OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

PRE-AUDIT SURVEY OF THE TEXAS COMMISSION ON VOLUNTEERISM AND COMMUNITY SERVICE

OIG Audit Report Number 01-23
October 31, 2000

Prepared by:

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

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

This report was issued to Corporation management on February 20, 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 August 20, 2001, and complete its corrective actions by February 20, 2002. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

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Office of Inspector General
Corporation for National and Community Service

CORPORATION FOR NATIONAL SERVICE

Pre-Audit Survey of the Texas Commission on Volunteerism and Community Service OIG Audit Report Number 01-23

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). 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 Texas Commission on Volunteerism and 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 controls over its fiscal administration and monitoring.

However, KPMG's report recommends improvements in all three areas covered by this survey. KPMG also recommends follow-up by the Corporation and that OIG perform a full-scope audit of CNS funding to the Commissions for all program years.

The Texas Commission's response (Appendix C) agreed with certain of the recommendations, disagreed with others, and provided alternatives as well as additional information. The Corporation's response (Appendix D), generally agrees with the recommendations. As described on page 5, KPMG reviewed the responses and revised certain portions of the report. CNS OIG reviewed the report and work papers supporting its conclusions. We concur with findings and recommendations presented.

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

Pre-Audit Survey of the
Texas Commission on Volunteerism and Community Service
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2001 M Street, N.W.
Washington, D.C. 20036

October 31, 2000

Inspector General
Corporation for National and Community Service:

At your request, KPMG performed a pre-audit survey of the Texas Commission on Volunteerism 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 accomplishments.

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. However, the Commission was not able to provide certain documentation related to the selection of subgrantees and the Commission could not locate signed conflict of interest forms for all selection officials.

- The Commission has developed control policies and procedures to administer the Corporation's grant funds. However, the Commission was not able to document the timeliness of receipt of financial status reports (FSRs) prior to program year 1997-98, and could not document that the Commission had corresponded with subgrantees that were delinquent on their match requirements.

- The Commission has established controls to evaluate and monitor subgrantees. However, the Commission should improve its monitoring tool, procedures for completing the tool, and documentation of the results of site visits. Additionally, it should establish and follow a formal schedule for the conduct of timely site visits.

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

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

The Commission's AmeriCorps grants have not previously been tested as major programs under OMB Circular A-133 audits performed by the State of Texas – State Auditor's Office. However, we were informed by the State Auditor's Office that the Commission's AmeriCorps grants have been identified as a major program for the State's fiscal year 2000 state-wide single audit. This report is scheduled to be released in April 2001. Therefore, based on our preliminary assessments and the level of funding provided to the Commission, we recommend the OIG perform a full scope audit of the Commission for all program years. However, we recommend the OIG consider the nature of the findings presented herein, along with the corrective actions already implemented by the Commission, in determining the extent of procedures to be performed.

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.

KPMG

Overview of the Texas Commission on Volunteerism and Community Service

The Texas Commission on Volunteerism and Community Service, located in Austin, Texas, has received federal grant funds from the Corporation since program year 1994-95. The Commission consists of 15 governor appointees. As of October 31, 2000, the Commission had a staff of 22 personnel working under an Executive Director. The Texas Workforce Commission (TWC) currently serves as the Commission's fiscal agent. Prior to August 31, 1996, the Commission's fiscal agent was the State of Texas General Services Commission.

As part of the State of Texas General Services Commission and State of Texas Workforce Commission, the Commission has been annually considered in the statewide OMB Circular A-133 audits conducted by the State Auditor. However, the State Auditor utilizes a risk-based audit approach, and the Commission's AmeriCorps grants have never been identified as major programs subject to detailed compliance testing.

The Commission provided us with the following information:

Program Year	Total Corporation Funding*	Number of Subgrantees	Number of Subgrantees Subject to A-133 Audits**
1994-95	$ 7,767,161	16	12
1995-96	10,867,390	16	15
1996-97	14,243,479	19	17
1997-98	13,882,544	26	17
1998-99	12,352,794	46	11
1999-2000	13,064,270	47	13

* Excludes carryover and state matching funds shown in Appendix A.

** Based solely on dollar value of federal awards passed through the Commission for each program year. The Commission's fiscal agent, TWC, maintains records of all Federal funds received by subgrantees and monitors OMB Circular A-133 requirements.

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 a preliminary assessment of the systems and procedures in place at the Commission for administering its AmeriCorps grants, 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 Corporation-funded subgrantees, including AmeriCorps Member activities and service hours and program accomplishments.

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 detailed in Appendix B over the Commission's internal controls, selection of subgrantees, administration of grant funds, and evaluation and monitoring of grants, including AmeriCorps Member activities and service hours and program accomplishments.

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 preliminary findings identified to date with Commission management during a site visit exit meeting on October 31, 2000. We also communicated with the Commission to clarify and resolve certain matters related to our preliminary findings and to obtain additional information to finalize our report. The Commission was provided a copy of all findings included herein.

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 its compliance with applicable laws, regulations, contracts and grants. Accordingly, we do not express an opinion on any such financial statements or on the Commission's controls or compliance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We provided a draft of this report to the Commission and the Corporation. The Commission's and the Corporation's responses to our findings and recommendations are included as Appendix C and Appendix D, respectively. We corrected the funding information presented on page 3 and in Appendix A of this report, and deleted our finding and recommendation related to *Maintenance of Grant Award Financial Information,* based on additional information provided by the Commission in its response. No other substantive changes were made to the report. 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.

Findings and Recommendations

Selecting Subgrantees

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

The Commission administers an open, competitive process to select national service subgrantees. The Commission advertises funding availability through mailing lists, newspapers and newsletters. In addition, selection officials receive an instruction package and use a standard form to evaluate each applicant, which included an evaluation of the applicants financial systems beginning in program year 1997-98.

We identified the following areas for improvement within the selection process.

Assessment of Applicants' Financial Systems during the Selection Process

For program years prior to 1997-98, documentation either does not exist or does not clearly indicate that selection officials considered the adequacy of the applicants' financial systems during the Commission's subgrantee selection process. The application form provided by the Corporation for National Service does not specifically address the applicant's financial systems and, prior to 1999-2000, Commission selection procedures did not specifically require Commission personnel to request additional information from the applicants related to their financial systems. As a result, grant funds may have been provided to an organization that did not have financial systems in place to properly account for those funds and ensure compliance with related grant requirements. AmeriCorps Provisions Section C.21.a states, "The grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary." In order to meet this responsibility, the Commission must be able to ensure that subgrantees have systems in place to accurately track expenditures, since this information forms the basis of a majority of Commission expenditure reporting. No recommendation is considered necessary for this finding since the Commission's current procedures include an evaluation of potential subgrantee's financial systems as part of the selection process.

Missing/Inadequate Selection Process Documentation

Ensuring the greatest objectivity and impartiality possible in the review and selection of subgrantees is a key element of the selection process. In carrying out this responsibility, the Commission should ensure that complete documentation for all funding decisions is maintained in all applicants' files. Of 30 applicants' files reviewed (10 renewal, 10 newly funded and 10 rejections), we noted the following:

- Scoring sheets could not be located for 8 applicants: 3 renewal applicants (2 in 1995-96 and 1 in 1998-99), 3 newly funded applicants (1 in 1995-96, 1 in 1996-97, and 1 in 1998-99) and 2 rejected applicants (both in 1995-96).

- The letter used to communicate funding decisions to 2 rejected applicants (both 1994-95) was a "form" letter and the reasons for rejection were not clearly communicated.

No recommendation is considered necessary for this finding since the Commission currently has procedures in place to ensure applicant's files are properly maintained. However, in order to maintain the confidentiality of the selection official's individual scoring, we suggest the Commission consider destroying all scoring sheets after funds have been awarded.

Missing Conflict of Interest Forms for Selection Officials

An important part of a sound control environment is the implementation of procedures to ensure objectivity within the selection process. One way to ensure this objectivity is to require selection officials to annually certify in writing that they have no conflicts of interest. If selection officials have conflicts of interest but do not report them, the fairness of the selection process may be impaired. All persons participating in the selection process should have signed conflict of interest statements on file.

We noted the following regarding maintenance of conflict of interest forms:

Prior to1998	None of the forms could be located
1998-1999	5 of 14 forms could not be located
1999-2000	7 of 15 forms could not be located
2000-2001	5 of 15 forms could not be located

We recommend the Commission enforce its requirement that selection officials sign conflict of interest statements and that this documentation be maintained. Annually, after discussion of related issues with Commission staff and review of guidance provided, the Commission should prepare a listing of selection officials and ensure that signed conflict of interest forms are on file before the selection process begins.

Administering Grant Funds

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

The Commission has developed and implemented procedures that are intended to provide reasonable assurance that grant funds received from the Corporation are properly administered. Procedures are in place to withhold funding payments if subgrantees do not submit FSRs timely; to manage cash draw downs and disbursements to subgrantees made by TWC as the Commission's fiscal agent; 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.

Follow Up with Subgrantees Regarding Delinquent Matching Requirements

The Commission has developed policies and procedures which require that subgrantee matching requirements be analyzed on a quarterly basis in conjunction with review of the quarterly FSR. When a subgrantee is deficient on its matching requirement, the Commission's policies and procedures require that a grant officer follow-up via a memo and that the subgrantee respond in writing with a plan for correcting the deficiency. However, we noted that this process is being conducted on an informal basis (i.e., via conversations) only. As a result, the Commission is unable to document that controls over monitoring of matching requirements are functioning as designed.

In order to improve the effectiveness of its grant administration process, we recommend the Commission enforce its policy to document its follow up efforts regarding subgrantee matching requirements.

Timely Submission of FSRs

The Commission could not provide documentation to support the timely receipt of FSRs prior to program year 1997-98. The Commission does utilize a date received stamp; however, the stamp was not consistently used prior to 1998. Logs of FSRs received for these periods either were not maintained or were lost. However, no recommendation for this finding is necessary because the Commission currently has a tracking system in place and is using the Web Based Reporting System (WBRS) which automatically documents the date the FSR was submitted.

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 a process to evaluate and monitor subgrantees, which includes reviewing program and financial reports and scheduling site visits for each subgrantee during the grant period. Additionally, the TWC has controls in place to obtain and review subgrantee OMB Circular A-133 reports, and follow up on corrective actions, if applicable. Commission personnel use a standard site visit report form to document results of each visit, and the Commission notifies the subgrantees in writing of the results of these site visits, including strengths, weaknesses, concerns, recommendations, and any necessary follow-up requirements.

We identified the following area for improvement related to the evaluation and monitoring of subgrantees.

Site Visit Scheduling, Execution, and Documentation

AmeriCorps Provisions Section C.20.a states, "The Grantee has full fiscal and programmatic responsibility for managing all aspects of grant and grant-sponsored activities, subject to the oversight of the Corporation. The Grantee is accountable to the Corporation for its operation of the AmeriCorps Program and the use of Corporation grant funds."

We reviewed the Commission's site visit monitoring tool, *AmeriCorps Site Visit Monitoring Tool – First Site Visit*, and noted that it does not include specific requirements to review for prohibited activities. In addition, the Commission does not maintain a listing of site visits planned and performed, and there is a lack of control over ensuring that site visits are performed timely.

We judgmentally selected 19 subgrantees and requested copies of site visit documentation. Of the 19 sample items, there was no documentation that a site visit was performed for 4 of the subgrantees (one in program year 1994-95, two in 1996-97, and one in 1997-98).

In addition, for the 15 site visit reports reviewed, we noted the following:

- 7 site visit reports did not adequately document whether Member timesheets were reviewed and, although 3 other site visit reports stated that Member timesheets were reviewed, detail of which Members' timesheets were tested was not documented;
- 3 site visit reports did not adequately document that FSRs and related supporting documentation were reviewed;
- 3 site visit reports of 4 tested for the period after WBRS was implemented indicated that a sample of Member timesheets was agreed to WBRS, but detail of which Members' timesheets were tested was not documented;
- 5 site visit reports did not adequately document that program evaluation documentation was reviewed; and
- 11 site visit reports did not adequately document that program performance statistics were reviewed.

We conclude that the Commission has not properly adhered to its established policies and procedures which provide that site visits be conducted on a timely basis and the results of such site visits be fully documented and maintained in subgrantee files. As a result, control weaknesses or instances of material noncompliance related to the AmeriCorps program of which the Commission is not aware may exist and not be corrected.

Recommendations

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

- Revise the site visit monitoring tool to include specific procedures to determine whether Member hours were spent on allowable activities and in accordance with the intent of the grant and the program, and that prohibited activities were not performed.

- Establish and follow an annual site visit plan. The Executive Director should periodically perform a review to ensure that site visits are being conducted as planned.

- Document the results of all site visits and conclusions related to all identified issues. Where items are tested on a sample-basis, the sample tested should be documented in the site visit monitoring tool.

*****

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 Texas Commission on Volunteerism and 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

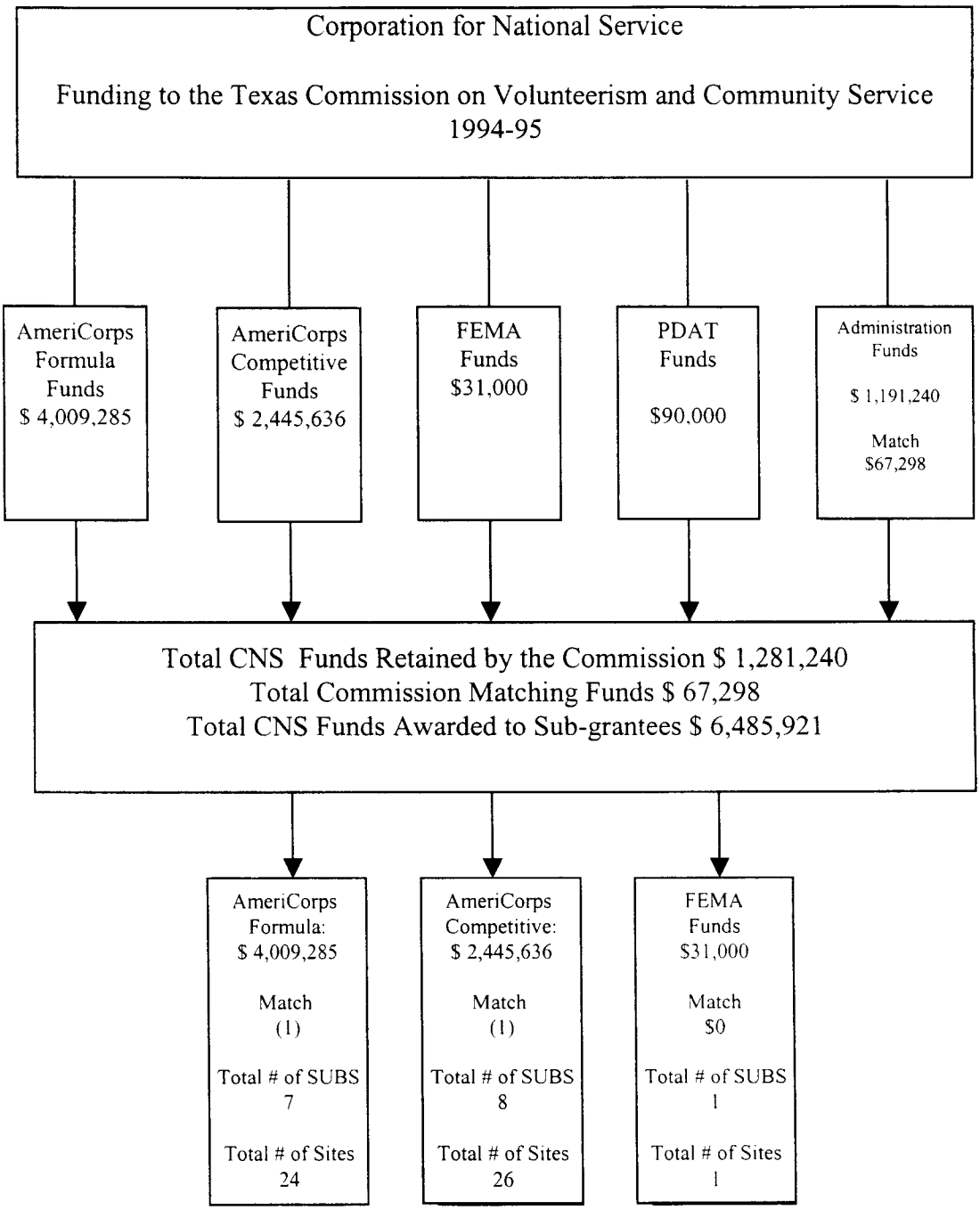
Commission Funding Appendix A

The table below and the flowcharts on the following pages depict the Commission's funding since program year 1994-95. We were unable to agree the funding amounts to the Commission's Financial Status Reports because the funding information was not prepared by the Commission until after we had completed fieldwork.

Funding Source and Type	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
CNS Formula Grant Funds	$4,009,285	$3,745,359	$5,446,732	$4,440,160	$3,526,786	$4,685,980
CNS Competitive Grant Funds	2,445,636	6,043,298	8,026,270	8,724,138	6,798,371	7,106,462
CNS Educational Awards Only	0	0	0	24,000	25,300	1,000
CNS Other – FEMA Funds	31,000	0	0	0	0	0
CNS Learn and Serve Funds	0	0	0	0	190,000	190,000
Promise Fellows	0	0	0	0	85,291	118,000
CNS America Reads Funds	0	0	0	0	825,901	0
Governor's Initiative Awards	0	0	0	0	0	318,238
CNS Disability Funds	0	272,868	272,713	0	0	0
CNS PDAT Funds	90,000	140,000	168,000	95,664	256,200	0
CNS Administrative Funds	1,191,240	665,865	329,764	598,582	644,945	644,590
CNS Carryover Funds	243,776	163,128	414,830	1,350,146	3,043,094	3,929,669
State Matching Funds	67,298	16,712*	109,514*	800,324	906,088	618,132
Total Funding	$8,078,235	$11,047,230	$14,767,823	$16,033,014	$16,301,976	$17,612,071

* State matching funds for these program years are partial amounts only. Total state matching funds were not available from the Commission.

Commission Funding

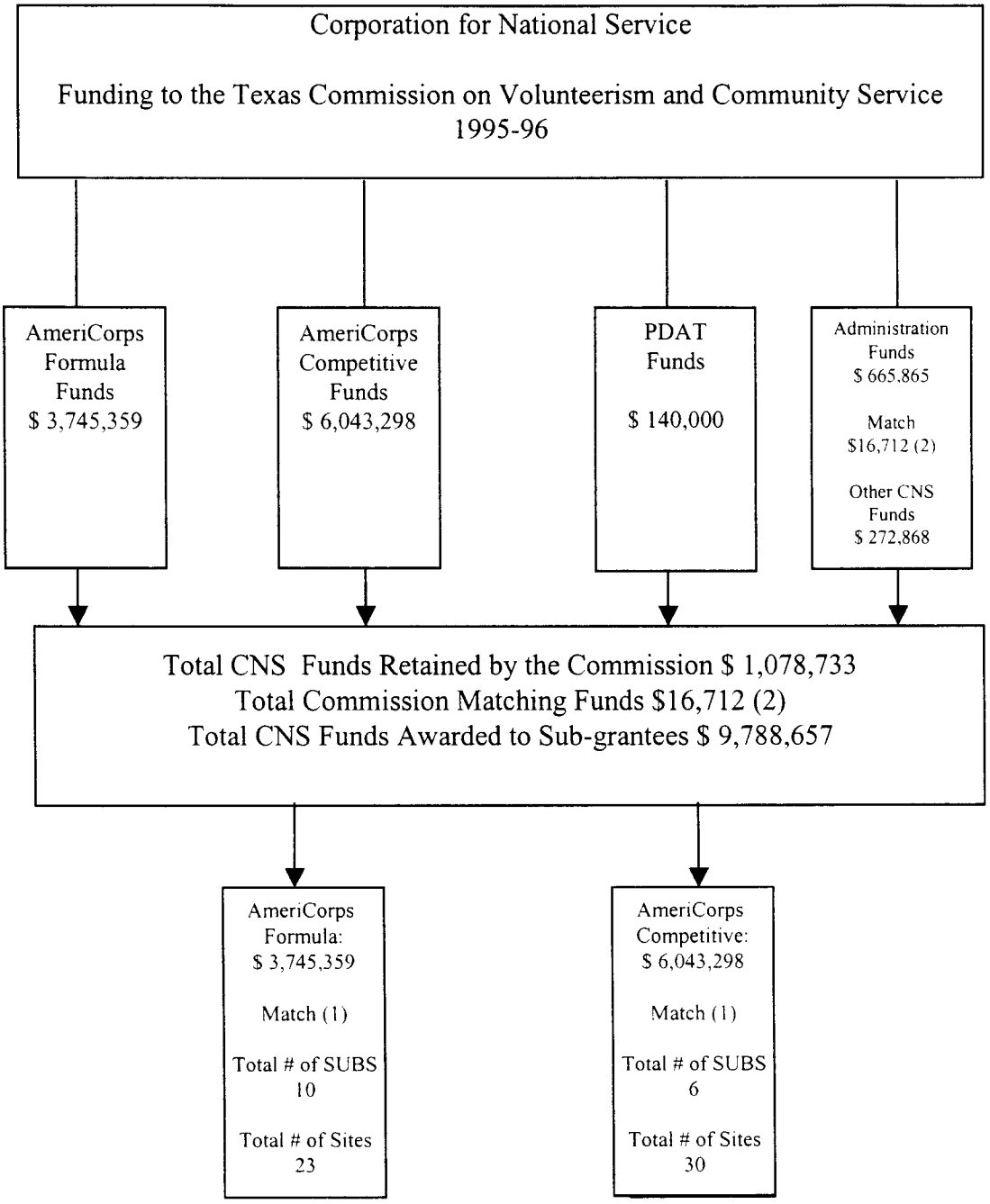


Notes:

(1) AmeriCorps Formula and Competitive match cannot be segregated. Combined total is $2,503,294.

(2) CNS approved $243,776 of carryover from the Commission's initial administrative grant for administrative use in 1994-95. This amount is not reflected above.

Commission Funding



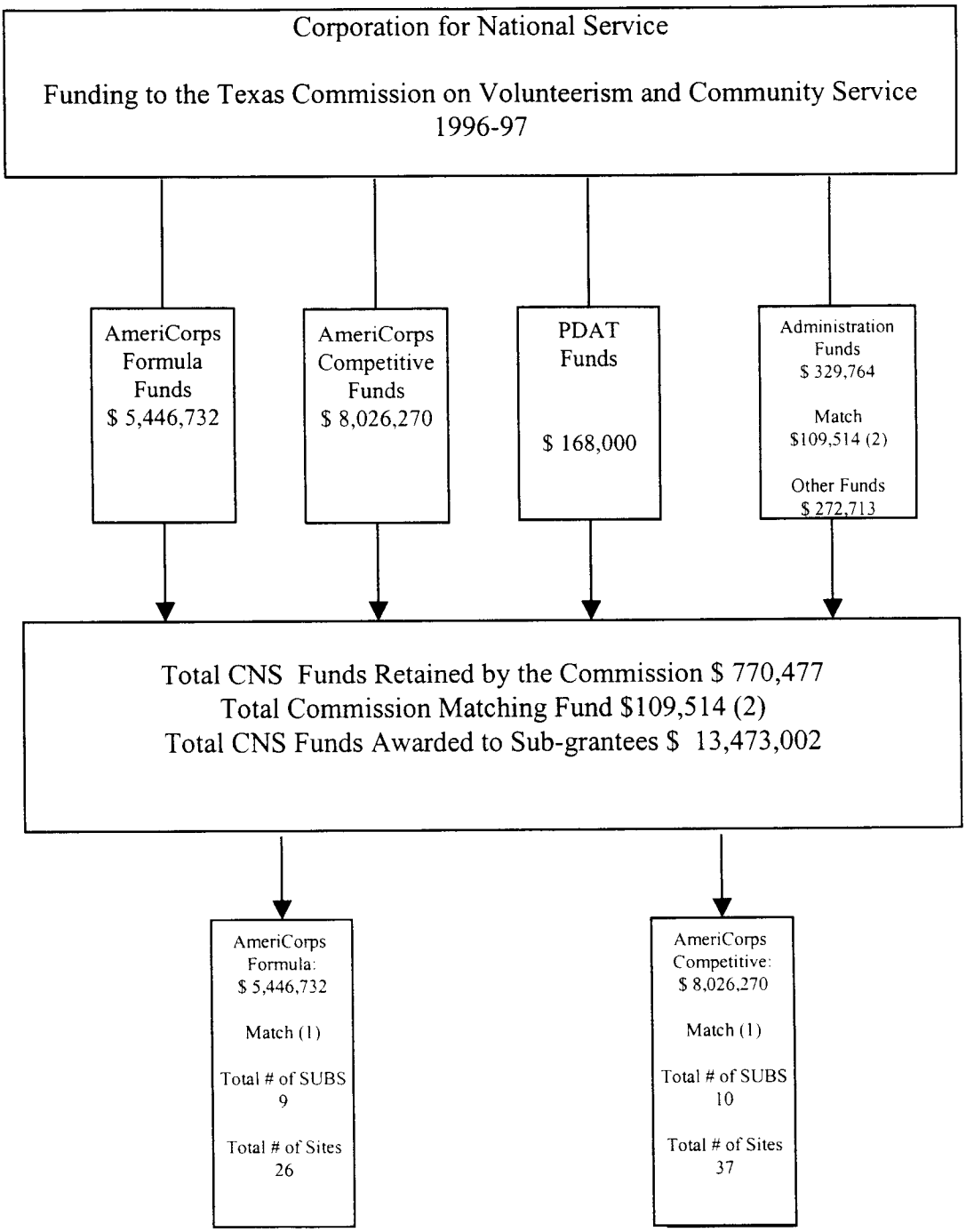
Notes:

(1) AmeriCorps Formula and Competitive match cannot be segregated. Combined total is $3,982,739.

(2) Partial match only. Total matching funds are not available.

(3) CNS approved $39,128 and $124,000 of carryover from 1994-95 for use in 1995-96 for AmeriCorps Formula/Competitive and Administrative grants, respectively. These amounts are not reflected above.

Commission Funding



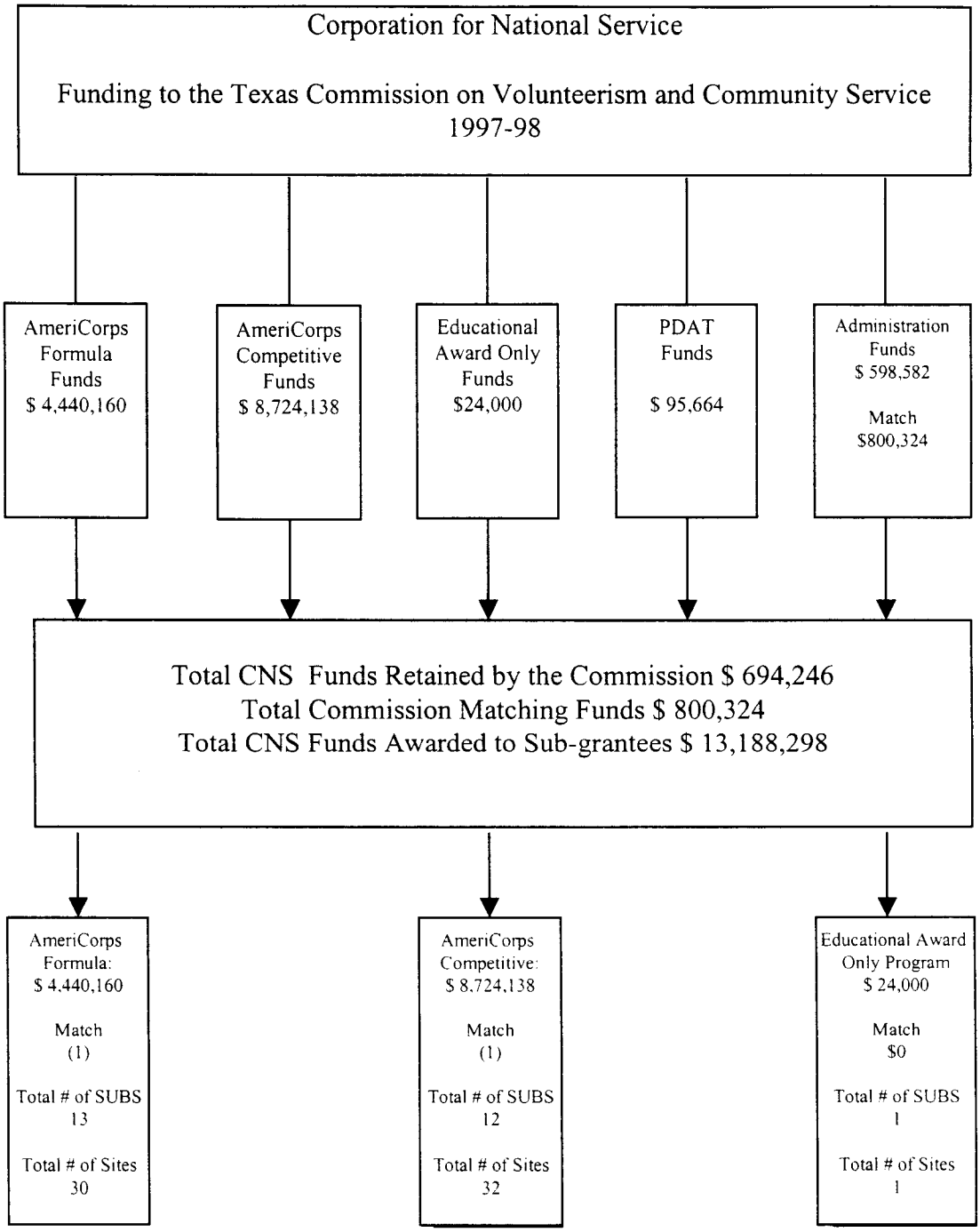
Notes:

(1) AmeriCorps Formula and Competitive match cannot be segregated. Combined total is $7,037,101.

(2) Partial match only. Total matching funds are not available.

(3) CNS approved $304,630 and $110,200 of carryover from 1995-96 for use in 1996-97 for Administrative and PDAT grants, respectively. These amounts are not reflected above.

Commission Funding

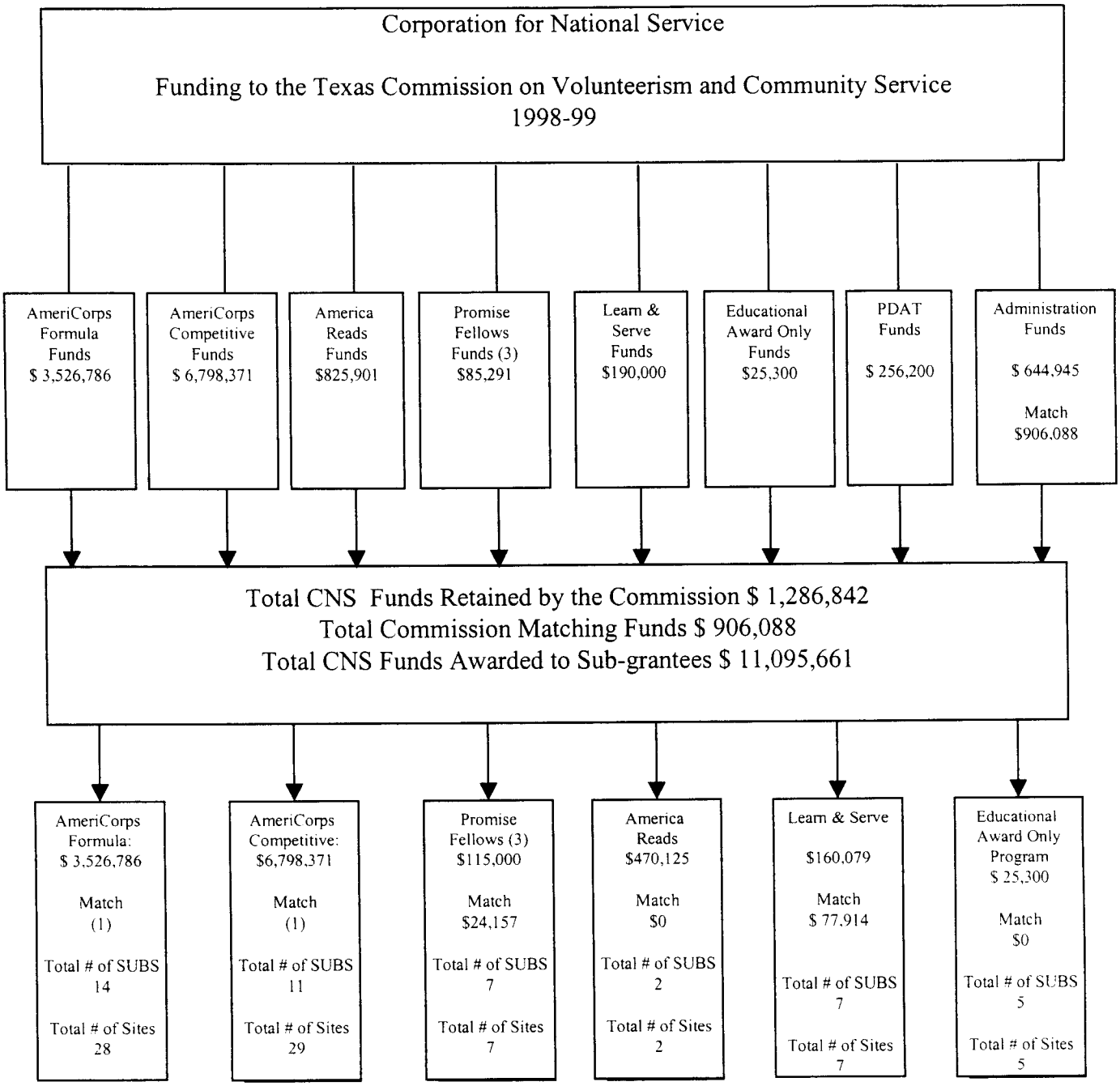


Notes:

(1) AmeriCorps Formula and Competitive match cannot be segregated. Combined total is $8,410,682.

(2) CNS approved $1,181,982 and $168,164 of carryover from 1996-97 for use in 1997-98 for AmeriCorps Formula/Competitive and PDAT grants, respectively. These amounts are not reflected above.

Commission Funding



Notes:

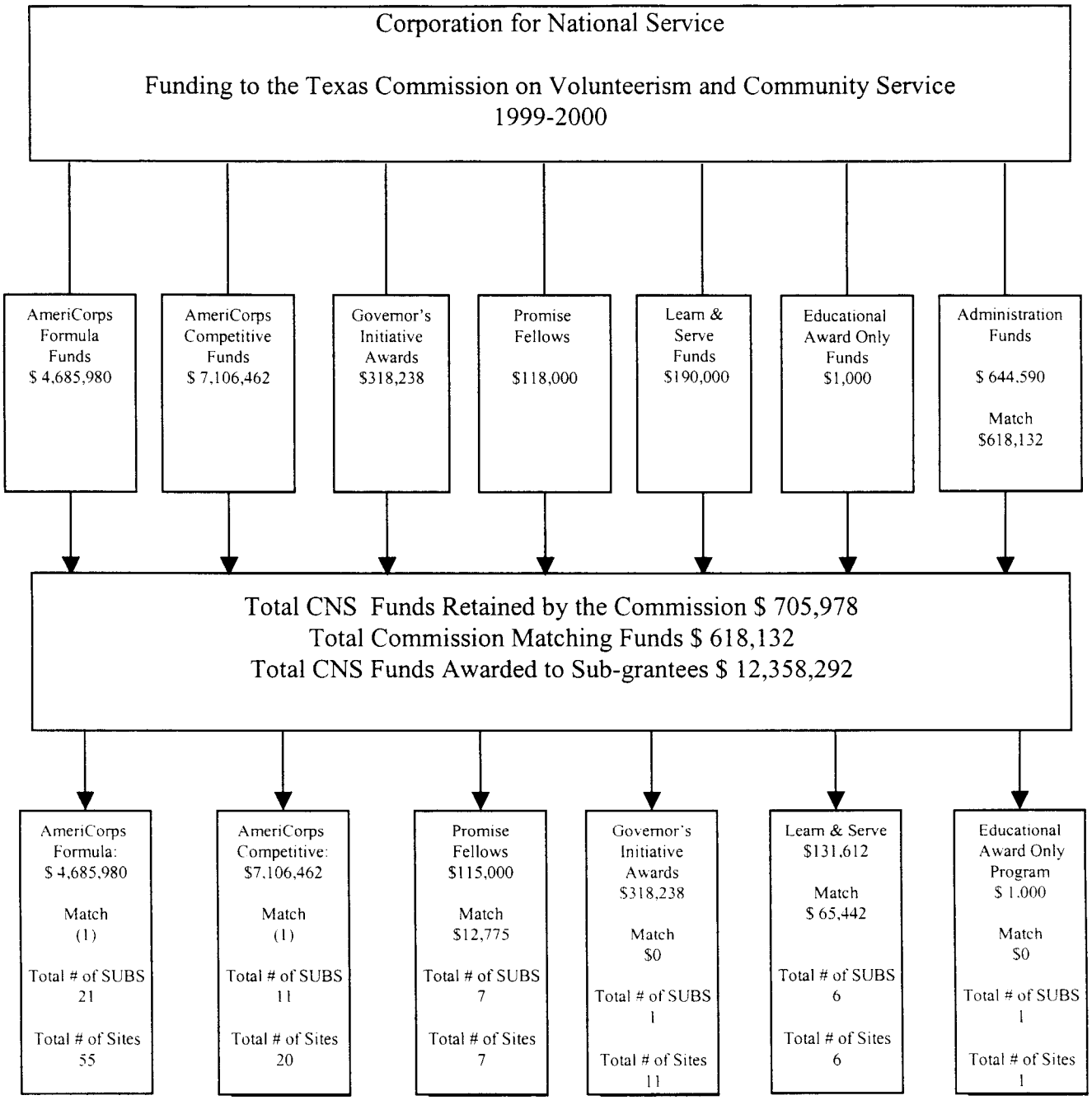
(1) AmeriCorps Formula and Competitive match cannot be segregated. Combined total is $9,010,777.

(2) CNS approved $2,811,276, $150,018 and $81,800 of carryover from 1997-98 for use in 1998-99 for AmeriCorps Formula/Competitive, Administrative and PDAT grants, respectively. These amounts are not reflected above.

(3) Original CNS funding of $115,000 was awarded to subgrantees prior to deobligation of Promise Fellow funding by CNS of $29,709.

Commission Funding

Appendix A



Notes:

(1) AmeriCorps Formula and Competitive match cannot be segregated. Combined total is $7,265,471.

(2) CNS approved $3,929,669 of carryover from 1998-99 for use in 1999-2000 for AmeriCorps Formula/Competitive grants. This amount is not reflected above.

Detailed Engagement Objectives and Methodology

Appendix B

Internal Controls

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

In order to achieve the above objective, we identified the compliance requirements with a direct and material effect on the Commission's AmeriCorps grant program, as follows: activities allowed or unallowed and allowable costs; cash management; eligibility; matching; period of availability of Corporation funds; procurement, 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 were signed by selection officials annually and maintained by the Commission.

Administering Grant Funds

Our objectives were to:

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

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

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

- 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 preliminary assessed whether the Commission's implementation of the Web Based Reporting System (WBRS) has 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 to implement a comprehensive, non-duplicative evaluation and monitoring process for their subgrantees;

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

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

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

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

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

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.

TEXAS COMMISSION
ON VOLUNTEERISM &
COMMUNITY SERVICE

Appendix C

January 29, 2001

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

Dear Ms. Jordan:

Enclosed for your review is our response to your draft report resulting from your pre-audit survey of the Texas Commission on Volunteerism and Community Service. In addition, as requested, you will find a separate document correcting errors and clarifying facts. We are grateful for your careful attention to these important matters, and are available should you have any questions or comments.

Sincerely,

Lesley Airth
Acting Executive Director
Texas Commission on Volunteerism and Community Service

cc: Cassie Carlson Reed
Executive Director
Texas Workforce Commission

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TxCVCS general comments to pre-audit survey:

The Texas Commission on Volunteerism & Community Services (TxCVCS) appreciates the opportunity to respond to the pre-audit survey conducted by the Office of Inspector General (OIG). Since the existence of TxCVCS in 1994, there have been tremendous improvements with the grant-making processes. TxCVCS would like to note that most issues identified in the report dealt with the early years of the Commission and improvements have been made addressing most issues.

Below is a revision of the chart on page 3 of the report based on corrections to Appendix A-Page A.1 and the funding charts, explained in the remainder of this document:

Program Year	Total Corporation Funding	Number of Sub-grantees	Number of Sub-grantees Subject to A-133 Audits
1994-95	$7,834,459	15	12
1995-96	10,884,102	16	15
1996-97	14,352,993	19	17
1997-98	14,682,868	26	17
1998-99	13,258,882	46	11
1999-2000	13,682,402	47	13

TxCVCS requests consideration to remove the comment stating that the Commission was not able to provide funding amount for grants received from the Corporation for National Service (CNS). These amounts were provided initially in spreadsheets via email. In addition, TxCVCS requests that the additional information provided in the response to OIG are considered prior to planning additional audit work of TxCVCS and its subgrantees for all program years.

We appreciate the recommendations proposed. In some cases, we do not agree with some of the recommendations, but have included alternatives for those recommendations.

TxCVCS Responses to Specific Findings and Recommendations:

Selecting Subgrantees

We agree proper documentation is needed in the selection of subgrantees. To ensure our selection process is auditable, we will maintain all documentation, including the scoring sheets, for up to three years or until the grant is closed out. In addition, procedures will be updated to include a conflict of interest statement on each voting members ballot, which are maintained in permanent commission files within the Agency. As acknowledged, we have a system in place for assessing applicants financial systems during the selection process. Please consider further documentation provided at the pre-exit conference to show this process was in place since program year 1997-1998.

Administering Grant Funds

We agree improvements can be made to the grant administration process. Our current grants from the Corporation separates AmeriCorps grants between competitive and formula grants. As a result, we will be able to track matching in this manner for Year 7 forward. In addition, we will ensure enforcement of our current policy for following up with subgrantees when match is delinquent. A quarterly report will be created comparing budgeted match percentages to the actual percentage of match expenditures and in-kind contributions. We will continue to track timely receipt of financial status reports (FSRs) using the WBRS system and the Commission Report Log.

We did, however, provide the requested financial information related to the total amount of funding received from the Corporation by program year and the amounts passed through to subgrantees. We agree that we did not segregate subgrantee matching funds for AmeriCorps grants between competitive and formula funds, but did track subgrantee matching funds aggregately. A requirement was not in place to report and track the single grant in question by segregating the matching funds by formula or competitive.

Evaluating and Monitoring Subgrantees

We agree improvements can be made in the evaluation and monitoring of its subgrantees. We will revise our current tool to include language that more clearly documents whether Member hours were spent on allowable activities and prohibited activities were not performed. In addition, the site visit tool has been modified to include a list of all member files reviewed on site. To ensure that site visits are conducted in a timely manner, we have set up a spreadsheet that tracks the projected visit timeframe, actual scheduled date, and follow up timeline.

Appendix D

AmeriCorps National Service

CORPORATION FOR NATIONAL SERVICE

MEMORANDUM

To: Luise Jordan, Inspector General

Through: William Anderson, Acting Chief Financial Officer

From: Peter Heinaru, Director, AmeriCorps State/National

Subject: Comments on the OIG Draft Report 01-23, Pre-Audit Survey of the Texas Commission on National and Community Service

Date: January 29, 2001

We have reviewed the draft report of the pre-audit survey of the Texas Commission on Volunteerism and Community Service (the Commission) and offer the following comments on the report's findings and recommendations.

In the area regarding **Selecting Subgrantees**, the report makes three findings concerning the effectiveness of the selection process. Two of the findings relate to operations prior to 1999, and since current systems are adequate, there are no recommendations.

Regarding the *Missing Conflict of Interest Forms for Selection Officials*, we agree that the Commission should require its selection officials to sign conflict of interest statements and maintain those statements on file. In the past, the Commission used conflict of interest statements on an as-needed basis only. For present and future grant years, its policy has changed to an all-encompassing one that applies to all commissioners. CNS will follow up with the Commission to assure these practices are in place.

In the area of **Administering Grant Funds**, the report makes three findings and two recommendations.

CNS concurs with the recommendation regarding *Maintenance of Grant Award Financial Information*.

The report states that the Commission has policies and procedures for follow-up with its subgrantees regarding *Follow Up with Subgrantees Regarding Delinquent Matching Requirements*. However, as stated, the process is being conducted on an informal basis and

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needs to be documented. We concur and will work with the Commission to assure these informal processes are formally documented.

With the implementation of the Web Based Reporting System (WBRS), an adequate tracking systems are now in place to correspond to the third finding, *Timely Submission of FSRs*.

In the area of **Evaluation and Monitoring of Subgrantees**, the report makes three recommendations for improving the effectiveness of the Commission's monitoring practices.

Regarding the first recommendation, *revise the site visit monitoring tool to include specific procedures to determine whether Member hours were spent on allowable activities...and that prohibited activities were not performed*, we do not concur, but we do support the concept of an annual risk-based site visit plan and documenting results and resolutions.

Through a review of member contracts and by reviewing individual program's member training agendas, Commissions can generally ensure that programs are appropriately training their members about prohibited activities. It appears that currently the Commission is adequately ensuring that members are trained and aware of prohibited activities.

We concur with the second recommendation, *establish and follow an annual site visit plan*, and affirm that the Corporation is working with the Texas Commission on Volunteerism and Community Service to develop and implement a risk-based site visit plan.

Regarding the third recommendation, *document results of all site visits and conclusions related to all identified issues*, as noted above, the Corporation advocates a risk-based strategy for monitoring programs, and we are working with the Texas Commission to ensure that its monitoring strategy for subgrantees is risk-based and adequate.