OFFICE OF THE INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

OIG Letter Report Regarding Corporation for National and Community Service Contract No. 94-007 with Meridian Corporation

OIG Audit Report Number 01-27
October 6, 2000

CORPORATION
FOR NATIONAL
SERVICE

OIG Letter Report 01-27

October 6, 2000

Mr. Anthony Musick, Chief Financial Officer
Corporation for National and Community Service

Dear Mr. Musick:

Pursuant to a request received from the Corporation for National and Community Service, the Office of the Inspector General included the Corporation's contract with Meridian Corporation (Contract Number 94-007) in its Fiscal Year 2000 audit plan. The contract between the Corporation and Meridian was executed on September 29, 1994. Under the contract, Meridian provided technical support in information collection, analysis and evaluation of Office of National and Community Service Programs grant programs. Services were reimbursed on a time and materials basis. Although the contract provided for a base period and two option periods in the amounts of $600,000, $700,000, and $800,000, respectively, the Corporation did not extend any of the option periods.

OIG retained Cotton & Company, LLP, to perform preliminary survey work of the contract to determine the scope of audit work to be performed. As a result of their preliminary work, Cotton & Company has advised OIG that

> Total costs invoiced under the contract were limited to $194,033. The contractor billed costs at labor rates as specified in the contract. Cotton & Company also estimated that a possible cost exception that it noted would be less than $1,000.
>
> The Corporation was aware of shortcomings in the contractor's performance as early as June 1995. A June 20, 1995, letter from a Corporation procurement office employee to the contractor indicated that Meridian was not submitting required monthly financial reports, which were to include summaries of expenditures by task both for the month and cumulatively (in addition to Meridian's invoices). However, the Corporation did not advise OIG of these issues nor request an audit of the contract costs until 1999 (in response to OIG's solicitation for its FY 2000 audit plan).
>
> Meridian Corporation is no longer in business, and OIG learned that Meridian filed for Chapter 11 Bankruptcy in 1999, the creditors class closed in March, 2000, and discharge of all debts is pending approval by the Bankruptcy Court.

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Based on this preliminary information, the relatively low dollar amount of claimed costs, the age and accessibility of the records, and the age of the issues related to the contractor's performance identified in the Corporation's letter, OIG has concluded that further audit work is not warranted at this time. If you have any questions about this report or wish to discuss this matter further, please contact me.

Luise S. Jordan
Inspector General