OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

PRE-AUDIT SURVEY OF THE COLORADO GOVERNOR'S COMMISSION ON COMMUNITY SERVICE

OIG Audit Report Number 01-25
December 6, 2000

Prepared by:

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This report was issued to Corporation management on April 27, 2001. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than October 24, 2001, and complete its corrective actions by April 27, 2002. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

CORPORATION
FOR NATIONAL
SERVICE

Office of Inspector General
Corporation for National and Community Service

Pre-Audit Survey of the Colorado Governor's Commission on Community Service OIG Audit Report Number 01-25

Introduction

The Corporation for National and Community Service, pursuant to the authority of the National and Community Service Act, awards grants and cooperative agreements to state commissions, nonprofit entities, tribes and territories to assist in the creation of full and part time national and community service programs. Currently, in accordance with the requirements of the Act, the Corporation awards approximately two-thirds of its AmeriCorps State/National funds to state commissions. The state commissions in turn fund, and are responsible for the oversight of, subgrantees who execute the programs. Through these subgrantees, AmeriCorps Members perform service to meet educational, human, environmental, and public safety needs throughout the nation.

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

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

We engaged KPMG LLP to perform the pre-audit survey of the Colorado Governor's Commission on Community Service. Based on the limited procedures performed, KPMG concluded that the Commission administers an open, competitive process to select national service subgrantees and that the Commission has established certain policies and procedures for its fiscal administration and subgrantee monitoring. However, their report recommends improvements in all three areas. KPMG also recommends Corporation follow-up to ensure that appropriate corrective actions are implemented and that OIG perform a full-scope audit of CNS funding for program years 1994-95 through 1996-97 and more limited procedures for program years 1997-98 through 1999-2000.

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

CNS OIG reviewed the report, with which we concur, the work papers supporting its conclusions, and responses to the report by the Commission and CNS. The Commission's response (Appendix C) generally disagrees with the report and characterizes certain information provided to KPMG during the survey as incorrect. As described on pages 4 and 5, where the Commission provided revised information, KPMG was able to change the report. The Corporation's response (Appendix D) indicates that it agrees with some of the report's findings and disagrees with others.

Pre-Audit Survey of the
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2001 M Street, N.W.
Washington, D.C. 20036

December 6, 2000

Inspector General
Corporation for National and Community Service:

At your request, KPMG LLP (KPMG) performed a pre-audit survey of the Colorado Governor's Commission on 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 currently administers an open, competitive process to select national service subgrantees. However, the Commission's pre-award selection process does not include adequate procedures to review an applicant's financial and management systems, such as a review of the applicant's Office of Management and Budget (OMB) Circular A-133 audit reports, when applicable, and documentation describing the applicant's grant accounting procedures and systems.

- The Commission has established control policies and procedures to administer the Corporation's grant funds. However, the Commission could not provide documentation to support its financial reporting for program years prior to 1997-98.

- The Commission has established certain procedures to evaluate and monitor subgrantees. However, the Commission does not have an adequate process to obtain, review and follow-up on the OMB Circular A-133 audit reports of its subgrantees. In addition, the Commission should improve its documentation of the specific procedures performed during site visits, items reviewed, and any necessary follow-up procedures that were performed.

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

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

To date, the Commission's AmeriCorps grants have not been audited as a major program under OMB Circular A-133. Based on this information, our preliminary assessments, and the dollar value of Corporation funding awarded to the Commission, we recommend the performance of a full-scope audit for program years 1994-95 through 1996-97 and a limited-scope audit with a focus on subgrantee monitoring for program years 1997-98 through 1999-2000.

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 future 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 control 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 Colorado Commission

The Colorado Governor's Commission on Community Service, located in Denver, Colorado, has received AmeriCorps grant funds from the Corporation for National and Community Service since program year 1994-95. The Commission originated as part of the Governor's Office and was subsequently transferred to the Colorado Department of Local Affairs. In January 1998, the Commission was transferred again to the Colorado Community College System (CCCS), where it currently resides. The Commission has three employees, including an Executive Director and two program officers. Since program year 1997-98, CCCS has provided financial and accounting support to the Commission. The Executive Director and one of the program officers have been with the Commission since 1996. The tenure of these two key positions and the outsourcing of the accounting function to CCCS have contributed to the Commission's improved financial management of Corporation grants.

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

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

Program Year	Expenditures of Corporation Funding	Number of Subgrantees	Number of Subgrantees Subject to A-133 Audits*
1994-95	$1,079,267	5	5
1995-96	1,784,491	7	6
1996-97	1,597,124	6	1
1997-98	2,395,193	9	3
1998-99	2,554,062	13	3
1999-2000	2,232,050	14	4

* Determination is based solely on dollar value of federal awards passed through the Commission for each program year. To make this determination in accordance with OMB requirements applicable at the time, a $25,000 threshold was used for program years 1994-95 and 1995-96, and a $300,000 threshold was used for all subsequent years. Remaining subgrantees could be subject to an OMB Circular A-133 audit if they received additional federal grant funds from other sources.

Appendix A contains more detailed information on funding received from the Corporation during program years 1994-95 through 1999-2000.

Objectives, Scope, and Methodology

We were engaged by the Office of the Inspector General, Corporation for National and Community Service, to provide an assessment of the systems and procedures in place at the Commission for administering its AmeriCorps grants and for monitoring the fiscal activity of

subgrantees. The primary purpose of this pre-audit survey was to provide a preliminary assessment of:

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

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

Our survey included the following procedures:

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

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

- obtaining information from Commission management to complete flowcharts documenting the hierarchy of AmeriCorps grant funding for program years 1994-95 through 1999-2000; and

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

As part of the procedures performed, we documented and tested internal control 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 December 8, 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 internal control 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 internal control or compliance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We provided a draft of this report to the Commission and the Corporation. The Commission's and the Corporation's responses to our findings and recommendations are included as Appendix C and D respectively. We have corrected the references to program year dates as provided in the Commission's response and added clarifying language to our findings and recommendations to the extent we considered it necessary. The information included on page 3 and in Appendix A

was compiled from information provided to us by the Commission's grant accountant as noted on page A.1. Since no correcting information was provided in the Commission's response, no changes have been made to this data.

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, no additional changes were made to the report.

Findings and Recommendations

Selecting Subgrantees

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

The Commission administers an open, competitive process to select national service subgrantees. In competitive application years, the Commission advertises funding availability through mailing lists, newspapers and newsletters. In addition, selection officials sign conflict of interest statements annually, receive an instruction package, and use a standard form to evaluate each applicant. However, we identified the following areas for improvement within the selection process.

Pre-Award Risk Assessment Procedures Need Improvement

The Commission's pre-award selection process does not include procedures to review specific aspects of an applicant's financial and management systems (e.g., capabilities of accounting system to provide necessary grant information and process for complying with OMB Circular A-133). Such procedures are necessary to help ensure, prior to awarding grant funds, that applicants have adequate systems and procedures in place to financially administer and manage a federal program.

Lack of Supporting Documentation for Funding Decisions Prior to Program Year 1996-97

For program years prior to 1996-97, the Commission was unable to locate documentation to support its funding decisions. The Commission asserts that the lack of documentation resulted from the transfer of the Commission in 1998 from the Colorado Department of Local Affairs to CCCS. At the time of the transfer, a significant amount of documentation was left with the Colorado Department of Local Affairs and has most likely been subsequently filed with the Colorado Division of State Archives.

Although responsibility for the Commission's administration has been transferred among state agencies over time, the Commission continues to be responsible for maintaining adequate records for all program years because none of its Corporation grants have been closed. In accordance with 45 CFR Section 2541.420, commissions are required to retain records for three years from the close of a grant.

Lack of Written Grievance Procedures

The Commission does not have written grievance procedures. These procedures are required by 45 Section CFR 2540.230 and should include dispute resolution programs, such as mediation, facilitation, assisted negotiation and neutral evaluation.

Recommendations

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

- Develop and implement pre-award procedures to review each applicant's financial and management systems. These procedures should include review of the applicant's OMB Circular A-133 audit reports, when applicable, and documentation describing the applicant's grant accounting procedures and systems.
- Develop and implement written grievance procedures.

In addition, we recommend that the Commission work with the Corporation to close all appropriate grants and to submit final Financial Status Reports (FSRs) for those grants. The Commission should also locate and be able to retrieve the necessary documentation to support the proper administration of Corporation grants for three years after the close of the related grants.

Administering Grant Funds

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

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; and to ascertain whether subgrantees have met their matching requirements. However, we identified the following area for improvement related to the Commission's grant administration process.

Lack of Supporting Documentation for Financial Reporting Prior to Program Year 1996-97

For program years prior to 1996-97, the Commission was unable to locate documentation to support its financial reporting, including the allocation of funding between AmeriCorps Competitive and AmeriCorps Formula grants and the amounts of state matching funds for the Administrative grant. The Commission asserts that at the time of its transfer to CCCS, a significant amount of documentation was left with the Colorado Department of Local Affairs and has most likely been subsequently filed with the Colorado Division of State Archives.

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

Evaluating and Monitoring Subgrantees

The Commission is responsible for monitoring subgrantee supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. The Commission has established certain procedures to evaluate and monitor its subgrantees, which include reviewing program and financial reports and scheduling annual site visits. During these visits, Commission personnel use a standard site visit checklist to guide their inquiries and communicate program strengths and weaknesses, any concerns or recommendations identified, and any necessary follow-up to be performed. In addition, the Commission evaluates the reasonableness of program accomplishments reported by the subgrantees in their progress reports based on frequent communications, information obtained during site visits, and approved grant objectives.

However, we identified the following areas for improvement related to the evaluation and monitoring of subgrantees.

Review of OMB Circular A-133 Audit Reports

The Commission does not have an adequate process for obtaining and reviewing OMB Circular A-133 audit reports for its subgrantees. When the Commission does obtain the reports, the Commission does not document its review or any follow-up procedures performed. OMB Circular A-133 Compliance Supplement, March 2000, Part 6 – Internal Control suggests that review of and follow-up on subgrantees' audit reports is a key component of a program to monitor compliance with federal grant requirements.

Insufficient Documentation to Support Procedures Performed during Site Visits

As noted above, Commission policy requires the use of a standard checklist to document the results of each site visit. However, we noted the following as part of our review:

- The Commission could not locate 1 of 13 checklists selected for testing (Mesa State College, program year 1997-98).
- The checklist uses a yes/no format with minimal space for narrative, and does not document if any follow-up was considered necessary during the visit.
- The Commission does not document the specific Member timesheets and files reviewed or the results of the review.
- The Commission does not verify selected Member timesheets against entry into the Web Based Reporting System (WBRS) to determine if hours accumulated and used on end of term forms are accurate.
- The Commission does not document (1) which operating sites (i.e., service locations) were visited, (2) its procedures to verify information in subgrantee progress reports, (3) its procedures to verify subgrantee financial reports (including reported match) against

subgrantee accounting records, (4) the specific items reviewed as a part of these procedures, or (5) the results of the review.

As a result, a reviewer (e.g., supervisor) of the site visit checklist is not able to (1) assess if the sample size selected was adequate and (2) review the same documentation if a question arose about the results of the test. In addition, control weaknesses or instances of material non-compliance related to the subgrantees' activities of which the Commission is not aware may exist and may not be corrected.

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 obtain, review and retain subgrantee OMB Circular A-133 audit reports. The Commission should document its review of these reports and any necessary follow-up procedures performed.
- Improve the documentation of its subgrantee site visits. Improvements should include documentation of the specific procedures performed, items reviewed, results found and any necessary follow-up performed. Although not specifically required by a law or regulation, including the items noted above in a standard monitoring tool enhances an organization's ability to consistently evaluate key compliance and programmatic requirements, validate the results of its reviews, and ensure the completion of all monitoring steps at each subgrantee visited.

Other Matters

Implementation of WBRS

Although the Commission has implemented WBRS, two of its subgrantees have experienced technical problems with the system since implementation. As a result, the Commission is not able to electronically submit aggregate FSRs to the Corporation or to review information for these subgrantees on-line. The Commission continues to work with the Corporation to resolve this issue. Therefore, no recommendation is required related to WBRS implementation.

Composition of Commission

The Commission does not currently have youth representation within its voting members. In accordance with 45 CFR Section 2550.50(b)(6) the Commission's voting members should include an individual between the ages of 16 and 25 who is a participant or supervisor of a service program for school-age youth, or of a campus-based or national service program. Currently, the Commission's youngest voting member is 28 years old.

Commission Staffing

The Corporation-prepared August 2000 State Administrative Standards Report on the Commission indicates that "over the past five years, the Commission has tripled the number of programs it administers while the staff size has actually declined" (section 7.1.4.a.). The report

discusses the need for additional staff, including clerical support, to reduce the workload of current staff.

During our on-site work, we noted that the Commission staff are qualified from a programmatic perspective but lack significant financial experience. Although CCCS performs most accounting-related tasks for the Commission, CCCS accounting personnel do not participate in the review of grant applications or in site monitoring visits. As a result, financial risks or noncompliance may not be adequately assessed. Our concerns about the financial background of the Commission staff were discussed at the exit conference held on December 8, 2000, and we continue to believe that changes should occur to address these issues.

Recommendations

We recommend that the Commission:

- Work with the Governor to appoint a voting member who meets the requirements of 45 CFR Section 2550.50(b)(6).
- Ensure that personnel with financial experience are involved with the pre-award financial risk assessments recommended in the *Selecting Subgrantees* section.
- Augment its current staffing with an individual with financial experience, making one of the position's responsibilities the fiscal monitoring of subgrantees, or reach a formal agreement with CCCS that accounting personnel will accompany Commission staff on site monitoring visits.

*****

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 Colorado Governor's Commission on 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

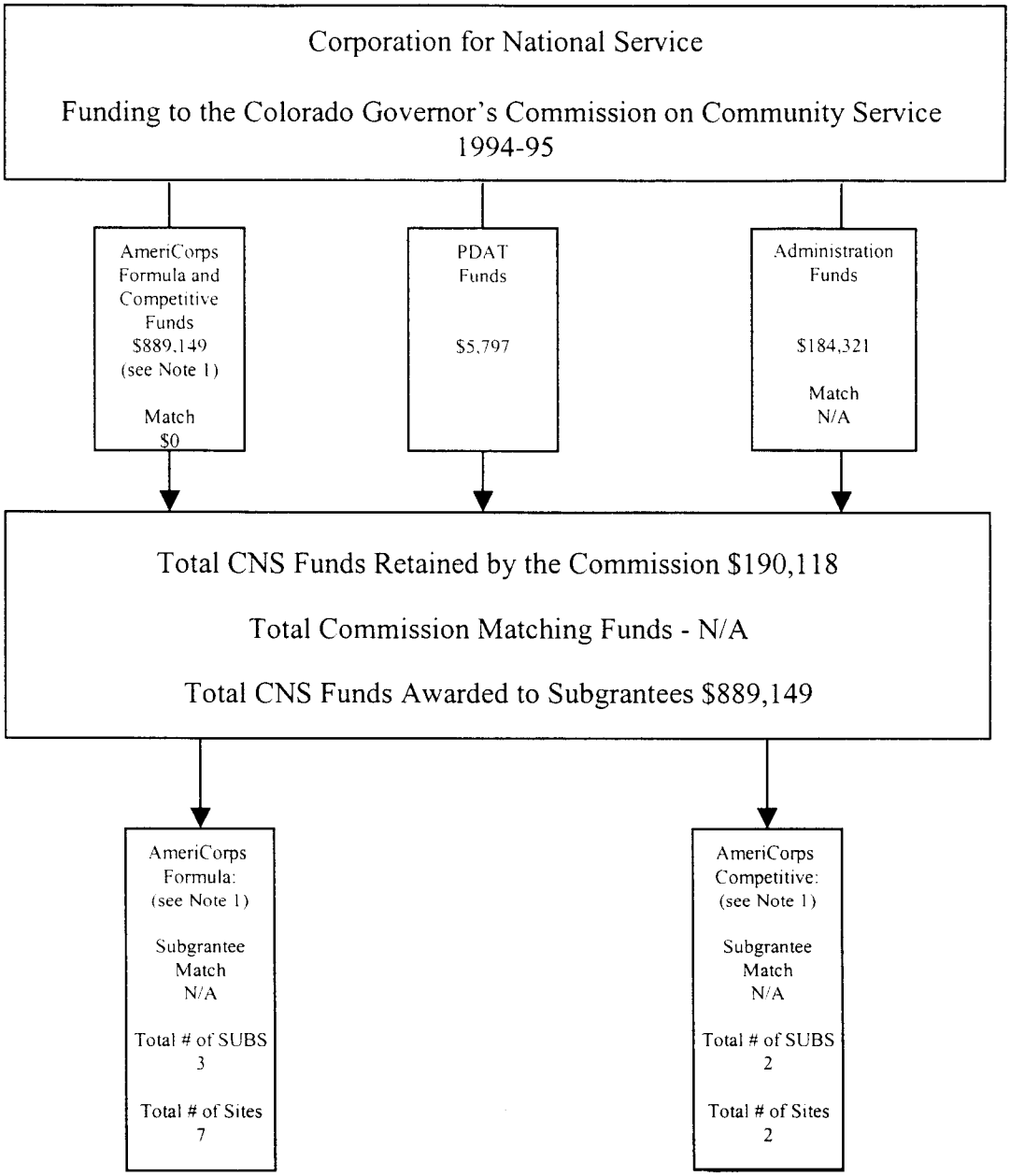
The table below and the funding charts on the following pages depict the Commission's expenditures of Corporation funding over the past six program years. The information was obtained from the Commission's records maintained by the grant accountant. For program years 1998-99 and 1999-2000, this information was agreed to the Commission's FSRs.

Funding Source and Type	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
CNS Formula Grant Funds	$ 889,149	$1,087,154	$1,139,974	$ 905,503	$ 923,289	$ 639,422
CNS Competitive Grant Funds	-	-	-	969,072	994,092	914,228
CNS Learn and Serve Funds	-	185,000	172,000	288,500	156,000	82,457
CNS Educational Only Awards	-	-	-	-	30,750	36,088
CNS PDAT Funds	5,797	75,000	80,000	82,112	78,399	123,000
CNS Administrative Funds	184,321	205,926	205,150	149,002	180,000	220,892
CNS Disability Funds	-	14,177	-	1,004	-	-
CNS Governor's Innovative Funds	-	217,234	-	-	-	-
CNS America Reads Funds	-	-	-	-	191,532	110,963
CNS Promise Fellows Funds	-	-	-	-	-	105,000
State Matching Funds	N/A	N/A	N/A	N/A	191,886	209,817
	$1,079,267	$1,784,491	$1,597,124	$2,395,193	$2,745,948	$2,441,867

N/A - The Commission was unable to provide this information. See related finding under the *Administering Grant Funds* section.

Commission Funding

Appendix A



N/A – The Commission was unable to provide this information.
Note 1: Using the records maintained at the Commission, Commission personnel cannot split funds between AmeriCorps Formula and AmeriCorps Competitive grants. See related finding under *Administering Grant Funds*.

Commission Funding

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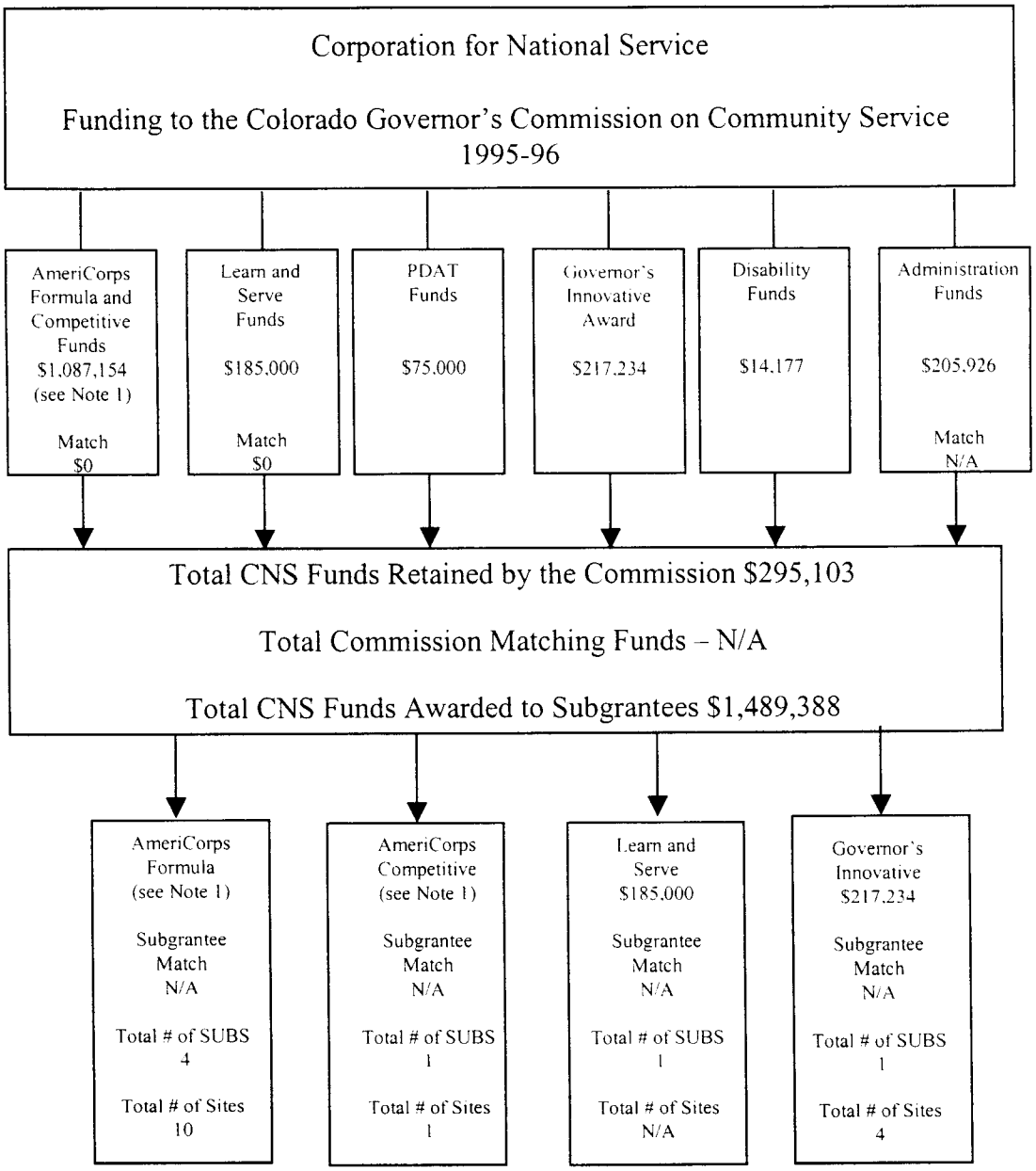

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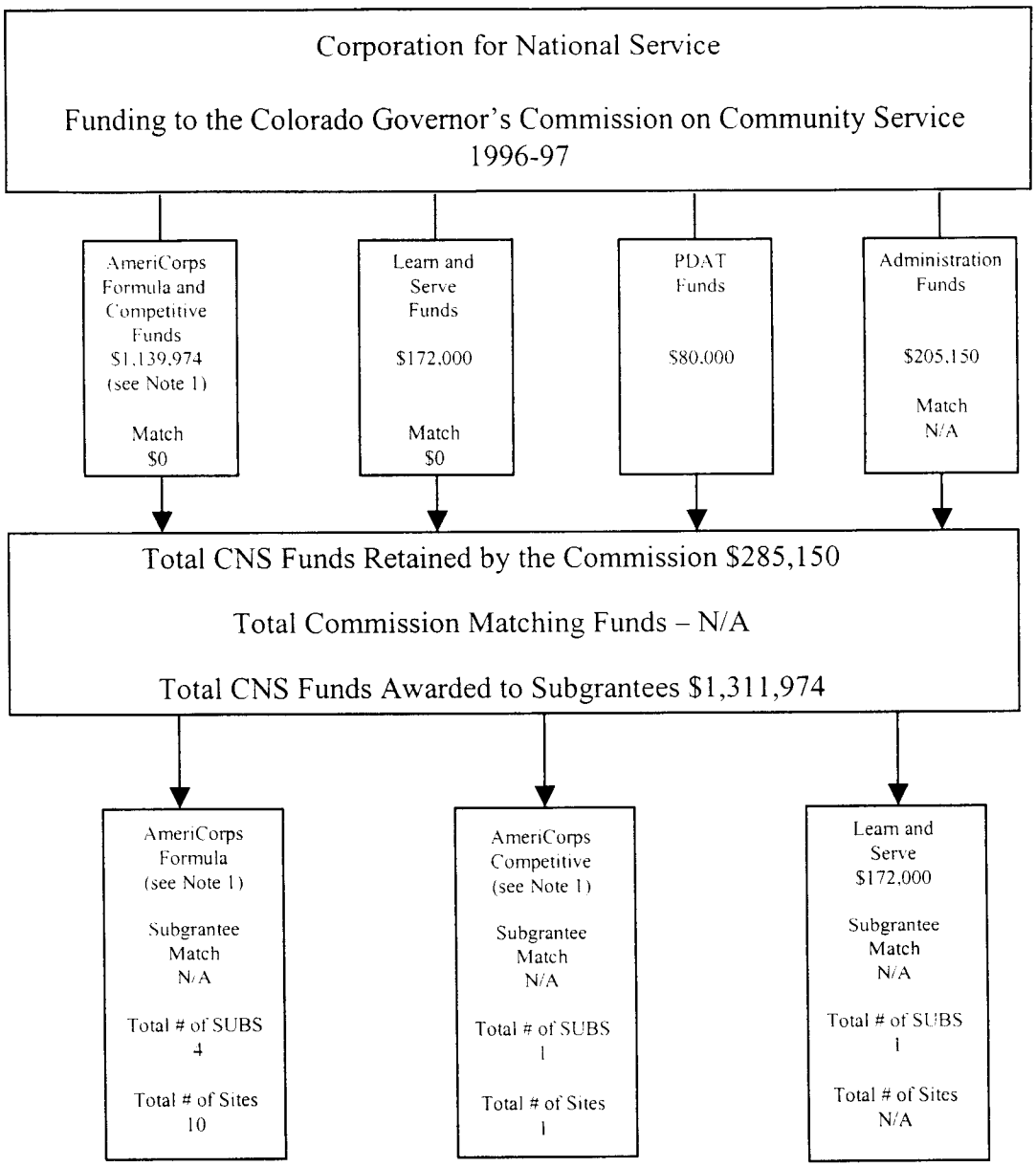

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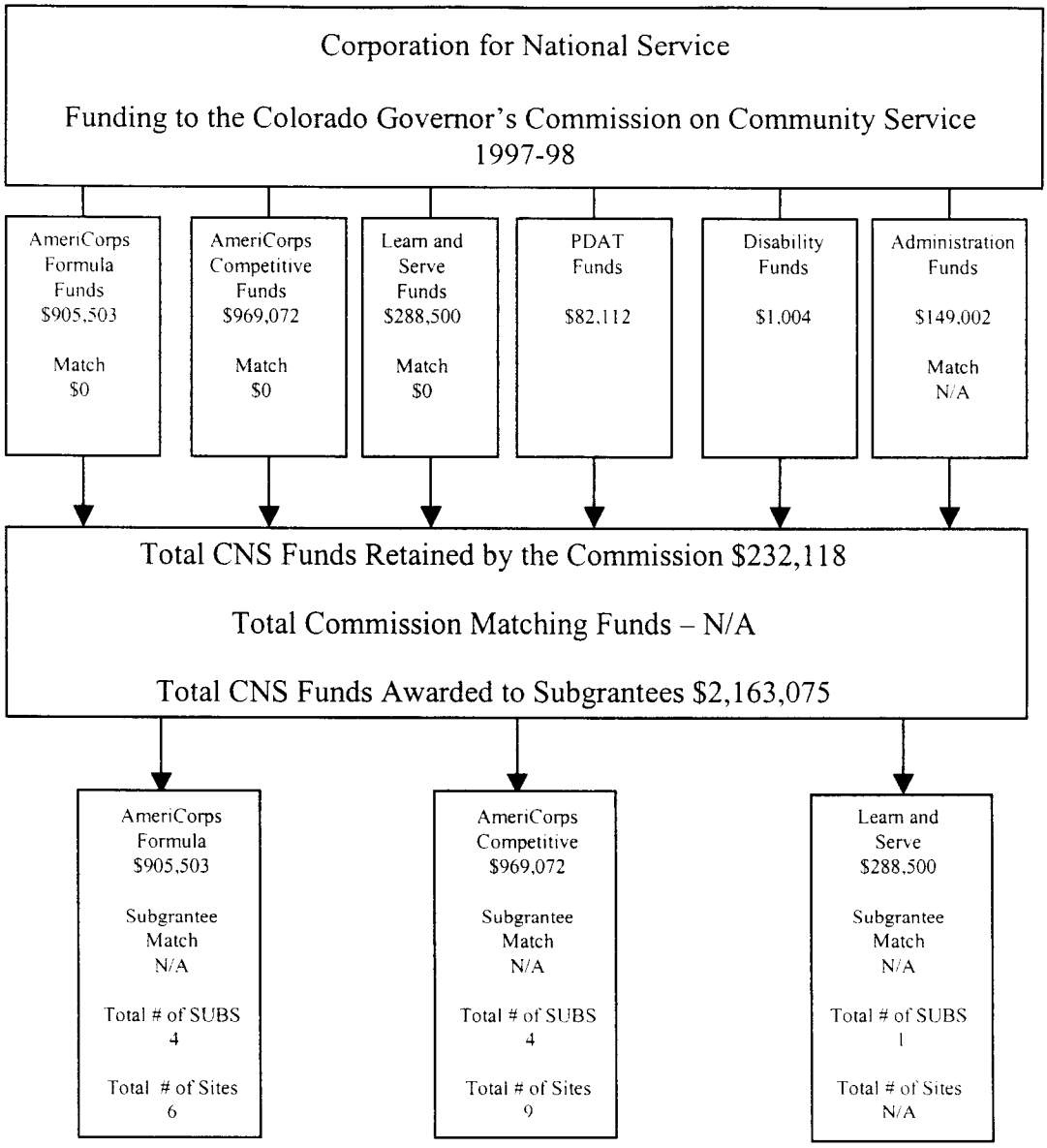

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Commission Funding

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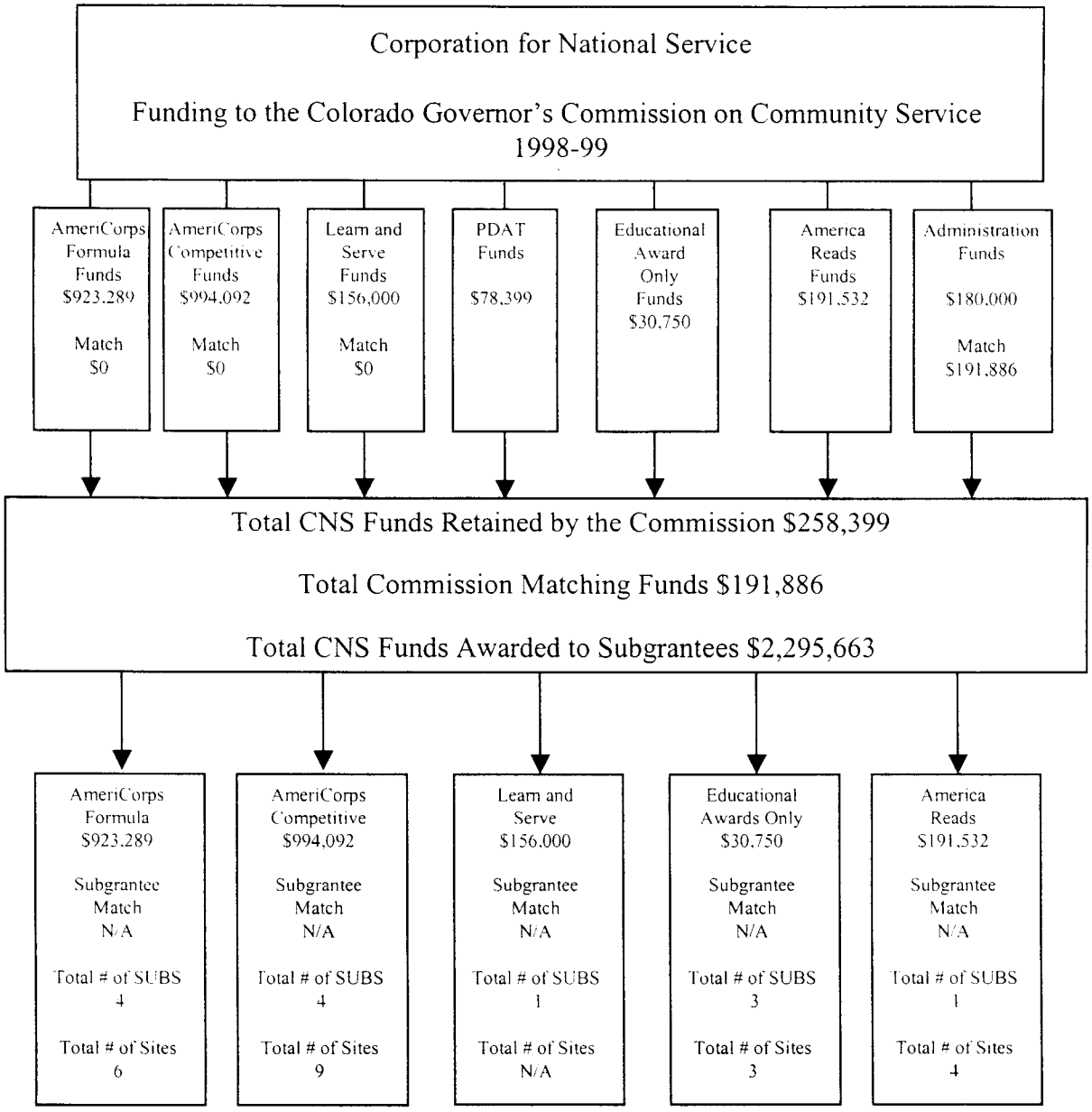

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Commission Funding

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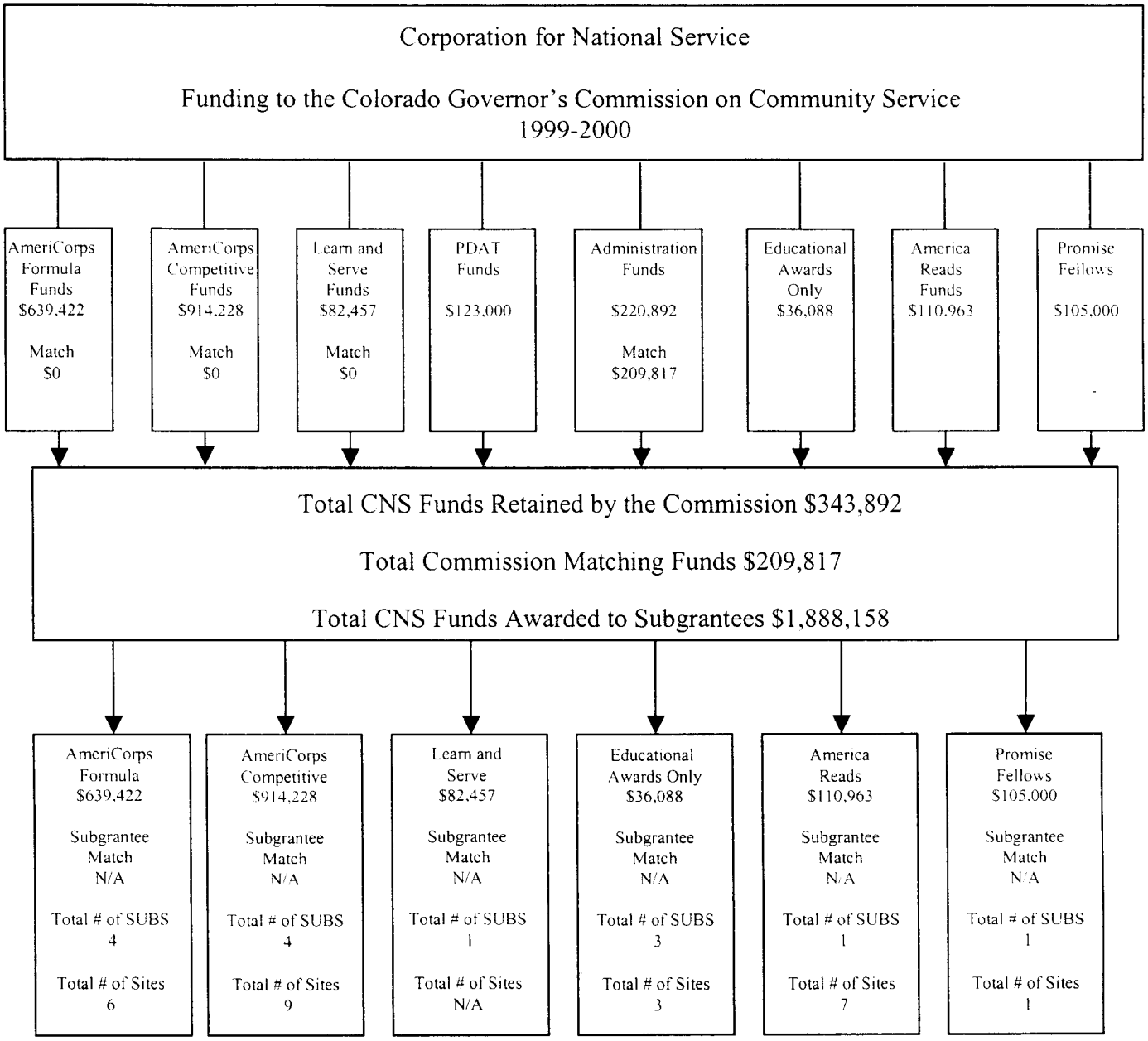

N/A – The Commission was unable to provide this information.

Detailed Engagement Objectives and Methodology

Appendix B

Internal Control

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

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

Selecting Subgrantees

Our objectives were to make a preliminary assessment:

- of the adequacy of the systems and controls utilized by the Commission to select national service subgrantees to be included in an application to the Corporation;

- as to whether the Commission evaluated the adequacy of potential subgrantee financial systems and controls in place to administer a Federal grant program prior to making the award to the subgrantees; and

- as to whether Commission involvement in the application process involved any actual or apparent conflict of interest.

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

Administering Grant Funds

Our objectives were to:

- make a preliminary assessment of the adequacy of the systems and controls utilized by the Commission to oversee and monitor the performance and progress of funded subgrantees;

- make a preliminary assessment as to whether the Commission's organizational structure and staffing level and skill mix are conducive to effective grant administration;

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

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

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

In order to achieve the above objectives, we reviewed Financial Status Reports and progress reports submitted by subgrantees, as well as Financial Status Reports submitted by the Commission to the Corporation, to preliminarily assess the accuracy of submitted Financial Status Reports and progress reports. We reviewed training schedules offered to subgrantees, staff resumes, checklists and other such tools employed by Commission staff as aids.

We also preliminarily assessed whether the Commission has been able to fully implement the Web Based Reporting System (WBRS).

Evaluating and Monitoring Subgrantees

Our objectives were to:

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

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

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

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

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

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

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

STATE OF COLORADO

GOVERNOR'S COMMISSION ON COMMUNITY SERVICE
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Appendix C

Bill Owens
Governor

April 9, 2001

EXECUTIVE DIRECTOR
Gregory J. Geissler

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Golden

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Golden

Bruce Cline
Ex-Officio

Ms. Luise S. Jordan
Office of Inspector General
Corporation for National Service
1201 New York Avenue, NW
Washington, DC 20425

Dear Ms. Jordan:

Enclosed herein please find the Colorado Governor's Commission on Community Service's response to the pre-audit survey draft report dated December 6, 2001 and transmitted by your office to the Commission for review and comment on March 12, 2001.

Sincerely,

Gregory J. Geissler
Executive Director

enc.

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INSPECTOR GENERAL

Colorado Governor's Commission on Community Service
Response

The following comments are submitted in response to the findings of the Pre-Audit Survey of the Colorado Governor's Commission on Community Service which commenced on Monday, October 30, 2000. For the record, it should be noted that the formal Exit Interview was held on Friday, December 6, 2000. Subsequently, the Commission responded to additional requests for information from the auditors through February 8, 2001. No further exit interview was held. The Commission received a copy of the Draft Report on March 13, 2001.

Significant Issues of Note:

- The Draft Report incorrectly indicates the Commission was transferred to the Community Colleges of Colorado system in 1996. The Commission was not transferred to the Community Colleges of Colorado system until January 1998. The Commission was within the Department of Local Affairs throughout 1996 and 1997. This is crucial in terms of understanding the Commission's access to information. The Governor's Commission on Community Service was originally established by Executive Order in December 1993 by Governor Roy Romer and was housed within the Governor's Community Partnership Office. The Governor moved his Community Partnership Office into the Department of Local Affairs (DOLA) in 1994. The Governor's Commission was not, and is not, an independent agency within state government. With the Community Partnership Office's (including the Commission) move to the Department of Local Affairs, DOLA became the authorizing agency, and the departmental policy dictated that nothing was designated specifically to the Commission in terms of authority over the Commission's funding and activity. While the Commission was housed within DOLA, the Executive Director of the Commission did not have signature authority. Three different individuals held the office of Executive Director of the Commission from 1994 through 1996. The current Executive Director and one Program Officer were hired in 1996. In January 1998, Governor Roy Romer issued an Executive Order moving the Governor's Commission from the Department of Local Affairs into the Community Colleges of Colorado. Accounting records for the Commission prior to 1998 were retained by the Department of Local Affairs. When the Commission transferred from the Department of Local Affairs to the Community Colleges of Colorado, the Interagency Agreement stated that all balances would transfer to the Community Colleges of Colorado, but all activity of the Commission prior to the transfer would remain with the Department of Local Affairs. At the federal level, the Commission's line of credit was transferred with new passwords provided to the new legal entity being the Community Colleges of Colorado. The authorization for accessing CNS awards through HHS is only for the time frame from which the Community Colleges of Colorado took responsibility (January 1, 1998). Following the election of the current Governor, Bill Owens, the original Executive Order establishing the Commission and setting forth its responsibilities was rescinded and replaced by a new Executive Order which reorganized the Commission, its composition, and its responsibilities. Further, with that change in administration, records maintained by DOLA under the previously appointed cabinet member have likely been archived. The Draft Report states that "although responsibility of the Commission's administration has been transferred among state agencies over time, the Commission continues to be responsible for maintaining adequate records for all program years because none of its Corporation grants have been closed." However, the Commission is not an independent agency in and of itself. The state department in which a program, such as a Commission, is housed, is the responsible entity. Therefore, for the most part, DOLA has records from 1994 through 1997 and the Community Colleges of Colorado has records from 1998 to the present. That the Commission staff hired in 1996 have some records is fortunate happenstance.

- The dollar amounts provided throughout the report (table on page 3 as well as all figures in Appendix A) are not reflective of the information provided by the Commission to KPMG auditors. It is unclear whether the amounts included in the tables are supposed to be expenditures or awards, but either way the figures are incorrect. The Total Corporation Funding listed on page 3 are the same figures included in the tables and flowcharts in Appendix A. It is unclear where those numbers came from as they are not reflective of the Commission's accounts (neither awards nor expenditures) nor of the information

provided to the auditors. For instance, the Commission received Governor's Innovative Funds in 1996-1997 and received Promise Fellows Funds in 1998-1999, yet neither of those awards (or expenditures) are included in the tables. Further, Appendix A states that the Commission personnel cannot split funds between AmeriCorps Formula and Competitive grants. This is incorrect. The Commission's accounts have always shown a split between Formula and Competitive grants for all program years. Further, the charts indicate N/A (defined as "the Commission was unable to provide this information") in almost all of the State Matching Funds categories. This is incorrect. The Commission provided KPMG with all relevant administrative match documentation. The Commission did not provide documentation on subgrantee match as that information is retained by the subgrantees. The Commission is unable to determine what amounts were used for each of the boxes in the subsequent flowcharts contained in Appendix A as the figures listed are neither reflective of awards nor of expenditures. In several instances, the numbers of "SUBS" and "Sites" is also incorrect.

Because the numbers included in Appendix A as well as on page 3 are not reflective of the Commission's accounts nor of the information provided to the auditors, the Commission is unable to comment on the funding information contained in the Draft Report.

Findings and Recommendations:

Selecting Subgrantees

1. Lack of Pre-Award Risk Assessments

Response:

The Draft Report states that the Governor's Commission on Community Service pre-award selection process does not include adequate procedures to review an applicant's financial and management systems. In fact, the Commission's selection process includes the following:

- An assessment of each applicant's written section on organizational capacity is performed in the application review process. This includes review of applicant's responses to questions related to sound programmatic and fiscal oversight (including information on how the program fits within the total operating budget of an organization, key staff, experience in administering federal grants, capacity to monitor their systems, sound budget for the project, etc.).
- Pre-award site visits are done only if there is a questionable risk. The Commission has conducted such visits and has elected not to fund organizations that do not have the capacity or systems in place to administer an AmeriCorps program.
- The Commission provides significant training and technical assistance to applicants as well as subgrantees on financial oversight.
- The Commission's contracting (award) process through the State of Colorado is quite thorough.

2. Lack of Supporting Documentation for Funding Decisions Prior to PY 1996-1997

Correction: The Commission did not transfer from the Department of Local Affairs to the Community Colleges of Colorado until 1998 (not 1996).

Response:

While the Commission does not have in its possession copies of the actual applications considered for funding nor the individual score sheets rating the specific proposals for 1994-1995 and 1995-1996, the Commission's meeting minutes are maintained. The minutes include information such as the request for proposals, information on public hearings and outreach efforts, Commission priorities, funding and review timelines, application processes, review processes, scoring criteria, agendas for reviews, and the applications approved by the Commission which were subsequently submitted to the Corporation for National Service. Most programs funded in the 1995-1996 program year were renewals. All renewal funding documentation as well as Commission minutes were provided to KPMG.

3. Lack of Written Grievance Procedure

Response:

The Draft Report states that the Commission does not have written grievance procedures as required by 45 CFR 2540.230. This finding is included in the "Selecting Subgrantees" section of the Draft Report. There are no applicable state laws relating to the need for a state entity to have written grievance procedures in relationship to that state entity selecting subgrantees. Rather, it is the Commission's

understanding from Corporation Counsel that 45 CFR 2540.230 and the AmeriCorps Provisions indicate that "in the event that a sub-Grantee of a direct Grantee of the Corporation is no longer in existence, the direct Grantee will assume the responsibility of fulfilling the sub-Grant's obligation to process all grievances in accordance with 45 CFR 2540.230". While the Commission has always understood this, it never had a specific separate grievance procedure set up since the process that would have been followed had the need arisen was written out in 45 CFR 2540.230. To resolve this matter, however, the Commission has now adopted a written grievance procedure.

Administering Grant Funds

1. Lack of Supporting Documentation for Financial Reporting Prior to PY 1997-1998

Response:

As stated, the Commission was transferred by Executive Order from the Department of Local Affairs to the Community Colleges of Colorado in January 1998. Accounting records prior to the transfer remain with the accounting department of DOLA. Nonetheless, all of the financial reports requested by KPMG for the 1996-1997 program year and the years thereafter were provided to the auditors. (Specifically, the auditors requested financial reports for 1996-1997 for Larimer County Employment and Training Services and for Volunteers of America. All financial reports for each reporting quarter were provided for these programs for the 1996-1997 program year.) The Commission does indeed have financial reports on its subgrantees for AmeriCorps formula and competitive subgrantees for the 1996-1997 program year. However, the Draft Report is correct in noting that financial reports from the years prior (1994-1995 and 1995-1996) were retained by the Department of Local Affairs and are likely filed with the Colorado Division of Archives.

Evaluating and Monitoring Subgrantees

1. Review of OMB Circular A-133 Audit Reports

Response:

The Draft Report indicates that the Commission obtains A-133 reports but does not document that the reports are in fact reviewed nor does the Commission document follow-up procedures performed. Much of this is due to the fact that subgrantee A-133 reports have not had substantial findings in relation to the administration of the AmeriCorps program. However, the Commission has revised its protocol for tracking subgrantee A-133 audits and will be more proactive in documenting that the reports are reviewed and followed-up on as may be necessary.

2. Insufficient Documentation to Support Procedures Performed During Site Visits

Response:

The Draft Report indicates that the Commission was unable to locate 1 of the 13 site visit checklists selected for testing (program year 1997-1998). The Commission is unclear which checklist was missing and KPMG was not able to clarify which one was missing when asked during the exit interview on December 6, 2000. Further, the Draft Report does not indicate which specific one was missing. The Commission was unaware during the pre-audit survey that a checklist was missing. If KPMG could identify for us the requested checklist, the Commission may be able to provide the needed information.

The Draft Report indicates that the Commission checklist is brief. The site visit checklist, in fact, contains a detailed review of:

Member Documentation

- signed enrollment forms
- change of status forms
- signed end of term forms
- appropriate justification in files of pro-rated education awards for compelling personal circumstances
- documentation on releases for cause
- documentation on disciplinary action
- attendance and time records indicating hours commensurate with term of service and living stipend payment schedule
- program knowledge and compliance of the 80/20 rule
- time sheets signed by members and supervisors
- program director tracking of member attendance
- regular meetings with program director and team

- documentation on training of members
- documentation on member benefits including child care eligibility, loan forbearance, health insurance, workers compensation, unemployment insurance, FICA, liability coverage
- member application for participation
- signed member contracts
- program grievance procedures
- code of conduct
- safety protocol
- position description
- parental consent for members under the age of 18
- background checks and criminal clearance information
- W-4s on members for witholdings
- emergency notification forms
- publicity release forms
- proof of education level
- proof of U.S. citizenship
- signed mid and end of year performance evaluations on each member

Program Documentation

- mission statement
- annual objectives
- site and agency agreements
- written policies for host sites
- evidence of meetings with site supervisors
- display of AmeriCorps signage
- evidence of training sites to understand member/staff differentiation
- grant contract and provisions on file with program and financial staff
- documentation of staff training
- clarification of to whom the program director reports
- evaluation plan and evaluation tools
- progress reports
- demographic data
- member and site satisfaction surveys as may be appropriate
- on-line connection
- national identity evidence such as AmeriCorps uniforms, signage, and logos
- evidence of community collaboration and mechanisms for community input
- subcontracts if applicable

Fiscal Documentation

- AmeriCorps transactions supported by original source documents
- invoices/vouchers signed and payments indicated
- staff time and attendance records
- approved staff local and long distance travel vouchers
- payroll system information on check disbursement of living allowances
- how living allowances are divided for payment
- member eligibility to receive living stipend
- cash match drawn consistently in payment of living stipends
- how donations of non-federal funds are received, expended, and accounted for
- how expenditures are tracked in accordance with budget line items
- financial reports on file
- financial reports supported by accounting records
- regular deposits made of federal payroll income taxes and FICA
- fiscal records comparing actual expenses to budget to show available balance
- bank statements reconciled monthly by someone other than the fiscal agent
- checks signed by someone not involved in the preparation of the checks
- federal and non-federal matching fund accounts maintained separately
- cash and in-kind accounts maintained separately
- fee-for-service information if applicable
- expenditures of program income used toward eligible program costs
- A-133 audits

As is indicated in the Commission's Standard Operating Procedures, no formal report is written on a site visit unless there are compliance issues to be addressed. Rather, verbal feedback is provided during the visit to denote strengths and discuss continuous improvement issues. The checklist serves as the feedback mechanism and written, verbal, on-site, and formal training and technical assistance are provided based on the results of the visit. Programs with compliance issues to address are provided formal feedback in writing. Depending on the nature of the compliance issue, this formal written

feedback is signed either by the appropriate program officer or the executive director of the Commission. Programs with compliance issues receive follow-up phone and written correspondence until the issue is resolved. All materials related to site visits, including formal written feedback when compliance issues are discovered, are kept in the program's file at the Commission.

The Draft Report indicates that the Commission does not document which specific member timesheets and files were reviewed during visits, nor the results of the review. As previously indicated, if compliance issues are discovered, the Commission does provide written feedback, as articulated above. The Commission has not made it a practice to record the specific names of individuals whose files are reviewed during a site visit. However, the Commission's overall written process for reviewing member files is documented and replicable.

The Draft Report states that the Commission does not verify member timesheets against entry into Web-Based Reporting System (WBRS). The WBRS system was not designed to be a method of proof of member hours. The time sheet function within WBRS is a data management tool that makes the aggregation of a members time a more streamlined and simple process for the purpose of reporting program progress and exiting members. Further it is a data management tool for program staff to more easily spot check the accrual of hours for their members. What is required of Commissions in terms of monitoring a program is to ensure that the program keeps an actual hard copy of member time logs as back-up documentation that an AmeriCorps member has in fact completed their hours. If the Commission looked at an exit form and wanted back-up of a member's hours, the Commission would examine the actual signed time logs, not the WBRS database for that proof. Further, the Web-Based Reporting System was implemented in Colorado during the 1999-2000 program year. The Pre-Audit Survey of the Colorado Commission was conducted prior to the end of the 1999-2000 program year, the first year of WBRS for Colorado. The Commission could certainly add a component of comparing time logs to data entry into WBRS to its site visit protocol should the Corporation for National Service make that recommendation. However, the more definitive proof of hours would remain the actual signed time sheet, not the WBRS time log data entry system.

The Draft Report states that the Commission does not document which operating sites were visited. The Commission's subgrantees have only one legal applicant entity. Four of Colorado's subgrantees since 1994 have had multiple operating sites wherein member files are kept by multiple organizations. The majority of Colorado's programs have only one operating site (that being the legal applicant entity). For the purpose of site visits, the checklist (as well as all other documents pertaining to a site visit, such as the site visit letter issued prior to the visit for confirmation and any appropriate follow-up) indicates which program was visited. In the case of the four programs that have multiple operating sites wherein files are kept in multiple places, the Commission's site visit materials (as specified above) do in fact indicate which site was visited. While the Commission may visit with members during a site visit (that being, visit with members at the location-- classroom, home, field, park, rec center, etc. -- where they are performing service on that particular day), the "sites" the Commission visits are not necessarily indicated on anything because those locations are not where official programmatic files are kept, nor is the nature of those visits with members a formal review of files, but a more conversational meeting/check-in/observance of member activities. The Commission believes that this finding may be a misunderstanding of the definition of "operating site". The Commission fully indicates the operating site visited in its site visit records.

The Draft Report states that the Commission does not document its procedures to verify information in subgrantee progress or financial reports. The Commission carefully reviews all reports from subgrantees. Progress reports indicate progress against objectives, detailing measurement tools used and data obtained. As indicated above (in the paragraph containing information about the site visit checklist), evaluation data and tools are examined during site visits. Subgrantees submit several financial reports, including a periodic expense report (formerly the match and expenditure report) that tracks expenditures against specific line items of the approved budget, and a federal financial status report (that aggregates information from the periodic expense report into a collapsed overall financial report). As indicated above (in the paragraph containing information about the site visit checklist), financial reports are

reviewed during site visits to ensure that information is supported by the organization's accounting records.

The Draft Report states that "as a result, a reviewer of the site visit checklist is not able to (1) assess if the sample size selected was adequate and (2) review the same documentation if a question arose about the results of the test. In addition, control weaknesses or instances of material non-compliance related to the subgrantees' activities of which the Commission is not aware may exist and may not be corrected.". It is not possible for the Commission to fully review every aspect and every detail of every program unless the Commission is to fully audit every aspect of every program and is provided with the resources to do so. The Commission is responsible for monitoring subgrantees to ensure that subgrantees are in compliance. The Commission has a written process for monitoring its subgrantees and that process is followed and documented. The Commission is in regular contact (at least weekly, and sometimes daily) with each and every one of its programs, which allows for additional informal monitoring of a program beyond a site visit. The Commission performs a spot check of member files for compliance, as well as a full review of relevant program and financial documentation. While a reviewer of a site visit could not *exactly* replicate a prior site visit, he or she could easily replicate the processes that are used in monitoring programs.

Other Matters

1. Implementation of WBRS

Response:

The Governor's Commission on Community Service is unclear why this matter is cited in the Draft Report since there is no recommendation, nor is the technical implementation of the Web-Based Reporting System a Commission function. The system was developed at the national level, with technical problems being resolved by the national provider and/or by the Corporation for National Service. That two of Colorado's programs experienced minor technical difficulties with one of the report functions during one of the reporting periods in the first year (1999-2000) of WBRS is not an issue over which the Commission had any control.

2. Composition of Commission

Response:

The Draft Report states that the Commission does not currently have youth representation within its voting members. The Commission is aware of this issue and has communicated this vacancy with the Governor's appointment secretary. The Commission has provided the Governor's Office with all applicable federal guidelines regarding the composition of the Commission prior to the selection of appointments.

3. Commission Staffing

Response:

The Commission is aware of its need for additional staff, including clerical support, to reduce the workload of current staff. Unfortunately, budget constraints do not allow the Commission to hire additional staff. Further, the Draft Report states that the Commission staff lack financial experience. On the contrary, the Commission is part of the Community Colleges of Colorado. The Commission's fiscal personnel through the Community Colleges of Colorado who perform most accounting related tasks for the Commission are fully qualified and experienced accountants. The Draft Report states that since "CCCS personnel do not participate in the review of grant applications or in site monitoring visits... financial risks or noncompliance may not be adequately assessed." As stated, the Commission staff are part of CCCS. Therefore, all Commission staff conducting site visits are in fact CCCS personnel. While the accounting staff do not conduct on-site visits, they monitor subgrantees through budget reviews and financial reports. Further, the Commission's review process for the selection of subgrantees includes a highly qualified peer review process with experts in the areas of both program and grants management. Commission staff conducting site visits are highly qualified to perform the functions required of them.

Appendix D

Memorandum

AmeriCorps National Service

CORPORATION FOR NATIONAL SERVICE

TO: Luise S. Jordan, Inspector General

THROUGH: William Anderson, Deputy Chief Financial Officer

FROM: Peter Heinaru, Director, AmeriCorps State/National

SUBJECT: Comments on the OIG Draft Report 01-25, Pre-Audit Survey of the Colorado Governor's Commission on Community Service

DATE: April 11, 2001

We have reviewed the draft report of the pre-audit survey of the Colorado Governor's Commission on Community Service and are pleased to note that the Colorado Commission:

- Currently administers an open, competitive process to select national service grantees;
- Has established control policies and procedures to administer the Corporation's grant funds; and
- Has established procedures to evaluate and monitor subgrantees.

This letter serves as the Corporation's response to the review of the four major areas: ***Selecting Subgrantees, Administering Grant Funds, Evaluating and Monitoring Subgrantees and Other Matters.*** The report contains nine findings and seven recommendations. This response comments on several of the key issues identified.

Our response addresses two areas of improvement identified regarding the Commission's process for **Selecting Subgrantees.** The report recommends that the Colorado Commission develop and implement pre-award procedures to review each applicant's financial and management systems. The report also recommends that the Commission close all appropriate grants and submit final FSRs for those grants as well as be able to retrieve necessary documentation for three years after the close of the grants.

The Commission asserts that it performs pre-award fiscal reviews and pre-award site visits as necessary. We will follow up with the Colorado Commission to review their system. Regarding the grant closeout recommendation, the Commission and Corporation are currently in the process of closing prior grants.

In the section, **Evaluating and Monitoring Subgrantees,** two areas of improvement were identified. Concerning the finding on *Review of OMB Circular A-133 Audit Reports*, the Commission states that it has appropriately reviewed A-133 audits in the past; however it has changed its protocol to document this review of A-133 audit reports.

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The Corporation will follow-up with the Colorado Commission to assure that procedures are documented.

The second finding under **Evaluation and Monitoring** addresses the *Insufficient Documentation to Support Procedures Preformed During Site Visits*. While we support adequate site visit monitoring, documentation and follow-up, the Corporation does not agree with the audit techniques and standards suggested in this recommendation for program site visit reviews. The Corporation advocates a risk-based strategy for monitoring of programs that considers experience, organizational history and past performance, including both programmatic and financial elements. The Corporation will review the system in place at the Colorado Commission to assure that their monitoring strategy for subgrantees is risk-based and adequate.

In the final section **Other Matters**, the report presents three findings and two recommendations. Regarding the Composition of the Commission, the Colorado Commission is awaiting approval from the Governor's office for the appointment of a youth commissioner.

The Corporation concurs that the Colorado Commission should have access to financial expertise when needed. We will follow up with the Commission staff to determine feasible options to assure that the Commission has access to qualified financial resources as needed.