findings of the audit team were accurate as stated on October 27, "9 program files did not contain supporting documentation for program site visit reports", that leaves 10 program files with documentation to support the site visit reports. Furthermore, we point out that in no instance was a file found to be lacking a site report. In the 9 cases questioned, the Commission contends that its review of community feedback, observation of site activity, review of program portfolios and training agendas on site is sufficient and there is no need for the Commission to keep copies of this verifying evidence in its files.

A difference of opinion on what constitutes evidence also contributes to the finding that 9 cases lacked supporting documentation. The Commission asserts that third party confirmation of work

performed such as news paper reports, public acknowledgments, and other source materials for qualitative analysis are legitimate documentation of program activities.

Furthermore, the contract between the Commission and sub grantees has a specific clause which addresses this issue of maintaining documentation at the local level. The pertinent clause (which appears in all State of Maine contracting and grant documents) is intended, in part, to place the burden of housing records on the sub grantee and not the grantee, in this case the Commission. The clause reads:

> "The sub grantee will establish a system to document the progress of implementation, expenditure of funds, compliance with applicable federal grant provisions, and quality of results achieved. Such documentation will be the basis of periodic reports to the Corporation for National Service and regular reports to the designated Commission oversight committee. These records may be reviewed at any time by the designated Commission staff or members of the Commission. Furthermore, said records and documentation -- paper copies, electronic files, and other formats -- are the property of the Commission and, upon request, shall be turned over to the Commission. For the duration of this agreement, the Commission charges the sub grantee with holding, protecting, and retaining the materials until the work is completed. During this period, the Commission may inspect documentation and records pertaining to this grant."

On a related matter, the PreAudit Survey report states that "14 fiscal review checklists ... Were missing from the Commission's files." That is not true.

For one thing, there is no such document as a "fiscal review checklist" in this Commission. The issues that are fiscal are listed along with program issues in a single compliance assessment tool. Furthermore, three files reviewed by the audit team were from years before the compliance checklist was developed which means the information would not be found in the compliance checklist format.

In addition, five of the program files deemed to have insufficient supporting documentation ("the Commission was not able to provide documentation supporting the specific transactions tested") did have a report of findings by the qualified fiscal reviewer as well as a compliance assessment tool on which the fiscal portion was complete. In four cases, the review was carried out by a contracted Certified Public Accountant with program compliance review experience. She filed a multi-page report for each sub grantee with details of procedures carried out and findings along with the completed compliance assessment tool. According to the audit team, the "insufficient supporting documentation" was the absence of her working papers. As the audit team acknowledged in the exit conference, those working papers would be the property of any such contractor and would not be turned over to us for inclusion in official files.

A fifth file was representative of six fiscal compliance reviews conducted in one year. It also had a full report of findings and compliance. The reviews were conducted by the Chief Financial Officer of State Planning Office who is a former state auditor. They were conducted according to normal fiscal assessment procedures but, again, the working papers were not filed in the sub grantee files. The Commission has not been presented with a convincing argument or justification for requiring that such working papers should become part of official grant records.

The Commission notes that two programmatic reviews were deemed to have insufficient documentation merely because there was only one check mark in the rating boxes next to the member compliance items rather than three to indicate that three records had been reviewed. The Commission is not convinced it is necessary to change this practice since the compliance assessment is intended to reflect the overall status of sub grantee processes and procedures (the ratings are "total compliance", "partial compliance", and "no compliance"). It is not intended to be documentation of the procedures performed during a site review. The observation of the audit team is considered a professional difference of opinion.

The Survey report states that the Commission performs fiscal reviews every third year during sub grantee site visits. In fact, the policy is to conduct the fiscal reviews during the first year of a three year grant cycle. The review is timed so that enough activity has occurred to determine the strength and

accuracy of the system with regard to accounting for CNS grant funds. All but one of the sub grantees is an organization that receives other federal funds that aggregate to an amount which triggers an A133 audit. (It is noted that for sub grantees not required to have A133 audits, the Commission grant contract with sub grantees requires a program audit for each budget period.) The Commission asserts that, if an organization's accounting system is not only strong according to its most recent audit but also has accommodated the particular needs of AmeriCorps grants based on a Commission site review, it is not necessary to repeat on-site visits during the second year unless a subsequent organizational audit uncovers issues that could relate to these funds. The likelihood that an accounting system structured to comply with OMB circulars and manage much larger federal grants would treat differently such a small grant as the typical AmeriCorps grant in Maine ($150,000) is extremely small. Likewise, a fiscal review in the year which is close out of the grant is a redundant exercise since the close out will involve some of the same procedures.

The absence of on-site transaction testing does not mean that fiscal monitoring does not occur. This is particularly true in light of the WBRS fiscal tools that are used by the Commission. Not only does the Periodic Expense Report require organization's to repeatedly compile expense reports against the budget but, also, the Maine Commission requires all programs to submit a Quarterly Income Report (an optional WBRS tool). The Income Report is a list of the donors/sources of cash and inkind revenue that asks whether each contributor is private or public or nonprofit or for profit. This information allows the Commission to monitor issues off site and compare the information to other sources such as audit reports or annual reports of the organization.

Finally, the Survey report states "this sample size [three member files] may be too small to be representative of the population for larger sub grantees." The Commission points out that from 1994 through 1999, a sample size of 3 represented 10% of the largest corps and 25% of the median corps size for Maine AmeriCorps programs. Since the size of corps may fluctuate or increase in the future, the Commission will consider converting the sample size to a percentage of the total corps. However, the Commission maintains that its site visits are not audit techniques incorporating random sample sizes to meet defined confidence levels. Site visit reviews are primarily to ensure that certain processes are in place. We rely on A133s and other audits for specific reviews when necessary to monitor changes in risk.

In closing, we appreciate the opportunity to respond to the contents of the Preaudit Survey Report.

Sincerely,

Ralph A. Van Den Bossche, Director of Finance
Maine State Planning Office

Maryalice Crofton, Director
Maine Commission for Community Service

Memorandum

AmeriCorps National Service

CORPORATION FOR NATIONAL SERVICE

TO: Luise S. Jordan, Inspector General

THRU: Anthony Musick, Chief Financial Officer

FROM: Peter Heinaru, Director, AmeriCorps State and National

DATE: January 12, 2001

SUBJECT: Comments on the OIG Draft 01-19: *Pre-Audit Survey of the Maine Commission for Community Service*

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

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

The report contains six findings and five recommendations. This letter comments on several of the key issues.

In the report, two areas of improvement were identified regarding the Commission's process for ***Administering Grant Funds***: *WBRS access controls* and *control weaknesses over drawdowns*. The first finding states that the "integrity of the reporting process through WBRS could be compromised with users gaining access to levels of authority that do not coincide with their employees profiles." This conclusion is based on one instance where an individual is designated as both Program Director and Finance Director and another two individuals who are designated as Program Director. The report recommends that the Commission, "Develop and implement control procedures to restrict the level of access authority granted to the different users of WBRS, as appropriate."

The Corporation does not agree with this finding. The WBRS system has four subgrantee level *roles*, which were designed to accommodate the wide variance in size and administrative practices of subgrantees in states. Thus, it is possible, and expected, for two people to end up with WBRS "Program Director" profiles for some subgrantees. Such designations are made by the program based on the organization's needs and the experience of its staff.

1201 New York Avenue, N
Washington, DC 20525
Telephone 202-606-5000

Getting Things Done.
AmeriCorps, National Servi
Learn and Serve America
National Senior Service Co

In addition, WBRS allows programs to assign responsibilities at the same level as any paper-based grant award system. Thus, the grantee determines and assigns appropriate roles and responsibilities to staff. Further, the terms "Program Director" and "Finance Director" as used in WBRS are role titles for *functions* in the system. There is no inherent conflict in these roles either being done by the same individual or two individuals sharing roles. Finally, an individual logs into the WBRS system according to the *functions* to be carried out during that session. There is an audit trail for the actions taken by each individual during a session. Thus, we do not agree that the integrity of the reporting process is compromised.

The second finding identifies a control weakness over drawdowns. The report states that "During our review, we noted that support for a $38,292 drawdown made during program year 1994-95 did not provide specific information on expenses being reimbursed for the Commission's Administrative grant." There was no recommendation for this finding. The Corporation does not agree with this finding. While the Maine Commission stated that they had the records for this drawdown and disagree with this finding, we wanted to point out that Commissions are not required to perform specific expense reviews on a given drawdown nor is it the Corporation's expectation that they do so. It is up to the Commission to establish its own procedures with respect to drawdowns, which may be done on an advance basis or as needed.

In the section, ***Evaluating and Monitoring Subgrantees***, two areas of improvement were identified: *lack of adequate program review documentation* and *review of performance measures and program results*.

The first finding states that the Commission could not provide adequate documentation to support their program and fiscal reviews, specifically citing lack of documentation supporting the specific transactions tested. In addition, the sample size tested by the Commission is questioned. The recommendation for this area implies that the Commission should implement procedures to perform both fiscal and programmatic testing of selected transactions using audit sampling and documenting techniques, and that they be performed on an annual basis at each location.

The Corporation is concerned that the auditor's recommendation is attempting to direct the establishment of arbitrary, exacting standards for the Commission's monitoring of its programs. The report recommends that program managers use audit techniques including sampling and the performance of specific programmatic and fiscal reviews for every award on an annual basis, concepts not normally associated with or required by Federal management standards as articulated in OMB Circulars A-102, A-110 and A-133.

However, the Corporation advocates a risk-based strategy for monitoring of programs that considers the experience, organizational history and past performance, including both programmatic and financial elements. The Corporation, like other Federal agencies, requires its grantees and subgrantees to use the OMB Circular A-133 audit as the primary basis for fiscal oversight of its awards. These audits cover the entire operations of the subgrantee including internal controls and compliance with laws, regulations and award provisions. For

organizations not required to have an A-133 audit, the Commission needs to consider what, if any, additional procedures it needs to assure adequate oversight. OMB Circular A-101, addressing Administrative Standards and adopted by the Corporation in regulation, also addresses high-risk grantees and consideration for additional monitoring by the Commission.

Thus, we do not agree with a 'cookie- cutter'standard of site visit reviews and performance of supplemental audit techniques as recommended in the report. The Corporation will coordinate and work with the Maine Commission to assure that their monitoring strategy for subgrantees is risk-based and adequate during the upcoming Standards review in the spring of 2001.

The second finding in this section addresses performance measures and program results. While the Commission did maintain information on subgrantee's accomplishments, the auditor appears to question the adequacy of information retained at the Commission. However, the Corporation expects that detailed information supporting performance to generally be maintained at the subgrantee's organization as required by record retention requirements in the award. The Corporation also does not agree with the auditor's recommendation to implement procedures to verify accuracy of reported subgrantee results during every site visit. Verification of results may come from and be obtained in a variety of ways such as feedback from stakeholders, survey of service-recipients or even as part of formal or informal evaluation efforts.