OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Incurred Cost Audit of Grants Awarded to the Missouri Community Service Commission

OIG Audit Report Number 02-11
September 25, 2001

Financial Schedules
and
Independent Auditors' Report
For the Period
January 1, 1994 to December 31, 2000

Prepared by:

KPMG LLP
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Contract No. GS 23F 8127H
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This report was issued to Corporation management on February 21, 2002. 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, 2002, and complete its corrective actions by February 21, 2003. 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
Audit Report 02-11

Incurred Cost Audit of Grants Awarded to the Missouri Community Service Commission

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 Act's requirements, 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.

OIG engaged KPMG LLP to audit Corporation grants to the Missouri Commission and its subgrantees for the period from January 1, 1994 through December 31, 2000 for AmeriCorps, Administration, and Professional Development and Training programs. The auditors identified total questioned claimed costs[1] of $7,903,629 (approximately 66%) out of total awards of $12,050,477 for the thirteen subgrantees subjected to detailed testing. The majority of the questioned costs resulted either from the inability of subgrantees to provide supporting documentation or the lack of sufficient awareness by subgrantees of member eligibility requirements in the AmeriCorps Provisions.

The auditors identified a number of conditions relating to internal control over financial reporting that require correction. Two of them were determined to be material weaknesses. First, the report concludes that the Commission lacked adequate procedures for monitoring the financial activity and related compliance with laws and regulations of its subgrantees, especially retention of verifiable records to support claimed costs and reported program results. The second material weakness related to the absence of an effective system at the Commission for ensuring quality control of accounting and financial report activities and for assessing the system for internal controls for safeguarding assets, producing reliable financial reports, and complying with laws and regulations.

Since the Commission did not have an adequate system in place during the audit period to monitor its subgrantees' financial and programmatic activities and some of the subgrantees failed to maintain adequate accounting and/or program files, the scope of the

[1] Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of Federal laws, regulations or the specific conditions of the award, costs which require additional support by the grantee, or which require interpretation of allowability by the Corporation.

Inspector General
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audit work was not sufficient to enable the auditors to express an opinion on the Commission's Schedules of Award Costs. The report explains that this disclaimer results from the lack of controls over financial reporting and compliance, the significance of the questioned costs, identified in relation to the total claimed costs and the nature of other report findings.

OIG has reviewed the report and the work papers supporting the auditors' conclusions. We agree with the findings and recommendations presented.

OIG provided the Commission and the Corporation a draft of this report for their review and comment. Their responses are included in their entirety as Appendices A and B, respectively. The Commission expressed concern regarding the audit scope, methods used to calculate certain questioned costs and the applicability of regulatory provisions on record retention and citizenship verification. While the Commission disagreed with a number of the questioned costs and some of the findings, it reported completion of corrective actions on other findings. The Corporation disagreed with the auditors on the propriety of using Immigration and Naturalization Form I-9 to document US citizenship or legal status as a permanently resident alien and on AmeriCorps record retention requirements. The auditors have responded to the Commission's and the Corporation's comments in Appendices C and D, respectively.

OIG recommends that the Corporation conduct additional oversight and monitoring of the Commission to evaluate new procedures and controls with testing at both the Commission and at the subgrantee level and to determine whether these corrective actions are effective.

Office of Inspector General
Corporation for National and Community Service
Incurred Cost Audit of Grants Awarded to the
Missouri Community Service Commission

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2001 M Street, N.W.
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Independent Auditors' Report

Inspector General
Corporation for National and Community Service:

At your request, KPMG LLP performed an incurred cost audit of the costs claimed by the Missouri Community Service Commission and its subgrantees for the period from January 1, 1994 through December 31, 2000. The primary objective of the incurred cost audit was to express an opinion concerning whether the Schedules of Award Costs (Exhibits A through C) fairly present the costs incurred by the Commission, during the period under audit, in conformity with the terms of the Commission's grant agreements with the Corporation for National and Community Service. Additionally, in planning and performing our audit we also considered the Commission's internal controls over financial reporting and its compliance with Federal laws, applicable regulations, and award Provisions. Further, we inquired of the Commission and its subgrantees selected for audit, as to their awareness of the Corporation's Government Performance and Results Act (GPRA) goals.

SUMMARY

Our report expresses a disclaimer of opinion on the Commission's Schedules of Award Costs due to the lack of controls over financial reporting and compliance, as well as the nature of the findings identified, and the significance of the questioned costs identified in relation to total costs incurred.

Our consideration of internal control over financial reporting, identified a number of matters which require correction. We consider the following conditions to be material weaknesses:

- **Grants and Program Management** – Adequate procedures for monitoring the financial activity and related compliance with laws and regulations of the Commission's subgrantees were not in place. Procedures for ensuring that verifiable records are maintained to support reported results in accordance with program requirements were not effective.

- **Financial Management and Reporting** – An effective system for ensuring quality control of accounting and financial reporting activities at the Commission for the period under review was not in place. Additionally, a comprehensive process for assessing the system of internal control for safeguarding assets,

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producing reliable financial reports, and complying with laws and regulations was not in place.

Our tests of compliance with laws and regulations disclosed instances of noncompliance resulting in total questioned claimed costs of $7,903,629 out of total awards of $12,050,477 for 13 subgrantees tested, match of $3,545,277, and $3,017,408 related to Education Awards that may have been awarded to ineligible members.

The majority of the questioned costs were due either to the inability of subgrantees to provide supporting documentation due to record retention policies that did not comply with AmeriCorps Provisions, or inadequate guidance in interpreting the compliance requirements related to eligibility.

- **Lack of Adequate Record Retention** – The AmeriCorps Provisions state that the grantee must retain and make available all financial records, supporting documentation, statistical records, evaluation data, member information and personnel records for 3 years from the date of the submission of the final expenditure report (Financial Status Report). However, most of the grants at the MCSC have not had their final Financial Status Report submitted. In addition, the Corporation has not closed out any of these grants. Because the Corporation did not specifically inform the Commission on the length of time the records related to the AmeriCorps program needed to be maintained, the Commission, in turn, did not provide this guidance to its subgrantees. For some subgrantees, the lack of documentation was a result of change in subgrantee location or management, and in other cases it was due to the subgrantee records retention policy being much shorter than the AmeriCorps requirement. Of the above questioned claimed costs, $2,113,827 represents amounts related to the lack of supporting financial records such as general ledgers and payroll records.

- **Lack of Guidance in Interpreting Eligibility Requirements** – Prior to the issuance of Federal Register, volume 64, No. 132, dated July 12, 1999, the Commission or its subgrantees did not have specific guidance from the Corporation on the types of documentation required to verify citizenship eligibility of AmeriCorps members. The majority of the subgrantees that we audited maintained an I-9 form issued by the U. S. Immigration and Naturalization Service along with documents to support employment authorization verification (e.g., social security card, driver's license) rather than to support Citizenship/resident eligibility (e.g., birth certificate, passport, green card). As such, our Report on Compliance identified significant questioned costs for the earlier program years related to noncompliance with citizenship eligibility requirements. Of the above questioned claimed costs, $5,578,726 represents amounts related to not meeting eligibility requirements.

The Corporation, pursuant to the authority of the National and Community Service Act of 1990, as amended, 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. State Commissions are prohibited from directly operating national service programs. State Commissions provide AmeriCorps funding to approved applicants for service programs within their states and are responsible for monitoring these subgrantees' compliance with grant requirements. These awards provide funding for AmeriCorps members to perform service to meet educational, human, environmental, and public safety needs throughout the nation. In return for this service, eligible members may receive a living allowance and post service educational benefits.

The Missouri Community Service Commission, located in Jefferson City, Missouri, operates as part of the State of Missouri's Department of Economic Development, but was formerly a part of the State of Missouri's Lt. Governor's Office (prior to December 1996). The Corporation and the State of Missouri provide the only sources of funding for the Commission. Receipt and disbursement of grant funds are processed and accounted for within the State of Missouri's general ledger system. The Commission has received AmeriCorps grant funds from the Corporation since program year 1994-95.

The total amount of AmeriCorps funding expended by the Commission through March 31, 2001 was $12,942,856. This amount includes amounts expended by 13 Commission subgrantees selected for detail audit work, and amounts expended by all other Commission subgrantees, through March 31, 2001. Of this total, we questioned 66% of the amounts expended by the 13 subgrantees through December 31, 2000, and 61% of the amount expended overall.

Only three of the 13 MCSC subgrantees that we selected for detail audit work currently continue to receive Corporation funds. They are American Youth Foundation, United Way of the Ozarks, and Republic RIII School District. Nonetheless, the various compliance issues identified in relation to all subgrantees indicate that the Commission needs to provide more guidance to subgrantees on record retention and documentation standards for such items as eligibility, time sheets, member service hours, AmeriCorps roster updates on member status, and other claimed costs submitted for reimbursement and matching costs reported. In addition, the Commission should establish policies and procedures to ensure that its subgrantees maintain financial management systems that are capable of distinguishing expenditures attributable to grant and non-grant funding, identify costs by line item, and differentiate between direct and indirect costs and maintain a clear audit trail. The Commission should also implement policies and procedures requiring its subgrantees to review member support and program operating matching requirements and ensure compliance.

The following sections comprise our report on the Schedules of Award Costs, our consideration of the Commission's internal control over financial reporting, our tests of the Commission's compliance with certain Provisions of applicable laws, regulations, and the Provisions of the Corporation's grant awards, and the Commission's and our responsibilities.

REPORT ON THE SCHEDULE OF AWARD COSTS

We were engaged to audit the accompanying AmeriCorps Consolidated, Administration, and Program Development and Training (PDAT) Schedules of Award Costs (Exhibits A through C) for the Missouri Community Service Commission, a grantee of the Corporation for National and Community Service, for the awards and award periods listed below:

Program	Award Number	Award Period
AmeriCorps	94ASCMO026	8/1/94 – 12/31/00
Administration	94SCSTMO024	12/29/93– 12/31/00
PDAT	95PDSMO024	1/1/95 – 12/31/00

Our audit period covered program years 1994-95 through 1999-00 for AmeriCorps, Administration, and PDAT programs.

As discussed in our Report on Internal Control over Financial Reporting and our Report on Compliance, the Commission did not have an adequate system in place, during the period under audit, to monitor the financial and programmatic activities of its subgrantees. Additionally, certain of the Commission's subgrantees did not maintain adequate accounting records and/or AmeriCorps program files, and adequate evidential matter in support of recorded transactions was not available in all cases. As a result, we identified instances of noncompliance and questioned costs, which are material to the Schedules of Award Costs.

Further, there were several changes in Commission and subgrantee employees and key management personnel during the period under audit, and certain former subgrantees no longer participate in or administer the AmeriCorps Program. As a result, present management of both the Commission and its subgrantees were unable to furnish us with knowledgeable representation of facts and circumstances regarding certain transactions arising during the period under audit. It was impracticable to extend our procedures sufficiently to determine the extent to which the Schedules of Award Costs may have been affected by the foregoing conditions.

Because of the matters discussed in the two preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying AmeriCorps Consolidated, Administration, and Program Development and Training Schedules of Award Costs.

The Schedules of Award Costs by subgrantee (Exhibits D-1 through D-13) are presented for additional analysis of the AmeriCorps Consolidated Schedule of Award Costs (Exhibit A) rather than to present the costs incurred by the individual subgrantees. Because of the matters discussed in the second and third preceding paragraphs, the scope

of our work was not sufficient to enable us to express, and we do not express, an opinion on this information.

Missouri Community Service Commission
AmeriCorps
Consolidated Schedule of Award Costs
August 1, 1994 to December 31, 2000 (See Note)

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds			
Award Costs for Audited Subgrantees:			
Member Support	$ 8,732,087	$ 7,326,636	$ 6,051,684
Other Member Support Costs	400,769	1,238,103	538,538
Staff	2,781,142	2,048,671	1,119,485
Operating	1,185,144	988,673	139,169
Evaluation	52,208	15,771	55
Administration	572,932	432,623	54,698
Childcare	272,138	-	-
Subtotal	13,996,420	12,050,477	7,903,629
Other Award Costs (See Note):		892,379	
Total Corporation Funds		12,942,856	
Matching Funds			
Member Support Match	2,118,376	1,757,565	1,561,095
Program Operating Match	5,599,543	4,895,344	1,984,182
Total Matching Funds	7,717,919	6,652,909	3,545,277
TOTAL FUNDS	$ 21,714,339	$ 19,595,765	$ 11,448,906

Note:
The approved budget amounts and claimed cost totals reflected above as "Award Costs for Audited Subgrantees" are the total of such costs for the 13 AmeriCorps subgrantees selected for detail audit work. The Commission was not able to provide us a breakdown of approved budget amounts and claimed costs for all other AmeriCorps subgrantees through December 31, 2000. Consequently, the "Other Award Costs" amount reflected above represents all claimed costs through March 31, 2001 for subgrantees that were not audited, plus claimed costs for subgrantees that were audited for an additional three month period from January 1, 2001 through March 31, 2001.

See accompanying notes to Schedules of Award Costs.

Exhibit B

Missouri Community Service Commission
Administration Budget/Actual
Schedule of Award Costs
December 29,1993 to December 31, 2000

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Staff			
Salaries	$ 435,832	$ 319,603	-
Taxes and Benefits	63,716	85,226	-
Subtotal	499,548	404,829	-
Travel			
Commission Members	141,477	137,937	-
Staff	143,203	41,770	-
Others	40,743	2,076	-
Subtotal	325,423	181,783	-
Subcontracts, Grants, etc.	140,000	59,149	-
Operational:			
Supplies	201,536	41,238	-
Equipment	42,518	34,078	-
Communications	119,131	156,062	-
Space	9,000	-	-
Subtotal	372,185	231,378	-
Other	158,613	10,436	7,760
Specific-purpose, unmatched funds	92,490	32,666	-
Total Corporation Funds	1,588,259	920,241	7,760
Total Matching Funds	888,427	678,411	-
TOTAL FUNDS	$ 2,476,686	$ 1,598,652	$ 7,760

See accompanying notes to Schedules of Award Costs.

Missouri Community Service Commission
Program Development and Training (PDAT)
Schedule of Award Costs
January 1, 1995 to December 31, 2000

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Staff Salaries & Benefits	$ 26,188	$ 3,205	$ -
Program Staff Travel/Per Diem	228,545	148,052	-
Consultants	21,086	8,782	-
Training/Workshops	235,941	198,599	-
Sub-contracts, Sub-grants	39,080	31,530	-
Communication			
Systems	12,917	966	-
Equipment	3,000	36,008	-
Subtotal	15,917	36,974	-
Supplies			
Workshops	-		-
Newsletter	-	-	-
Other	31,900	789	-
Subtotal	31,900	789	-
Other	70,796	28,272	-
Special Initiatives (ERT)	54,921	18,999	-
TOTAL FUNDS	$ 724,374	$ 475,202	$ -

See accompanying notes to Schedules of Award Costs.

Missouri Community Service Commission
Notes to Schedules of Award Costs

1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying Schedules of Award Costs include amounts budgeted, claimed, and questioned under AmeriCorps, Administrative, and Program Development and Training grants awarded to the Missouri Community Service Commission by the Corporation for National and Community Service for the period from January 1, 1994 to December 31, 2000.

The Commission subsequently awards its AmeriCorps grant funds to numerous subgrantees that administer the AmeriCorps program and report financial and programmatic results to the Commission.

Basis of Accounting

The accompanying Schedules have been prepared to comply with the Provisions of the grant agreements between the Corporation and the Commission. The information presented in the Schedules has been prepared from the reports submitted by the Commission to the Corporation. The basis of accounting used in preparation of these reports differs slightly from accounting principles generally accepted in the United States of America as follows:

Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the Schedules of Award Costs include the cost of equipment purchased during the period rather than a provision for depreciation. The equipment acquired is owned by MCSC while used in the program for which it was purchased or in other future authorized programs. However, the Corporation has reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds therefore, is subject to Federal regulations.

Inventory

Minor materials and supplies are charged to expense during the period of purchase.

Questioned Costs

Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the awards, or those costs which required additional support by the grantee or which require interpretation of allowability by the Corporation. Certain amounts included in questioned member support costs are based on estimates. Questioned costs included on the accompanying Schedules do not include potentially disallowed Education Awards related to ineligible members. Such additional questioned costs amount to $3,017,408.

A detailed reconciliation of amounts identified as questioned costs in the Report on Compliance to those reflected on Exhibit A is presented on the following pages.

Summary of Questioned Costs

Finding	Finding number Reference	Grace Hill Neighborhood Services	American Youth Foundation	YMCA of Greater Kansas City	Urban League of Kansas City	Lincoln University
Questioned Claimed Costs						
Lack of Adequate Financial Records	1	$ 785,790				
Lack of Documentation						
Eligibility Requirements	2	19,235	2,415,250	815,048	59,402	106,909
Time and attendance records and proper authorization of	2					1,219
General ledger and/or payroll records were not maintained	3		862,941 *		41,368	
Documentation to support Member's term of service	4					
General ledger detail did not agree to monthly reimbursement requests	5					
Documentation to support selected payments under the grant	6	5,154	3,080	3,566	1,940	932
Improper/inelgible payments made	7			114		
Matching requirements were not met	8		2,711	9,717		
Subtotal		810,179	3,283,982	828,445	102,710	109,060
Questioned Match						
Lack of Adequate Financial Records	1	352,995				
Lack of Documentation						
Eligibility Requirements	2		475,578	294,437		18,672
Time and attendance records and proper authorization of	2					
Documentation to support Member's term of service	4					
General ledger detail did not agree to monthly reimbursement requests	5					
Match amounts claimed are not properly supported	9	295,881	1,011,448		48,947	
Subtotal		648,876	1,487,026	294,437	48,947	18,672
Total		$ 1,459,055	$ 4,771,008	$ 1,122,882	$ 151,657	$ 127,732

* The questioned cost of $862,941 in finding "General ledger and/or payroll records were not maintained" for American Youth Foundation includes total program operating costs for program years 1994-95 and 1995-96 as the general ledger did not break out expenditure categories.

(Continued)

Summary of Questioned Costs

Finding	University of Missouri - Rolla	Youthnet of Greater Kansas City	United Way of the Ozarks	Southeast Missouri State University	University of Missouri – Kansas City	Republic RIII School District
Questioned Claimed Costs						
Lack of Adequate Financial Records		$ 423,728				
Lack of Documentation						
Eligibility Requirements	30,133	241,576	872,852	377,625	133,424	7,568
Time and attendance records and proper authorization of					8,276	
General ledger and/or payroll records were not maintained						
Documentation to support Member's term of service						
General ledger detail did not agree to monthly reimbursement requests						
Documentation to support selected payments under the grant					993	1,825
Improper/inelgible payments made						
Matching requirements were not met				21,537		
Subtotal	30,133	665,304	872,852	399,162	142,693	9,393
Questioned Match						
Lack of Adequate Financial Records		350,368				
Lack of Documentation						
Eligibility Requirements	5,308	207,715	155,040	53,239	23,542	1,335
Time and attendance records and proper authorization of						
Documentation to support Member's term of service						
General ledger detail did not agree to monthly reimbursement requests						
Match amounts claimed are not properly supported						
Subtotal	5,308	558,083	155,040	53,239	23,542	1,335
Total	$ 35,441	$ 1,223,387	$ 1,027,892	$ 452,401	$ 166,235	$ 10,728

(Continued)

Summary of Questioned Costs

Finding	St. Joseph Youth Alliance	Della Lamb Community Services	Total Questioned Costs
Questioned Claimed Costs			
Lack of Adequate Financial Records			$ 1,209,518
Lack of Documentation			-
Eligibility Requirements	442,315	57,389	5,578,726
Time and attendance records and proper authorization of	15,925	-	25,420
General ledger and/or payroll records were not maintained		-	904,309
Documentation to support Member's term of service		24,595	24,595
General ledger detail did not agree to monthly reimbursement requests		79,121	79,121
Documentation to support selected payments under the grant	30,373	-	47,863
Improper/inelgible payments made			114
Matching requirements were not met			33,965
Subtotal	488,613	161,105	7,903,631
Questioned Match			
Lack of Adequate Financial Records			703,363
Lack of Documentation			-
Eligibility Requirements	88,535	10,127	1,333,528
Time and attendance records and proper authorization of			-
Documentation to support Member's term of service		4,340	4,340
General ledger detail did not agree to monthly reimbursement requests		147,770	147,770
Match amounts claimed are not properly supported			1,356,276
Subtotal	88,535	162,237	3,545,277
Total	$ 577,148	$ 323,342	$ 11,448,908

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted certain matters, described below, involving internal controls over financial reporting that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. We believe the reportable conditions identified as items 1 and 2 described below are material weaknesses. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the Schedule of Award Costs of MCSC for the period from January 1, 1994 to December 31, 2000.

Our consideration of internal controls would not necessarily disclose all matters in internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls, that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Schedules.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial schedules being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements due to error or fraud may occur and not be detected.

The objective of our audit was not to provide assurance on the Commission's internal controls over financial reporting. Consequently, we do not provide an opinion on internal control over financial reporting.

The following paragraphs present reportable conditions identified during our incurred cost audit of the Schedules of Award Costs, and the unresolved reportable conditions that were identified during a pre-audit survey conducted in early 2000. A more detailed summary of the status of reportable conditions as first reported in OIG Audit Report Number 00-17[1], *Pre-Audit Survey of the Missouri Community Service Commission* issued on March 28, 2000, is presented as Exhibit E.

1. Grants and Program Management

The Missouri Commission is responsible for evaluating whether its subgrantees comply with legal, reporting, financial management and grant requirements and ensuring follow through on issues of noncompliance. The Commission did not have a comprehensive

[1] OIG Report 00-17; *Pre-Audit Survey of the Missouri Community Service Commission* was issued March 28, 2000. For additional information, including the responses by MCSC and CNS, please request copies of this report from CNS OIG.

program to monitor the programmatic activity of all subgrantees to ensure adequate attention was given to compliance issues and that documentation was retained as evidence of compliance for much of the period audited. We noted that, for much of the period audited, the Commission employed between two and five employees, and that it has experienced significant turnover and reorganization since its inception. As a result, we identified control weaknesses and instances of noncompliance resulting in significant questioned costs.

We obtained the AmeriCorps member rosters from the National Service Trust database for the individual program years for each of the 13 subgrantees selected for audit in order to select member files for testing. The following subgrantee rosters (obtained from the Corporation and represented to us as current) for the respective program years did not appear accurate or complete, or had not been properly updated, as many of the programs are no longer in existence at some of these subgrantees, or the program year ended several years prior to our audit.

Subgrantee	**Program Year and Exception**
Youthnet of Greater Kansas City	1994-95 lists 40 members earning an award 1996-97 lists 2 active members
Southeast Missouri State University	1997-98 lists 1 member earning an award 1996-97 lists 20 members earning an award 1995-96 lists 4 members earning an award
Grace Hill Neighborhood Services	1996-97 lists 12 members earning an award 1997-98 lists 17 members earning an award
YMCA of Greater Kansas City	1996-97 lists 15 members earning an award 1998-99 lists 3 active members
Urban League of Kansas City	1997-98 lists 4 active members
United Way of the Ozarks	1996-97 lists 3 active members
Della Lamb Community Services	1997-98 lists 2 active members 1998-99 lists 1 active member
Lincoln University	1996-97 lists 2 members earning an award
University of Missouri - Rolla	1997-98 lists 1 member earning an award
American Youth Foundation	1997-98 Safety program lists 1 active member
St. Joseph Youth Alliance	1996-97 lists 1 active member
University of Missouri – Kansas City	1998-99 lists 1 active member

At the University of Missouri – Rolla, one additional member file tested for the 1997-98 program year was not listed in the AmeriCorps roster for that year. At the YMCA of Greater Kansas City, one member was listed as pending enrollment in the 1998-99 program year roster; however, the YMCA did not have any record of this individual in their files.

The Corporation relies on the Commission and its subgrantees to maintain systems and management controls that provide accurate information related to member service to the

National Service Trust. The numerous noncompliance issues related to member status forms identified above and in our Report on Compliance indicate that the Commission needs to take more responsibility for the accuracy and completeness of member status reporting by its subgrantees to the Corporation. In addition, failure to provide accurate member information to the Corporation could result in erroneous education awards being issued, and undermines the reliability of certain of the Corporation's GPRA statistics.

Further, during our audit of individual subgrantees, we identified the following internal control deficiencies, which indicate inadequate monitoring by the Commission.

- Eight of the thirty-four American Youth Foundation's vendor invoices reviewed for the 1994-95 program year did not have proper approval by an authorized individual.
- Seven of eleven Urban League of Kansas City vendor invoices reviewed for the 1997-98 program year did not have proper approval by an authorized individual.

Adequate internal controls include proper approval of all vendor invoices prior to payment. Although the unauthorized invoices did not result in questioned costs, lack of adequate internal controls as required by AmeriCorps Provisions could result in improper payments with Corporation funds.

We recommend that the Commission take the following actions to improve its grants and program management processes:

- Review and implement the recently developed policies and procedures to monitor the programmatic and financial activity of all subgrantees.
- Ensure adequate attention is given to compliance issues which may not be addressed even if a Single Audit in accordance with OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, has been performed for any specific subgrantee.
- During site visits, the frequency of which should depend on the level of risk assessed by the Commission, ensure that subgrantees are compliant with revised guidance and are adequately following up on deficiencies communicated to them by the Commission.
- Although a majority of the subgrants subject to audit have expired as of the date of this report, the Commission should ensure that current subgrantees establish procedures by which all invoices are approved by an authorized individual prior to payment, and the documentation of such approval is maintained with the vendor invoice.

2. *Financial Management and Reporting*

The Commission is required to select organizations for award, administer Corporation grant funds and monitor subgrantees for financial activities and compliance with laws, regulations and Provisions of grant awards. The Corporation's regulations describe standards for financial management systems that must be maintained by State Commissions. OMB Circulars also establish standards for monitoring, compliance oversight, record retention, documentation and allowable costs.

As noted above and in Exhibit E, our pre-audit survey procedures[1] revealed that the Commission had minimal controls in place to provide reasonable assurance that grant funds were administered according to Corporation and Federal guidelines, and inadequate procedures for maintaining internal controls that provide accurate, current, and complete disclosure of financial and programmatic results.

Many of the weaknesses identified at the Commission during the pre-audit survey were also apparent through exceptions identified for individual subgrantees of the Commission, and resulted in significant questioned costs. Subsequent to the pre-audit survey, the Commission has worked to develop, and is still developing, formal procedures to improve controls and ensure compliance with all applicable regulations. For example, the Commission updated its policies and procedures manual to address conditions identified during the pre-audit survey and has developed procedures to review subgrantee financial systems during the subgrantee selection process. It has also developed a grant reimbursement review and approval form to be completed prior to reimbursing subgrantees for program costs incurred. However, the following conditions continue to exist and require corrective action.

- Timeliness of receipt of Financial Status Reports (FSR).
- Missing FSRs, supporting documentation for expenditures and programmatic progress reports.
- Noncompliance with suspension and debarment compliance requirement.
- Maintenance of supporting documentation and documentation of records obtained and reviewed during site visits.
- Maintenance of a schedule of planned and actual site visit dates.

Further, during the incurred cost audit we found the following additional internal control deficiencies:

- The Commission did not have procedures in place to ensure subgrantees' Financial Status Reports (FSRs) are being created through the Web Based Reporting System (WBRS) on a timely basis.
- The Commission did not document on the records review checklist which vendors were reviewed during the site visit, to ensure that subgrantees were not disbursing

[1] OIG Report 00-17; *Pre-Audit Survey of the Missouri Community Service Commission* was issued March 28, 2000.

Federal funds to suspended or debarred parties. Although the Commission reviews a certification from each subgrantee stating that they do not purchase from suspended or debarred parties, specific documentation to support this certification is not reviewed during the records review site visit.

- The Commission provided its subgrantee, American Youth Foundation, funding for a Promise Fellows grant for the 1999-2000 grant year without formally entering into a grant or cooperative agreement.

We recommend that MCSC continue to place emphasis on the effective implementation of its recently developed comprehensive set of policies and procedures for all grants received from the Corporation. Such emphasis will help to ensure that day-to-day procedures are performed accurately and consistently, thus minimizing the risk of Corporation funds being improperly disbursed. Additionally, the Commission should sign a formal cooperative agreement with all subgrantees for each year that funding is received from the Commission.

We also recommend the Corporation follow up with the Commission to ensure adequate corrective action is taken on the unresolved pre-audit survey conditions and on the additional matters discussed above.

REPORT ON COMPLIANCE

The results of our tests of compliance disclosed instances of noncompliance and related questioned costs as reflected in Exhibits A through C, for which the ultimate resolution cannot presently be determined. It is the responsibility of the Corporation to determine whether the questioned costs are allowed or disallowed. Questioned costs identified were developed using either actual costs (in those instances that actual costs were provided by the Commission and its subgrantees) or estimated costs (in those instances that actual costs were not readily available).

AmeriCorps Grant

A. Compliance Findings Resulting in Questioned Costs

The specific amounts questioned related to the findings discussed below are included in the Schedules of Award Costs by subgrantee at Exhibit D-1 through D-13, and in the Summary of Questioned Costs included as Note 2 to the Consolidated Schedule of Award Costs. This Note reconciles the amounts identified as questioned costs in the following paragraphs to the consolidated amounts of questioned costs reflected in Exhibit A.

1. *Lack of adequate financial records for the Commission's sub-grants to the Grace Hill Neighborhood Services, Inc. and Youthnet of Greater Kansas City (Questioned Claimed Costs of $1,209,518, Questioned Match Amounts of $703,363, and Questioned Education Awards of $363,218).*

AmeriCorps General Provisions state that subgrantees must maintain adequate supporting documents for every expenditure (Federal and Non-Federal) and in-kind contributions made under this grant. Costs must be shown in books or records (e.g., a disbursement ledger or journal), and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

Grace Hill Neighborhood Services, Inc. did not provide us general ledgers for either 1994-95 or 1995-96 program years. In addition, supporting documentation such as invoices, payment information, and timesheets for the 1994-95 and the 1995-96 program years were not available for audit. Therefore, we were unable to verify the propriety of the claimed and matching costs. As a result of the foregoing, all claimed costs of $535,887 and related matching costs of $352,995 for these two program years are questioned.

In addition, Grace Hill Neighborhood Services, Inc was unable to provide any payroll registers for program year 1996-97 or staff payroll registers for program year 1997-98. Therefore, we were unable to test the propriety of living allowance amounts paid to members in 1996-97 and staff salaries allocated to the grant during either the 1996-97 and 1997-98 program years. As such, the total amount of claimed member support costs reimbursed for program year 1996-97 for $130,033 and match of $31,626 and total staff salary costs reimbursed for program years 1996-97 and 1997-98 of $119,870 are also questioned.

Youthnet of Greater Kansas City entered into subgrantee relationships in program years 1994-95, 1995-96, and 1996-97 with other not-for-profit organizations (Don Bosco Community Center and Della Lamb Community Services) for the management and administration of its AmeriCorps program. Both Don Bosco Community Center and Della Lamb Community Services submitted their AmeriCorps member support costs to Youthnet of Greater Kansas City for reimbursement. Youthnet of Greater Kansas City accumulated these costs and expenses, along with other expenses incurred by Youthnet of Greater Kansas City, and submitted a consolidated reimbursement request to the Commission.

According to the Special Provisions of the AmeriCorps guidelines, the grantee must obtain prior written approval of the Corporation before entering into sub-grants or contracting out any AmeriCorps program activities funded by the grant and not specifically identified in the approved application and grant. However, Youthnet could not provide any documents indicating receipt of prior approval from the Corporation to enter into the above subgrantee arrangements. Similarly, no support exists to indicate that Youthnet obtained prior written approval from the Commission before entering into its subgrantee relationships. Youthnet was not awarded the AmeriCorps program for the 1998-99 and subsequent program years as a result of such noncompliance issues.

Youthnet of Greater Kansas City also did not provide a complete general ledger that agreed to the expenses reported to the Commission and reimbursed by the Commission

for the various program years. Therefore, we were unable to audit the program's expenditures or match.

Youthnet of Greater Kansas City did provide payroll registers for the period from November 14, 1994 through December 20, 1996, but these registers did not contain all the members who served in the AmeriCorps program during the various years under audit. The registers subsequent to December 20, 1996 were not available for review. In addition, the employees of Youthnet of Greater Kansas City did not prepare or maintain timesheets for the number of hours or the program on which they worked. Therefore, we were unable to test member and staff payroll costs for all program years. As a result of the foregoing, all reimbursed and matching program operating costs for Youthnet of Greater Kansas City amounting to $1,223,387 are questioned for all program years.

2. *Lack of documentation*

- *Eligibility requirements were not met (Questioned Claimed Costs of $5,578,726, Questioned Match Amounts of $1,333,528, and Questioned Education Awards of $2,650,746).*

The following subgrantees failed to maintain sufficient documentation to verify that members met eligibility requirements. AmeriCorps Special Provisions state, in part, that "the Grantee must maintain verifiable records which document each member's eligibility to serve based upon citizenship or lawful permanent residency, birth date, level of educational attainment, date of high school diploma or equivalent certificate (if attained)."

Subgrantee	**Member Files Lacking Documentation /Sample Size**	**Applicable program years**
Lacking Documentation For: Member file		
Youthnet of Greater Kansas City	13 of 33	94-95
Southeast Missouri State University *	2 of 30	94-95; 96-97
Lacking Documentation For: Citizenship or lawful permanent residency		
American Youth Foundation *	80 of 80	94-95 through 98-99
Southeast Missouri State University *	30 of 30	94-95 through 97-98
United Way of the Ozarks *	28 of 28	96-97through 99-00
YMCA of Greater Kansas City *	25 of 25	95-96; 96-97; 97-98; 98-99
St. Joseph Youth Alliance *	20 of 20	94-95 through 96-97
Youthnet of Greater Kansas City	20 of 33	94-95 through 96-97
Urban League of Kansas City	10 of 10	97-98
University of Missouri – Kansas City *	10 of 10	97-98; 98-99
Grace Hill Neighborhood Services	9 of 27	94-95 through 97-98
Lincoln University *	9 of 9	95-96; 96-97
University of Missouri – Rolla *	9 of 9	97-98

Della Lamb Community Services	6 of 10	97-98; 98-99
Republic RIII School District	1 of 17	98-99
Lacking Documentation For: High school diploma or equivalent certificate		
University of Missouri – Kansas City *	9 of 10	97-98; 98-99
Grace Hill Neighborhood Services	5 of 27	94-95
Youthnet of Greater Kansas City	4 of 33	94-95 through 96-97
Della Lamb Community Services	3 of 10	98-99
YMCA of Greater Kansas City	1 of 25	98-99
University of Missouri – Rolla	1 of 9	97-98
Lacking Documentation For: Proof of age		
Della Lamb Community Services	3 of 10	97-98; 98-99

* Because of the significant number of exceptions noted we have questioned all member costs incurred for these subgrantees and all related Education Awards issued by the Corporation.

The Urban League of Kansas City also failed to provide the member support cost match required by AmeriCorps Provisions. As the Commission is cognizant of this issue and has not reimbursed the subgrantee for all claimed amounts, we questioned the total member support costs requested for reimbursement for which the Corporation has provided funding to the Commission less the calculated match amount. We also questioned all related Education Awards awarded by the Corporation for the program year because of the number of exceptions found in our testing.

- *Documentation to support time and attendance records and proper authorization of timesheets was not evident (Questioned Claimed Costs of $25,420).*

AmeriCorps Special Provisions state, in part, that "time and attendance records must be signed by both the member and by an individual with oversight responsibilities for the member." AmeriCorps General Provisions require, in part, that any staff salaries and wages charged directly to a Grant or charged to matching funds must be supported by a signed time and attendance report for each individual employee regardless of position. The member or employee's signature represents acknowledgement that the hours reported reflect an accurate depiction of the hours served for the program. A supervisor's signature indicates approval and concurrence of the hours recorded by the member/employee.

All University of Missouri – Kansas City employees with 100% or a lesser percentage of their salaries/benefits allocated to the AmeriCorps program (either as match or as a Federal expenditure reimbursed by the Commission) did not complete time and attendance records (e.g., timesheets). As a result, all salaries and benefits reimbursed as part of the AmeriCorps program are questioned.

The subgrantees listed below could not locate member, or staff timesheets for selected pay periods, or timesheets for selected pay periods were not signed by the individual or an authorizing official.

Subgrantee	**Lacking Documentation/ Sample Size**	**Applicable program years**
Lacking Documentation For: Member/Staff Timesheets for Selected Pay Period(s)		
St. Joseph Youth Alliance	21 of 36	94-95 through 96-97
United Way of the Ozarks	5 of 28	98-99; 99-00
Urban League of Kansas City	2 of 10	97-98
Lincoln University	1 of 4	95-96
Lacking Documentation For: Approved Member/Staff Timesheets		
United Way of the Ozarks	17 of 69	96-97; 98-99; 99-00
St. Joseph Youth Alliance	10 of 20	94-95 through 96-97
American Youth Foundation	8 of 104	94-95; 95-96; 99-00
YMCA of Greater Kansas City	7 of 25	95-96; 96-97

3. *General ledger and/or payroll records were not maintained (Questioned Claimed Costs of $904,309).*

AmeriCorps General Provisions state that subgrantees must maintain adequate supporting documents for every expenditure (Federal and Non-Federal) and in-kind contributions made under this Grant. Costs must be shown in books or records (e.g., a disbursement ledger or journal), and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

Subgrantees must also maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to a grant from expenditures not attributable to a grant. This system must be able to identify costs by programmatic year and by budget category and to differentiate between direct and indirect costs or administrative costs. Financial management responsibilities for not-for-profit organizations are detailed further in OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations,* and its implementing regulations.

The American Youth Foundation
The American Youth Foundation did not maintain general ledgers for the 1995-96 and 1996-97 program years or automated payroll records for the 1994-95 program year. Therefore, we were unable to test staff salaries and benefits for the 1994-95, 1995-96 and 1996-97 program years, and such costs claimed for these program years are questioned.

The YMCA of Greater Kansas City
The YMCA was unable to provide adequate payroll reports for all four members selected from the 1995-96 program year and all eight members selected from the 1996-97 program year. Therefore we were unable to determine the propriety of the living allowances paid and deductions made from the allowances for those members selected for review. All member support costs reimbursed and matched for these program years were questioned for noncompliance with eligibility requirements; therefore, no additional questioned costs are identified with this finding.

For its program year 1995-96 Blue Hills Together AmeriCorps program, the YMCA was unable to provide an accounting ledger, worksheet or any other report that would enable us to objectively select a sample of expenditures to test. The YMCA did not maintain copies of the general ledger or worksheets used to prepare the monthly or quarterly financial reports, and it changed accounting systems since the reports were prepared. Therefore, the reports could not be reproduced. However, all program operating costs claimed for this year have been questioned as a result of the YMCA not meeting matching requirements (See finding Number 8). Therefore, no additional questioned costs are identified with this finding.

The Urban League of Kansas City
The salaries and benefits for the Urban League's 1997-98 Operation Break and Build program, recorded in the general ledger, did not agree to the Monthly Report Reimbursement Request forms submitted to the Commission. Employee personnel files that would have provided the necessary information to test salaries/benefits charged to the AmeriCorps program (e.g., salaried employees, hourly pay rates, various withholdings, fringe benefits, etc.) were not available. In addition, we were unable to test Urban League staff salaries/benefits charged to the grant as current Urban League staff could not provide support to justify how the time contributed by the employees was allocated between the AmeriCorps grants and other Urban League programs. Therefore, the total amount of the staff salaries and benefits for the program year that was submitted for reimbursement is questioned.

St. Joseph Youth Alliance
For St. Joseph Youth Alliance, supporting documentation was not provided for all seven members selected from 1994-1995 and all five selected from 1995-1996 to verify that the Corporation's share of the living allowance for full-time members did not exceed 85% of the minimum living allowance or 85% on the prorated living allowance for part-time members. Additionally the lack of supporting documentation precluded us from verifying that the living allowance was paid in increments and not based on the number of hours of service in a given time period or that the entity paid its share of FICA on the living allowances paid to members.

4. *Documentation to support AmeriCorps members' terms of service was not maintained (Questioned Claimed Costs of $24,595, Questioned Match Amount of $4,340, and Questioned Education Awards of $3,444).*

The following subgrantees failed to maintain required documentation, such as member timesheets/payroll reports, to support that the term of member service was properly completed to justify member Education Awards.

AmeriCorps Special Provisions require, in part, that each program must maintain records to verify that the member successfully completed the program requirements with a minimum of 1,700 hours of participation as a full-time member, 900 hours of participation as a part-time member, or 300-900 hours of participation as a reduced part-time member.

Subgrantee	**Member Files Lacking Documentation/ Sample Size**	**Applicable program years**
Lacking Documentation For: Service Hour Requirements		
Southeast Missouri State University	10 of 30	94-95; 95-96; 97-98
Della Lamb Community Services	10 of 10	97-98; 98-99
University of Missouri – Kansas City	2 of 10	98-99

Due to noncompliance with eligibility requirements, we questioned all member support costs for all program years for Southeast Missouri State University and the University of Missouri – Kansas City and member support cost for seven of the ten Della Lamb Community Services members tested. The remaining three Della Lamb Community Services members' support costs are questioned for not meeting service hour requirements.

5. *General ledger detail did not agree to Monthly Reimbursement Requests (Questioned Claimed Costs of $79,121 and Questioned Match Amounts of $147,770).*

We were not able to reconcile the salaries and benefits recorded on the program year 1997-98 and 1998-99 general ledgers for Della Lamb Community Services employees to the monthly report reimbursement requests. We were also unable to reconcile the operating costs, other member support costs, and administrative costs reported on the monthly report reimbursement request to the general ledger for the same program years. Due to the foregoing, all Federal expenditures claimed for program operations are questioned for both program years.

In addition, we could not test various matching expenditures for the 1997-98 and the 1998-99 program years as the general ledgers for these two periods did not specifically

indicate whether an expenditure was a Federal or non-Federal (e.g. matching) expenditure. Therefore, all matching costs for the two program years are questioned.

AmeriCorps General Provisions state that subgrantees must maintain adequate supporting documents for every expenditure (Federal and Non-Federal) and in-kind contributions made under this grant. Costs must be shown in books or records (e.g. a disbursement ledger or journal) and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

6. *Documentation to support selected payments claimed under the subgrants was not maintained (Questioned Claimed Cost of $47,862).*

The following subgrantees were unable to provide documentation that supported the existence and/or reasonableness of selected payments claimed for reimbursement from the Commission.

Grace Hill Neighborhood Services

Category of Cost	Payee	Amount	Program Year
Supplies	Mississippi Industries	$276	97-98
Supplies	Schnucks	194	97-98
General Support	unknown	4,684	96-97

American Youth Foundation

Category of Cost	Payee	Amount	Program Year
Part time travel	Tiger Express	$2,000	94-95
Vehicle lease/purchase	Stream	1,080	94-95

YMCA of Greater Kansas City

Category of Cost	Payee	Amount	Program Year
Operating	Oretha's Creations	$350	96-97 (Blue Hills)
Operating	Shirtstop	313	96-97 (Blue Hills)
Operating	V. Robinson & Co.	500	96-97 (Blue Hills)
Operating	Mississippi Ind. for the Blind	550	96-97 (Blue Hills)
Operating	Univ. of MO - KC	342	96-97 (Blue Hills)
Operating	Journal Entry	1,511	96-97 (Blue Hills)

Urban League of Kansas City

Category of Cost	Payee	Amount	Program Year
Lodging and Meals	Hotel Deville	$325	97-98
Out of town travel	Avis	180	97-98
Telephone	SW Bell	1,435	97-98

Lincoln University

Category of Cost	Payee	Amount	Program Year
Supplies	M. Hoffman	$932	95-96

University of Missouri – Kansas City

Category of Cost	Payee	Amount	Program year
Supplies/services	St. Lukes Hospital	$890	97-98
Print reproduction costs	Print charges-Feb	103	98-99

Republic RIII School District

Category of Cost	Payee	Amount	Program Year
Other Member support	Dr. Barbara Martin	$300	97-98
Operating Cost	Brad Bohnet	525	97-98
Other Member support	Barb Norman	400	97-98
Other Member support	Barb Norman	400	98-99
Other Member support	Barb Norman	200	98-99

St. Joseph Youth Alliance

Description	Amount	Program year
Photo copies	$95	94-95
Desk and teddy bears	450	94-95
Program office space	712	94-95
Group program supplies	613	94-95
Legal fees - unemployment	338	94-95
Office space	1,068	94-95
T. Bears, candy, afghans	1,186	94-95
Legal fees – UE appeal	451	94-95
Legal fees - unemployment	867	94-95
Client books	1,263	94-95
Toshiba Notebook computer	2,218	94-95
Evaluation consultant	500	95-96
Cub Food-Food/Oper paint	250	95-96
Supplies	467	95-96
Travel/Training EOC	947	95-96
Mileage - MM	306	95-96
Supplies	2,343	95-96
Dickson appeal	1,378	95-96
Travel training R. Edwards	487	95-96

Supplies K. Birr	649	95-96
Airline ticket	537	95-96
Dickson appeal	203	95-96

In addition, St. Joseph Youth Alliance did not provide adequate explanatory documentation to support a telephone expenditure of $302, a payment to an "Office One Super Store" for $444, and a $2,042 reimbursement to the Economic Opportunity Corporation. The Alliance also reimbursed the Girl Scouts for the leasing of a van and its insurance without obtaining adequate support. We cannot determine that the leased van was used solely for AmeriCorps activities. The related amounts included in the expenditures selected for review were as follows:

Program year	Description	Amount
94-95	Van Rental	$790
94-95	Van Rental	790
94-95	Van Rental	790
94-95	Insurance for van	1,230
95-96	Insurance for van	1,230
95-96	Van Rental Jan & Feb 96	1,580
95-96	Van Rental 3/96,4/96,5/96	2,370

St. Joseph Youth Alliance also reimbursed the following two subgrantee partners without receiving proper documentation for the charges:

Category of Cost	Payee	Amount	Program Year
Software	Kansas City Regional Council	$1,269	95-96
Travel	Midland Girl Scouts	208	95-96

AmeriCorps General Provisions state that subgrantees must maintain adequate supporting documents for every expenditure (Federal and Non-Federal) and in-kind contributions made under this grant. Costs must be shown in books or records (e.g. a disbursement ledger or journal) and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

7. *Improper/ineligible payments made (Questioned Claimed Costs of $114).*

In the 1997-98 program year, for the Blue Hills Together program, the YMCA of Greater Kansas City used the services of a consulting company to perform one-day training seminars for $500 each day. Our sample included two expenditures for training seminars. According to the Special Provisions of the AmeriCorps guidelines, payments to individuals for consultant services under this subgrant may not exceed the daily equivalent of the maximum rate ($443 per day as of January 1995) allowed by Federal

law. As the consulting daily rate exceeded the maximum amount allowed by the AmeriCorps Provisions, the amount in excess of the daily rate is questioned.

According to the Special Provisions of the AmeriCorps guidelines, the subgrantee must provide a health care policy to those full-time members not otherwise covered by a health care policy at the time of enrollment into the AmeriCorps program.

One member's insurance form at YMCA during the 1997-98 program year indicated that he waived participation in the insurance program available through the AmeriCorps program. However, our review of the insurance roster indicated the individual was listed as receiving insurance coverage. The program remitted premium payments to the insurance company on the individual's behalf. The program's administrative error resulted in erroneous premium payments for this individual's coverage in the insurance program. The total amount that was remitted during the year is included in the living allowance that was questioned for noncompliance with eligibility requirements.

8. *Matching requirements were not met (Questioned Claimed Costs of $33,965).*

According to the Special Provisions of the AmeriCorps guidelines, the maximum Corporation share of administrative costs cannot exceed 5% of total Corporation funds actually expended by the subgrantee. In addition, the subgrantee must provide and account for the matching funds consistent with the approved application and budget. The AmeriCorps Special Provisions require, at a minimum, the following aggregate matches: i) member support costs of 15% - including living allowance, FICA, Unemployment Insurance, Worker's Compensation and Healthcare; and ii) program operating costs of 33% - including other member costs, staff, operating costs, internal evaluation and administration.

The corresponding Federal claimed cost percentage was questioned for the following subgrantees that did not meet matching requirements.

The American Youth Foundation
The Education Program Administration costs claimed for the American Youth Foundation exceeded 5% of the total Federal grant expenditures for the 1997-98 program year. The actual costs charged were 5.75%, which is 0.75% over the allowed threshold. The excess amount questioned is $2,711.

Youthnet of Greater Kansas City
Youthnet exceeded 5% of total Corporation funds expended for administrative costs in the 1996-97 program year. The actual costs charged were 13.39%, which is 8.39% over the allowed threshold. The excess amount is $20,922. In addition, for both 1994-95 and 1995-96 program years at Youthnet, due to the unavailability of monthly reimbursement requests forms, we were unable to test the amount of administrative costs charged to Corporation funds. In the 1995-96 program year Youthnet did not meet any of the matching requirements. Youthnet only matched 7.73% of member support costs and 31.84% of the program operating costs. However, all operating costs claimed for all

program years were questioned due to the lack of adequate financial records (See Finding No. 1). Therefore, no additional questioned costs are identified with this finding.

YMCA of Greater Kansas City
In program year 1995-96, the YMCA of Greater Kansas City's Blue Hills program did not make any program operating matching contributions. Therefore, the program did not meet the minimum member support matching requirement for the year. As a result, the total amount of program operating costs claimed in 1995-96 is questioned.

Lincoln University
In 1996-97 Lincoln University did not meet the member support matching requirements. Lincoln University's match was 14.73% of total member support costs. The total member support costs were $61,368 of which the Corporation's share exceeded the maximum required by $166. However, we questioned the entire member support costs and match due to noncompliance with eligibility requirements. Therefore, no additional questioned costs are identified with this finding.

United Way of the Ozarks
In the 1996-97 program year, the United Way of the Ozarks did not meet the minimum threshold of total member support matching costs. The questioned amount of $824 is included in the member support match that was questioned for noncompliance with eligibility requirements.

Southeast Missouri State University
Southeast Missouri State University did not meet the member support or program operating matching requirements in program year 1996-97. The University met 12% of the member support costs and 25% of the program operating costs. In program year 1997-98, the University did not meet the member support matching requirement. The University claimed a negative matching amount for –64% of the total member support costs. All member support costs and matching amounts were questioned due to noncompliance with eligibility requirements. Therefore, no additional questioned costs are identified with this finding.

9. *Match amounts claimed are not properly supported (Questioned Match of $1,356,276).*

The Grace Hill Neighborhood Services, Inc
Grace Hill Neighborhood Services could not provide monthly reimbursement requests or monthly expense reports for the months of July, August and September of 1998 to support member and non-member support matching costs reflected in the quarterly FSR. Grace Hill Neighborhood Services also did not provide monthly reimbursement requests or monthly expense reports for the 1st quarter; January and February of the 2nd quarter; 4th quarter; and the 5th quarter of the 1996-97 program year to support member and non-member support matching costs reflected in the quarterly FSRs. In addition, Grace Hill Neighborhood Services could not provide source documents such as payroll registers and other supporting documents for the matching expenditures recorded on monthly

reimbursement requests and monthly expense reports that were provided for the 1996-97 and 1997-98 program years. As we could not determine the propriety of matching costs, all matching costs for the 1996-97 and 1997-98 program years are questioned.

American Youth Foundation
The American Youth Foundation did not maintain general ledgers for the 1995-96 and 1996-97 program years. Therefore, we were unable to determine the propriety of matching expenditures claimed for the 1995-96 and 1996-97 program years. Therefore, all matching expenditures claimed for these two program years are questioned.

In October 2000 when the American Youth Foundation - AmeriCorps program separated from the American Youth Foundation, Inc., a new software system was purchased and placed into operation to record non-Federal receipts properly. Therefore, a specific recommendation for the American Youth Foundation is not considered necessary.

The Urban League of Kansas City
The Urban League of Kansas City general ledger did not capture non-Federal expenditures (e.g., matching). Urban League also did not maintain supporting documentation for program operating matching expenditures claimed. Therefore, the total program operating matching expenditures claimed in the 1997-98 program year are questioned.

AmeriCorps General Provisions state that subgrantees must maintain adequate supporting documentation for every expenditure (Federal and Non-Federal) and in-kind contributions made under this grant. Costs must be shown in books or records (e.g. a disbursement ledger or journal), and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

B. Other Compliance Findings

10. Lack of documentation

- *Parental consent*

Six of 10 members sampled at University of Missouri – Kansas City for program years 1997-98 and 1998-99 required parental consent to be eligible to serve, but sufficient documentation to support the granting of parental consent was not maintained. AmeriCorps Special Provisions require that before enrolling in a program, individuals under 18 years of age must provide written consent from a parent or legal guardian.

- *Criminal record check*

The following subgrantees enrolled members who required a criminal record check; however, sufficient documentation to support that a criminal record check was conducted was not maintained. AmeriCorps Special Provisions require that programs with members or employees who have substantial contact with children (as defined by state law) or who

perform service in the homes of children or individuals considered vulnerable by the program shall, to the extent permitted by state and local law, conduct criminal record checks. The Provisions require that this documentation be maintained within member or employee files.

Subgrantee	**Member Files Lacking Documentation/ Sample Size**	**Applicable program years**
Lacking Documentation For: Criminal Background Check		
University of Missouri – Kansas City	10 of 10	97-98; 98-99
University of Missouri - Rolla	9 of 9	97-98
St. Joseph Youth Alliance	8 of 8	96-97
Della Lamb Community Services	7 of 10	97-98; 98-99
YMCA of Greater Kansas City	4 of 25	96-97; 98-99
Lincoln University	4 of 4	96-97
American Youth Foundation	3 of 79	96-97; 98-99; 99-00
Southeast Missouri State University	2 of 11	96-97

- *Position descriptions*

AmeriCorps Special Provisions require that the subgrantee develop member position descriptions that provide for direct and meaningful service activities and performance criteria that are appropriate to the skill level of members. Activities may not include clerical work, research, or fund raising activities unless such activities are incidental to the member's direct service activities. The subgrantee must ensure that each member has sufficient opportunity to complete the required number of hours to qualify for a post-service education award. In planning for the member's term of service, the subgrantee must account for holidays and other time off, and must provide each member with sufficient opportunity to make up missed hours.

In the 1996-97 program year for United Way of the Ozarks, one member file reviewed had a weekly timesheet that included time spent for non-program related activities, a specific violation of the AmeriCorps Provisions. The member charged hours to the program for research for his/her own education benefit and not for the program's benefit. However, all member support costs have been questioned for this subgrantee for noncompliance with eligibility requirements.

In the 1994-95 program year, Southeast Missouri State University lacked documentation to support position descriptions for 5 of 30 member files reviewed.

- *Member contracts*

The following subgrantees failed to maintain documentation to support that members had signed contracts that included AmeriCorps requirements.

Subgrantee	**Member Files Lacking Documentation/ Sample Size**	**Applicable program years**
Lacking Documentation For: Signed Member Contracts		
United Way of the Ozarks	15 of 28	96-97; 99-00
Lincoln University	8 of 9	95-96; 96-97
Della Lamb Community Services	7 of 10	97-98; 98-99
Youthnet of Greater Kansas City	7 of 33	94-95 through 96-97
Southeast Missouri State University	3 of 30	94-95
University of Missouri – Kansas City	2 of 10	97-98; 98-99
Urban League of Kansas City	1 of 10	97-98
University of Missouri - Rolla	1 of 9	97-98
Lacking Documentation For: Member Contracts That Define All Member Requirements		
Grace Hill Neighborhood Services	10 of 27	94-95; 97-98
Della Lamb Community Services	3 of 10	97-98; 98-99

AmeriCorps Special Provisions require that the subgrantee must ensure that all members sign contracts that, at a minimum, stipulated the following:

- The minimum number of service hours and other requirements (as developed by the program) necessary to successfully complete the term of service and to be eligible for the education award;
- Acceptable conduct;
- Prohibited activities;
- Requirements under the Drug-Free Workplace Act (41 U.S.C. 701 *et seq.*);
- Suspension and termination rules;
- The specific circumstances under which a member may be released for cause;
- The position description;
- Grievance procedures; and
- Other program requirements.

- *Orientation*

The following subgrantees failed to maintain documentation to support that an orientation was conducted for enrolled members.

Subgrantee	Member Files Lacking Documentation/ Sample Size	Applicable program years
Lacking Documentation For: Orientation		
United Way of the Ozarks	28 of 28	96-97 through 99-00
Youthnet of Greater Kansas City	14 of 33	94-95 through 96-97
Southeast Missouri State University	11 of 30	96-97; 97-98

AmeriCorps Special Provisions require that, consistent with the approved budget, the subgrantee must provide members with the training, skills, knowledge and supervision necessary to perform the tasks required in their assigned project positions, including specific training in a particular field and background information on the community served. The subgrantee must conduct an orientation for members and comply with any pre-service orientation or training required by the Corporation. This orientation should be designed to enhance member security and sensitivity to the community. Orientation should cover member rights and responsibilities, including the program's code of conduct, prohibited activities, requirements under the Drug-Free Workplace Act (41 U.S.C. 701 et seq.), suspension and termination from service, grievance procedures, sexual harassment, other non-discrimination issues, and other topics as necessary.

- *Member start and end dates/Location of member's service*

The following subgrantees failed to maintain required documentation on member start and end dates, as well as identification of a member's location of service and project assignment in certain instances. AmeriCorps Special Provisions require that the subgrantee must maintain verifiable records, which document each member's participation, start date and end date, hours of service per week, location of service activities and project assignment.

Subgrantee	Member Files Lacking Documentation/ Sample Size	Applicable program years
Lacking Documentation For: Member hours of service, location of service and project assignment		
Lincoln University	9 of 9	95-96; 96-97
Della Lamb Community Services	7 of 10	97-98; 98-99
University of Missouri – Kansas City	2 of 10	98-99
Grace Hill Neighborhood Services	1 of 27	97-98

- *Mid-term and end-of-term evaluations*

The following subgrantees could not locate mid-term and end-of-term evaluations for certain members that were selected for review. AmeriCorps Provisions require that each

subgrantee must conduct at least a mid-term and end-of-term written evaluation of each member's performance, focusing on such factors as:

- Whether the member has completed the required number of hours;
- Whether the member has satisfactorily completed assignments; and
- Whether the member has met other performance criteria that were clearly communicated at the beginning of the term of service.

Subgrantee	**Member Files Lacking Documentation/ Sample Size**	**Applicable program years**
Lacking Documentation For: Mid-Term and End-of-Term Evaluations		
American Youth Foundation	104 of 104	94-95 through 99-00
Youthnet of Greater Kansas City	20 of 33	94-95 through 96-97
United Way of the Ozarks	15 of 28	96-97; 98-99; 99-00
YMCA of Greater Kansas City	12 of 25	95-96 through 98-99
Urban League of Kansas City	10 of 10	97-98
Della Lamb Community Services	10 of 10	97-98; 98-99
Lincoln University	9 of 9	95-96; 96-97
University of Missouri - Rolla	9 of 9	97-98
University of Missouri – Kansas City	3 of 10	98-99
Grace Hill Neighborhood Services	2 of 27	94-95
Lacking Documentation For: Mid-Term or End-of-Term Evaluations		
United Way of the Ozarks	11 of 28	96-97; 98-99; 99-00
Southeast Missouri State University	6 of 30	94-95; 95-96
YMCA of Greater Kansas City	4 of 25	95-96;97-98; 98-99
St. Joseph Youth Alliance	3 of 20	96-97
Grace Hill Neighborhood Services	2 of 27	94-95; 95-96

- *Enrollment forms, change of status forms, exit/end-of-term-of-service forms*

The following subgrantees failed to maintain certain standard forms required to be completed for members, and also failed to adhere to the required timeframe for submission. AmeriCorps Special Provisions require that the following documents are required from the grantee:

- **Enrollment Forms.** State Commissions and parent organizations must submit member enrollment forms to the Corporation no later than 30 days after a member is enrolled.
- **Change of Status Forms.** State Commissions and parent organizations must submit member change of status forms to the Corporation no later than 30 days after a member's status is changed. By forwarding member change of status forms

to the Corporation, State Commissions and parent organizations signal their approval of the change.

- **Exit/End-of-Term-of-Service Forms.** Programs must submit member exit/end-of-term-of-service forms to the Corporation no later than 30 days after a member exits the program or finishes his/her term of service early.

Subgrantee	**Member Files Lacking Documentation/ Sample Size**	**Applicable program years**
Lacking Documentation For: Enrollment Form		
University of Missouri – Kansas City	9 of 10	97-98; 98-99
Lincoln University	7 of 9	95-96; 96-97
Della Lamb Community Services	4 of 10	97-98; 98-99
YMCA of Greater Kansas City	2 of 25	97-98
Urban League of Kansas City	1 of 10	97-98
University of Missouri - Rolla	1 of 9	97-98
Youthnet of Greater Kansas City	1 of 33	95-96
Lacking Documentation For: Timely Submission of Enrollment Form		
St. Joseph Youth Alliance	5 of 20	96-97
Della Lamb Community Services	3 of 10	97-98
Lacking Documentation For: Exit/End-of-Term Form		
Youthnet of Greater Kansas City	8 of 33	95-96; 96-97
Urban League of Kansas City	7 of 10	97-98
University of Missouri – Kansas City	5 of 10	97-98
Republic RIII School District	4 of 17	97-98
Della Lamb Community Services	4 of 10	97-98; 98-99
American Youth Foundation	2 of 104	95-96; 98-99
YMCA of Greater Kansas City	2 of 25	95-96; 98-99
Grace Hill Neighborhood Services	1 of 27	96-97
University of Missouri - Rolla	1 of 9	97-98
United Way of the Ozarks	1 of 28	96-97
Southeast Missouri State University	1 of 30	96-97
St. Joseph Youth Alliance	1 of 20	94-95
Lacking Documentation For: Timely submission of Exit/End-of-Term form		
Lincoln University	6 of 9	95-96; 96-97
St. Joseph Youth Alliance	3 of 20	95-96; 96-97
Della Lamb Community Services	3 of 10	97-98

- *Health Insurance Coverage*

Urban League of Kansas City
All member files reviewed for Urban League did not include signed waivers of insurance coverage for full time members, where applicable. In addition, we were unable to locate documentation verifying health insurance coverage for full time members.

Della Lamb Community Services
The four full time members reviewed for Della Lamb also lacked proof of minimum healthcare benefits or that such benefits were waived.

AmeriCorps Special Provisions require that the subgrantee must provide a health care policy to those members not otherwise covered by a health care policy at the time of enrollment into the AmeriCorps program, or to those members who lose coverage during their term of service as a result of participating in the program or through no deliberate act of their own.

- *Financial Status Reports(FSRs) and Progress Reports*

According to the special Provisions of the AmeriCorps guidelines, subgrantees are required to forward Financial Status Reports/Progress Reports to the Corporation's Grants Office 30 days after the close of each calendar quarter.

The following subgrantees did not maintain copies of FSRs or Progress reports, the FSR or progress report was not dated, or the reports were not submitted timely.

Subgrantee	**Sample Size**
Lacking Documentation For: Financial status report	
YMCA of Greater Kansas City	4 of 4
University of Missouri – Kansas City	1 of 9
Lincoln University	1 of 8
Lacking Documentation For: Timely Submission of FSR	
American Youth Foundation	26 of 50
YMCA of Greater Kansas City	10 of 20
Southeast Missouri University	7 of 14
University of Missouri – Kansas City	6 of 9
Della Lamb Community Services	5 of 8
St. Joseph Youth Alliance	4 of 12
University of Missouri - Rolla	4 of 4
Youthnet of Greater Kansas City	2 of 12
Urban League of Kansas City	1 of 4
Grace Hill Neighborhood Services	1 of 8

Lacking Documentation For: FSR was not dated	
Youthnet of Greater Kansas City	5 of 12
Grace Hill Neighborhood Services	4 of 8
American Youth Foundation	3 of 46
Della Lamb Community Services	3 of 8
Lacking Documentation For: Progress report	
YMCA of Greater Kansas City	20 of 20
Southeast Missouri University	14 of 14
St. Joseph Youth Alliance	12 of 12
Youthnet of Greater Kansas City	8 of 8
Della Lamb Community Services	5 of 8
University of Missouri - Rolla	4 of 4
Urban League of Kansas City	4 of 4
University of Missouri – Kansas City	1 of 9
Grace Hill Neighborhood Services	1 of 8
Lacking Documentation For: Progress report was not dated	
Youthnet of Greater Kansas City	4 of 4

Certain subgrantees had a fifth quarter, depending on when the program year ended, requiring an additional FSR to be submitted to the Corporation. However, the American Youth Foundation did not submit a separate 5th quarter FSR for 8 individual programs in 1996-97 through 1999-00.

Della Lamb Community Services did not submit separate FSRs for the calendar quarter ending September 30, 1997 and September 30, 1998. Instead, they were included in the calendar quarter ending December 30 for each respective year. In addition, the 3rd and 4th quarter of the 1998-99 program year was submitted as one Progress Report as opposed to two separate reports. This Progress Report was submitted on February 17, 2000, which was more than four months after the Commission discontinued funding the program.

A separate FSR was not submitted by the University of Missouri – Kansas City for the calendar quarter ending September 30, 1997. Instead, the July 1997 through December 1997 financial activity was reported on the December 31, 1997 FSR. In addition, the December 31, 1997, March 31, 1998, and June 30, 1998 Progress Reports were submitted as one report as opposed to three separate reports.

All member forms, timesheets, FSRs and progress reports beginning with program year 1999-2000 for the Commission and subgrantees are required to be submitted via the Web Based Reporting System (WBRS). The Commission is required to submit an aggregate FSR to the Corporation semiannually. During the follow-up to the recommendations made during the Pre-Audit Survey, we noted that Commission did not ensure that subgrantees created all quarterly FSRs through WBRS. We identified an instance where

one subgrantee (Guadalupe Centers, Inc) did not create a FSR from 1/1/00 through 12/31/00.

- *Semi-annual staff certifications*

When an employee works solely on a single federal award or cost objective, OMB Circular A-87 requires that such employees certify to that fact on a semiannual basis. We noted the following regarding compliance with this reporting requirement:

- Republic RIII School District employees whose salaries and benefits are allocated to the Republic Readers Coaches (RRC) and the Republic Pre-School Coaches grants are salaried employees who devoted 100% of their time to the AmeriCorps programs. However, these Republic RIII employees did not complete semiannual certifications indicating they worked 100% of their time on the AmeriCorps programs.

- All University of Missouri – Kansas City employees with 100% or a percentage of their salaries/benefits allocated to the AmeriCorps program did not complete a semiannual certification indicating the percentage of time allocated to the program.

- All staff members of the Commission are salaried employees who devote 100% of their time to AmeriCorps programs. However, Commission employees did not complete a semiannual certification indicating they have worked 100% of their time on the AmeriCorps programs.

Administration and Program Development and Training (PDAT) Grants

C. Compliance Findings Resulting in Questioned Costs

11. Matching requirements were not met (Questioned amount of $7,760).

The Commission did not meet the administrative grant matching requirement for the 1994-1995 grant period because, prior to July 1996, no one at the Commission tracked the administrative matching requirement. The Commission did not meet the matching requirement by $7,760. In November 1996, the Executive Director wrote a letter to the Corporation indicating that the Commission performed a thorough review of their records and had determined that the Commission had not met the administrative matching requirement for the 1994-95 grant period and requested a waiver for that grant period. Although the Commission requested a waiver, there has been no formal written response by the Corporation granting this waiver. No additional follow-up has been performed by the Commission to obtain the Corporation's approval of its waiver request. We recommend the Commission follow-up with the Corporation to resolve the noncompliance with matching requirements for the 1994-1995 grant period.

Recommendations

Except as otherwise noted, for all compliance findings and questioned costs discussed above, we recommend the following:

- The Corporation should follow up with the Commission to determine whether the questioned amounts should be disallowed and recovered.
- The Commission should provide additional guidance to existing subgrantees on record retention and documentation standards for such items as eligibility, time sheets, member service hours, AmeriCorps roster updates on member status, and other claimed costs submitted for reimbursement and matching costs reported.
- The Commission should establish policies and procedures to ensure that all existing subgrantees maintain financial management systems that are capable of distinguishing expenditures attributable to grant and non-grant funding, identify costs by line item, and differentiate between direct and indirect costs, thus maintaining a clearer audit trail.
- The Commission should enhance its policies and procedures for review of subgrantee member support and program operating matching requirements to ensure compliance.
- The Commission should require existing subgrantees to document and adhere to file maintenance procedures that will ensure compliance with AmeriCorps Provisions. Procedures should include, where applicable, a checklist for all required documentation, a training program for personnel who are responsible for maintenance of member files, and a periodic review process where selected member files are checked for compliance with documented procedures. The Commission should then verify the subgrantee compliance with these file maintenance procedures during periodic site visits.

Other Procedures

We inquired of the Commission, and its subgrantees selected for audit, about their awareness of the Corporation's GPRA goals and whether the Commission had provided specific information to the subgrantees related to the goals. During our pre-audit survey, we reviewed the Commission's strategic plan, which was consistent with the Corporation's strategic plan. However, the Commission staff was not specifically aware of the GPRA. Present management of several subgrantees that are no longer receiving AmeiCorps grant funds, was not aware of whether their former counterparts that managed the AmeriCorps programs were aware of GPRA goals. Of the subgrantees that are currently receiving AmeriCorps grant funds, the program directors were also not specifically aware of GPRA. However, the Commission had provided assistance to these subgrantees in establishing specific and measureable goals prior to funding the programs administered by these subgrantees.

RESPONSIBILITIES

Management's Responsibility

The Missouri Community Service Commission is responsible for:

- preparing FSRs in accordance with the terms and conditions of its grant awards from the Corporation. These reports provide the information that is used to prepare the Schedule of Award Costs;

- establishing and maintaining internal controls over financial reporting; and

- complying with laws and regulations, including those related to monitoring of its subgrantees.

In fulfilling its responsibilities management's estimates and judgments are required to assess the expected benefits and related costs of internal control policies.

Auditors' Responsibility

Our responsibility is to issue our report on the Schedule of Award Costs.

Although our report included a disclaimer of opinion on the Schedule of Award Costs, we conducted our incurred cost audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Program for Full Scope Incurred Cost Audit of Corporation Awards with Subrecipients* (the Audit Program), issued by the Corporation's Office of Inspector General. Those standards and the Audit Program require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the award, as presented in the Schedules of Award Costs (Exhibits A through C), are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall presentation of the Schedules of Award Costs.

In planning and performing our incurred cost audit, we considered the Commission's internal control over financial reporting by obtaining an understanding of the Commission's internal controls, determining whether these internal controls have been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the

Schedules. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards*.

As part of obtaining reasonable assurance about whether the Schedule of Award Costs are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of applicable laws, regulations and provisions of the Corporation's grant agreements, noncompliance with which could have a direct and material effect on the determination of Schedule amounts. We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to the Commission.

DISTRIBUTION

This report is intended solely for the information and use of the Office of Inspector General and management of the Corporation for National and Community Service, the management of the Missouri Community Service Commission, 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

September 25, 2001

Missouri Community Service Commission
Grace Hill Neighborhood Services, Inc.
Schedule of Award Costs
From August 1, 1994 to December 31, 1998

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds			
Member Support	$ 551,155	$ 592,268	467,598
Other Member Support Costs	18,815	222,710 *	217,556
Staff	285,859	119,870	119,870
Operating	64,771	22,791	5,154
Evaluation	12,600	3,126	
Administration	47,051	21,454	
Child Care	27,000	-	
Total Corporation Funds	1,007,251	982,219	810,178
Matching Funds			
Member Support Match	190,376	147,756	147,756
Program Operating Match	393,775	501,120	501,120
Total Matching Funds	584,151	648,876	648,876
TOTAL FUNDS	$ 1,591,402	$ 1,631,095	$ 1,459,054

* Claimed Costs for "Other Member Support Costs" Category appears greater than the approved budget amounts as the breakdown of actual Other Member Support costs, Staff, Operating, Evaluation, and Administration costs for the 1994-95 and 1995-96 program years were not available.

Missouri Community Service Commission
American Youth Foundation
Schedule of Award Costs
From September 1, 1994 to December 31, 2000

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds			
Member Support	$ 3,746,127	$ 3,015,085	$ 2,415,250
Other Member Support Costs	90,554	632,103	
Staff	1,176,646	793,030	862,941 *
Operating	365,993	302,271	3,080
Evaluation	7,240	474	
Administration	227,517	164,681	2,711
Total Corporation Funds	5,614,077	4,907,644	3,283,982
Matching Funds			
Member Support Match	747,490	590,039	475,578
Program Operating Match	2,477,690	2,159,177	1,011,448
Total Matching Funds	3,225,180	2,749,216	1,487,026
TOTAL FUNDS	$ 8,839,257	$ 7,656,860	$ 4,771,008

* In program years 1994-95 and 1995-96, American Youth Foundation did not break out the staff salaries and benefits expenditures. As such, the total program operating costs for those years have been included in the questioned amount as opposed to salaries and benefits, which is the actual questioned amount.

Missouri Community Service Commission
YMCA of Greater Kansas City
Schedule of Award Costs
From January 1, 1996 to December 31, 1999

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds			
Member Support	$ 1,103,868	$ 815,048	$ 815,048
Other Member Support Costs	12,455	9,130	
Staff	365,481	300,809	
Operating	53,921	45,520	3,680
Evaluation	1,993	1,200	
Administration	76,634	58,735	9,717
Total Corporation Funds	1,614,352	1,230,442	828,445
Matching Funds			
Member Support Match	229,644	294,437	294,437
Program Operating Match	562,241	321,294	
Total Matching Funds	791,885	615,731	294,437
TOTAL FUNDS	$ 2,406,237	$ 1,846,173	$ 1,122,882

Missouri Community Service Commission
Urban League of Kansas City
Schedule of Award Costs
From September 1, 1997 to December 31, 1998

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds			
Member Support	$ 164,168	$ 69,849	$ 59,402
Other Member Support Costs	7,563	2,768	
Staff	31,455	41,368	41,368
Operating	8,086	2,604	1,940
Evaluation	1,000	-	
Administration	10,950	-	
Total Corporation Funds	223,222	116,589	102,710
Matching Funds			
Member Support Match	28,840	-	
Program Operating Match	109,079	48,947	48,947
Total Matching Funds	137,919	48,947	48,947
TOTAL FUNDS	$ 361,141	$ 165,536	$ 151,657

Missouri Community Service Commission
Lincoln University
Schedule of Award Costs
From October 1, 1995 to December 31, 1997

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds			
Member Support	$ 123,160	$ 106,909	106,909
Other Member Support Costs	712	-	
Staff	52,863	46,700	1,219
Operating	28,650	15,376	932
Evaluation	3,000	-	
Administration	11,006	8,004	
Total Corporation Funds	219,391	176,989	109,060
Matching Funds			
Member Support Match	21,748	18,672	18,672
Program Operating Match	58,054	102,536	
Total Matching Funds	79,802	121,208	18,672
TOTAL FUNDS	$ 299,193	$ 298,197	$ 127,732

Missouri Community Service Commission
University of Missouri - Rolla
Schedule of Award Costs
From October 1, 1997 to December 31, 1998

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds			
Member Support	$ 50,922	$ 30,133	$ 30,133
Other Member Support Costs	2,198	974	
Staff	-	-	
Operating	17,380	9,147	
Evaluation	-	-	
Administration	-	-	
Total Corporation Funds	70,500	40,254	30,133
Matching Funds			
Member Support Match	8,989	5,308	5,308
Program Operating Match	56,345	44,176	
Total Matching Funds	65,334	49,484	5,308
TOTAL FUNDS	$ 135,834	$ 89,738	$ 35,441

Missouri Community Service Commission
Youthnet of Greater Kansas City
Schedule of Award Costs
From August 1, 1994 to September 30, 1997

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds			
Member Support	$ 346,788	$ 241,576	241,576
Other Member Support Costs	169,292	* 318,390	318,390
Staff	105,000	20,080	20,080
Operating	191,654	51,815	51,815
Evaluation	6,800	55	55
Administration	41,698	33,388	33,388
Child Care	245,138	-	
Total Corporation Funds	1,106,370	665,304	665,304
Matching Funds			
Member Support Match	154,409	207,715	207,715
Program Operating Match	410,817	350,368	350,368
Total Matching Funds	565,226	558,083	558,083
TOTAL FUNDS	$ 1,671,596	$ 1,223,387	$ 1,223,387

* For the 1995-96 and 1994-95 program years the breakout of Program Operating Costs was not available. Thus, all Program Operating Costs of $280,338 for the 1995-96 program year and $38,052 for the 1994-95 program year are included in the Other Member Support Costs line item.

Missouri Community Service Commission
United Way of the Ozarks
Schedule of Award Costs
From July 1, 1996 to December 31, 2000

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds			
Member Support	$ 987,997	$ 872,852	$ 872,852
Other Member Support Costs	40,560	21,360	
Staff	210,333	188,780	
Operating	119,579	102,554	
Evaluation	9,250	9,332	
Administration	72,150	60,344	
Total Corporation Funds	1,439,869	1,255,222	872,852
Matching Funds			
Member Support Match	174,389	155,040	155,040
Program Operating Match	577,677	475,330	
Total Matching Funds	752,066	630,370	155,040
TOTAL FUNDS	$ 2,191,935	$ 1,885,592	$ 1,027,892

Missouri Community Service Commission
Southeast Missouri State University
Schedule of Award Costs
From September 1, 1994 to September 30, 1998

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds			
Member Support	$ 625,393	$ 377,625	$ 377,625
Other Member Support Costs	29,770	-	
Staff	321,992	252,514	
Operating	192,426	242,016	21,537
Evaluation	2,500	-	
Administration	57,887	35,129	
Total Corporation Funds	1,229,968	907,284	399,162
Matching Funds			
Member Support Match	276,258	53,239	53,239
Program Operating Match	485,954	264,441	
Total Matching Funds	762,212	317,680	53,239
TOTAL FUNDS	$ 1,992,180	$ 1,224,964	$ 452,401

Missouri Community Service Commission
University of Missouri - Kansas City
Schedule of Award Costs
From September 1, 1997 to December 31, 1999

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds			
Member Support	$ 137,805	$ 133,424	133,424
Other Member Support Costs	12,500	14,413	
Staff	8,980	8,276	8,276
Operating	25,838	17,727	993
Evaluation	3,000	1,080	
Administration	9,895	8,745	
Total Corporation Funds	198,018	183,665	142,693
Matching Funds			
Member Support Match	24,332	23,542	23,542
Program Operating Match	70,573	82,751	
Total Matching Funds	94,905	106,293	23,542
TOTAL FUNDS	$ 292,923	$ 289,958	$ 166,235

Missouri Community Service Commission
Republic RIII School District
Schedule of Award Costs
From September 1, 1997 to December 31, 2000

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds			
Member Support	$ 487,055	$ 464,128	$ 7,568
Other Member Support Costs	6,424	5,440	1,300
Staff	131,286	121,075	
Operating	28,787	26,225	525
Evaluation	3,825	-	
Administration	-	-	
Total Corporation Funds	657,377	616,868	9,393
Matching Funds			
Member Support Match	84,716	83,344	1,335
Program Operating Match	186,447	183,146	
Total Matching Funds	271,163	266,490	1,335
TOTAL FUNDS	$ 928,540	$ 883,358	$ 10,728

Missouri Community Service Commission
St. Joseph Youth Alliance
Schedule of Award Costs
From August 1, 1994 to December 31, 1997

Cost Category	Approved Budget *	Claimed Costs	Questioned Costs
Corporation Funds			
Member Support	$ 199,218	$ 442,315	$ 442,315
Other Member Support Costs	6,300	9,523	
Staff	55,987	106,363	15,925
Operating	44,059	131,486	30,373
Evaluation	1,000	504	
Administration	7,200	33,261	
Total Corporation Funds	313,764	723,452	488,613
Matching Funds			
Member Support Match	35,156	88,535	88,535
Program Operating Match	94,139	289,759	
Total Matching Funds	129,295	378,294	88,535
TOTAL FUNDS	$ 443,059	$ 1,101,746	$ 577,148

Comments:

* There was no budget or actual information available to prepare a lead schedule for the 1994-95 or 1995-96 program years. The budget amounts are only for the 1996-97 program year. Actual amounts were taken from a spreadsheet prepared at the Missouri Commission.

Missouri Community Service Commission
Della Lamb Community Services
Schedule of Award Costs
From September 1, 1997 to December 31, 1999

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds			
Member Support	$ 208,431	$ 165,424	$ 81,984
Other Member Support Costs	3,626	1,292	1,292
Staff	35,260	49,806	49,806
Operating	44,000	19,141	19,141
Evaluation	-	-	-
Administration	10,944	8,882	8,882
Total Corporation Funds	302,261	244,545	161,105
Matching Funds			
Member Support Match	142,029	89,938	89,938
Program Operating Match	116,752	72,299	72,299
Total Matching Funds	258,781	162,237	162,237
TOTAL FUNDS	$ 561,042	$ 406,782	$ 323,342

Status of Findings from the Pre-Audit Survey of the Missouri Community Service Commission OIG Audit Report Number 00-17

Selecting Subgrantees

Assessment of Applicants' Financial Systems during the Selection Process

Selection officials do not consider the adequacy of the applicants' financial systems during the Commission's subgrantee selection process.

Lack of Formal Conflict of Interest Statements

Although the Commission staff distributes relevant conflict of interest guidance to selection officials, the Commission does not have policies and procedures that require these officials to annually sign conflict of interest statements certifying that they have no conflicts.

Recommendations

We recommended the Commission:

- Require applicants to provide information related to their financial systems, and review this information during the subgrantee selection process. The review should focus on assessing whether the financial systems, as described, would provide reasonable assurance that applicants will be able to properly account for grant funds and comply with related grant requirements.
- Develop and implement procedures that require selection officials to sign conflict of interest statements annually after discussion of related issues with Commission staff and review of written guidance.

Status

The Commission developed a financial management survey to be disseminated to all new applicants beginning in program year 2000-2001. The survey responses are used to assess the ability of the applicant organization to comply with federal regulations. Our follow-up testwork over the pre-audit survey findings indicated that the Commission is now assessing the applicant's financial systems during the subgrantee selection process.

The Commission has also implemented procedures that require selection officials to sign conflict of interest statements annually beginning in program year 2000-2001. Our follow-up testwork over the pre-audit survey findings indicated that the Commission is obtaining conflict of interest statements from selection officials.

Administering Grant Funds

Lack of Review of Matching and Earmarking Requirements

During the 1997-98 program year, one of two subgrantees tested did not include evidence of its matching funds on its monthly report/reimbursement request to the Commission, and Commission personnel did not follow up timely with the subgrantees to obtain the missing information. The other subgrantee tested for the same year, utilized greater than 5% of its federal funds for administrative purposes, which did not comply with program requirements.

Timeliness of Receipt of Financial Status Reports (FSR)

The Commission does not date stamp FSRs from the subgrantees as they are received. Many of the FSRs appeared to have been received later than the 20th day following the end of the quarter, but the only evidence of when they were submitted is the date associated with the Program Director's signature. Therefore, the Commission does not routinely verify if these documents are submitted timely in compliance with the grant agreement. In program year 1999-2000, the Commission began utilizing the Web Based Reporting System, which electronically records the date the subgrantees submit their FSRs to the Commission. As a result, no recommendation was given related to date stamping FSRs.

Missing FSRs, Supporting Documentation for Expenditures and Programmatic Progress Reports

Some of the FSRs for the 1995-96 program year from the two subgrantees we tested could not be located by the Commission staff. Additionally, the Commission had not obtained the last four FSRs due from another subgrantee during program years 1997-98 and 1998-99. In addition to the FSRs, the Commission requires the subgrantees to submit, at least on a quarterly basis, a detailed expenditure listing to support program and matching expenditures. However, Commission personnel did not enforce this requirement during the 1998-99 program year and did not follow up with subgrantees at a later date to obtain this documentation. We also noted during our testing that several subgrantees failed to submit program progress reports.

Noncompliance with the Suspension and Debarment Compliance Requirement

The Commission did not have procedures in place to ensure that its subgrantees have not been suspended or debarred by the Federal government as required by the Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, nor did it monitor whether its subgrantees have procedures in place to ensure that organizations with which they conduct business have not been suspended or debarred by the Federal government.

Recommendations

We recommended the Commission:

- Develop an improved process for the timely and comprehensive review of monthly reports submitted by subgrantees. Consider developing a checklist to be used by the reviewer to provide reasonable assurance that all required information has been reported and verified for compliance with grant agreements. The completed checklist could then be submitted to a second person for review and approval. Such a procedure would enhance the review and monitoring procedures associated with matching funds and earmarking information, and serve as a reminder for communicating instances of noncompliance to subgrantees as soon as they are identified, and for following-up to ensure corrective action has been taken.
- Develop and implement formal procedures to withhold payments to subgrantees when they fail to submit required information and reports by the specified deadlines. Additionally, when the Commission received the subgrantees' supporting documentation related to program and matching expenditures, this documentation should be reviewed and agreed to the subgrantees' FSRs and monthly report/reimbursement requests before the Commission disburses funds to the subgrantees. Finally, the Commission should continue to emphasize, during training sessions and site visits, the importance of submitting the required information and reports timely.
- Include in the subgrantee application materials a suspension and debarment certification to be signed by a representative of the subgrantee certifying that the subgrantee has not been suspended or debarred by the Federal government. Additionally, during training sessions provided to subgrantees, the suspension and debarment compliance requirement should be thoroughly discussed, and during site visits, Commission personnel should verify related procedures have been put in place.

Status

Beginning with the 1999-2000 grant period, the Commission started using the WBRS system. The WBRS system replaced nearly all paper forms and reports previously submitted to the Corporation. WBRS has been used by the Commission to increase desk top monitoring in the areas of matching requirements, member progress towards completion of required hours, program progress towards completion of objectives, timely submission of reports, etc. In order for the subgrantees to receive reimbursement for grant expenditures that are incurred, each subgrantee must first access the WBRS system and complete a monthly Periodic Expense Report (PER). The PER also addresses matching/ear marking requirements. After the PER is completed via the WBRS system, the related expenditure supporting documentation is forwarded to the Commission. The Commission reconciles the information reported on the PER to the supporting documentation prior to approving the expenditures for reimbursement.

In April of 2000 the Commission developed a grant reimbursement review and approval form to analyze subgrantee reimbursement claims. This form lists matching requirements and required documents (Member forms and progress reports) that should be submitted

by the subgrantees before claims for reimbursements are approved. This form is completed by the Commission for each subgrantee on a monthly basis. If the subgrantee does not complete a WBRS-PER, they are not reimbursed for any expenditures incurred for the AmeriCorps program. Through WBRS, the Commission can also identify the subgrantees that have failed to submit quarterly FSRs. However, our follow-up testwork during the audit indicated that 1 of 3 subgrantees reviewed from the 1999-2000 program year had not completed quarterly FSRs for the entire 2000 program year in the WBRS system. As the grant reimbursement review and approval form does not include a step to ensure that FSRs are created within WBRS timely, subgrantees may receive reimbursement without complying with FSR reporting requirements.

Beginning in program year 2000-2001, the Commission required applicants to certify that they meet the suspension and debarment compliance requirement. However, our review of documentation related to the Commission's subgrantee record review site visits indicated that the Commission did not review for evidence that the subgrantee vendors met the suspension and debarment compliance requirement.

Evaluating and Monitoring Subgrantees

Review of Subgrantees' Financial Systems and Expense Documentation During Site Visits

Commission personnel did not review the subgrantees' financial systems and expense documentation during site visits.

Maintenance of Supporting Documentation and Documentation of Records Obtained and Reviewed During Site Visits

The Commission utilizes surveys in conducting its member site visits, and a comprehensive checklist of all AmeriCorps grant provisions in conducting the records review site visits. However, the member surveys are not maintained, which would prove problematic if members claim they informed the Commission of an issue in a survey and the original survey is not available to the Commission for review. Additionally, while the record review site visit checklist is maintained, it does not identify what documents the reviewer tested.

Review of OMB Circular A-133 Reports or Other Audit Reports from Subgrantees

As part of the Commission's monitoring process, the Commission does not consistently require its subgrantees to submit OMB Circular A-133 or other audit reports, if applicable, and the Commission does not routinely review any such reports to determine if auditors have identified control weaknesses or instances of noncompliance related to the AmeriCorps program.

Written Policies and Procedures Related to Follow-up on Deficiencies Noted at Subgrantees.

The Commission does not have written policies and procedures to ensure that subgrantees correct deficiencies identified by the Commission. The Commission does specify in the memorandum issued to the subgrantee what deficiencies must be corrected and when its response to the Commission is due, but the Commission has not been adequately following up on noted deficiencies.

Schedule of Planned and Actual Site Visit Dates

The Commission's policies require three site visits during the 15 month grant period. The Commission maintains a schedule of planned dates for site visits for the upcoming six weeks on a chalkboard; however, no comprehensive schedule for the grant period exists. An increase in the number of subgrantees and a lack of a comprehensive schedule of site visits has strained the Commission's resources for consistently performing all three site visits for each subgrantee. In addition, the site visits completed are sometimes not performed within the specified timeframes, and feedback to subgrantees is not always provided on a timely basis.

Recommendations

We recommended the Commission:

- Develop and implement procedures to review the subgrantees' financial systems and expense documentation during site visits. The Commission should consider tailoring the financial management survey included in the Corporation's *A Reference Manual for Commission Executive Directors and Members* (pages 5-34) for use during site visits in assessing subgrantees' financial systems.
- Develop and implement procedures to maintain member surveys obtained during the member site visit and documentation of specific records reviewed, in the site visit file for each subgrantee.
- Require subgrantees to submit OMB Circular A-133 or other audit reports once the final reports are issued, where applicable. The Commission should review these reports, determine if corrective action relevant to the AmeriCorps grant is needed, and develop procedures to ensure necessary corrective action occurs timely and adequately addresses the issues.
- Develop and implement formal policies and procedures to ensure specific, timely follow up is made and adequate corrective actions are taken when deficiencies are noted by the Commission during site visits.
- Maintain a clear, concise schedule of site visits to be performed during the grant period and a record of when site visits are performed. The Executive Director of the Commission should monitor the Commission's progress towards completing the scheduled site visits. The Commission should reconsider the allocation of its resources in light of its staffing situation, the number of subgrantees, and an assessment of risk of each subgrantee, to improve the effectiveness of its subgrantee evaluation and monitoring procedures. The Commission may also want to revise its site visit policy to reduce the number of visits to low risk subgrantees, or contract out selected site visits to the Missouri State Auditors' office or others.

Status

The Commission updated the overview, objective, records review, and Member site visits guidelines in its policies and procedures manual as of April 2000. The revised procedures include reviewing the subgrantees' financial systems and expense documentation during site visits. Our follow up testwork during the audit identified no exceptions related to the Commission's compliance with the new guidelines.

Beginning in May/June of 2000, the Commission was to maintain Member surveys. However, our follow up during the audit indicated that the Commission has not maintained Member surveys.

Our review of the updated policies and procedures manual also indicated that the Commission plans to obtain OMB Circular A-133 reports during the records review site visits. Our follow-up testwork during the audit indicated that the Commission obtains OMB Circular A-133 reports before or during site visits and follows up or plans to follow up with identified findings.

As indicated earlier under Administering Grant Funds, the Commission has developed a grant reimbursement review and approval form that is completed prior to approving subgrantee expenditure reimbursement. The stated purpose of this process is to ensure follow up with subgrantees. Our follow up testwork during the audit indicated that the Commission is following up with subgrantees on identified deficiencies and taking appropriate corrective measures.

Even though a policy to prepare and follow a schedule of planned site visit dates has been established, the Commission has not implemented this policy as of the date of our follow up during this audit.

Strengthening Communities Through Citizen Service

MISSOURI
DEPARTMENT OF ECONOMIC DEVELOPMENT

Bob Holden
Governor

Joe Maxwell
Lieutenant Governor & Chair

Joseph L. Driskill
Director

January 25, 2002

Luise Jordan, Inspector General
Office of the Inspector General
Corporation for National and Community Service
1201 New York Ave. NW
Washington DC 20525

Dear Ms. Jordan:

The Missouri Community Service Commission is pleased to have the opportunity to address the Draft Report on the Incurred Cost Audit of this Commission by the Inspector General. We have found this audit to be a useful examination of our systems and procedures with the constructive goal of improving them such that the Commission is a more effective steward of Federal monies, and a more efficient organization overall.

Please find our responses to the Incurred Cost Audit attached.

Sincerely,

Curtis Hendricks
Executive Director

Missouri Community Service Commission
Department of Economic Development - Community Development Group
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Reasonable Accommodations Available * EOE/ADA * Material available in alternate formats

General Response

We are pleased that the audit report data clearly indicates the effect of significant improvements made in all Commission processes over the seven (7) year period covered by this audit. However, we are concerned with the lack of recognition of these improvements in the findings, most specifically in *the Report on Financial Control Over Program Monitoring*. There is clearly an inconsistency between the *Status* narrative presented in Exhibit E and the recommendations listed in this section of the report. In addition, we have specific concerns with the scope of the audit, applicability of regulations and the method used to calculate questioned costs.

Audit Schedule and Scope
This audit began on January 16, 2001, less than five working days after the Commission was first notified, via telephone, of the audit's scheduling. Similar or less notice was given in most cases prior to the arrival of auditors at sub-grantee sites. Because this audit covered a period of seven (7) full years and the records chosen for review included many long-expired sub-grants, many original records could not be located in this short time frame. Other records were not available because the retention time had elapsed.

In addition, the scope of the audit as represented to Commission staff during the audit covered as much as 90% of expenditures in some instances. The volume of records required to be produced, combined with a small amount of prior notification and a 7-year audit period created an undue burden on the Commission and on the sub-grantees effected by this audit.

Audit Methodology
The Inspector General has, admittedly, used estimates to project the dollar amount for questioned costs. The use of estimates assumes that a questioned cost on one sub-grant would be present on all sub-grants when this is not necessarily a true assumption. The net effect is a highly inflated dollar amount in a finding for what may or may not even be a significant issue. The Commission would like to note general disagreement with this methodology of projecting questioned costs.

The Inspector General has also failed to recognize the fact that many problems noted in years prior to 1997 are due to lack of records, which were not required to be maintained through the end to this audit period. The use of estimates and the inclusion of figures for years prior to 1997 make the questioned costs appear excessively large. The Commission would like to note that this audit methodology, while an accepted audit practice, does not provide an accurate portrayal of questioned costs.

Records Retention Requirements
Most of the costs questioned cite a lack of documentation, even though Commission sub-grantees are not required to maintain such documentation beyond three years. AmeriCorps Provisions, section C.26, Retention of Records states, "The Grantee must retain and make available all financial records, supporting documentation...for 3 years from the date of the final submission of the Financial Status Report..." It is therefore our contention that Federal rules do not require that subgrantees make available documentation for activities or expenditures incurred prior to December 31, 1997 (or prior to the 1997-98 program year). Such questioned costs drop significantly in 1998 and thereafter. All costs questioned due to lack of supporting financial records ($2,113,827) are related to periods prior to 12/31/97 and should therefore be eliminated. Examinations by auditors of more recent Commission and subgrantee activities failed to uncover significant discrepancies.

Member Eligibility/Documentation Requirements
A total of $5,578,726 is questioned because the audit says the Corporation failed to provide specific guidance to the Commission therefore the Commission was unable to provide this guidance to its subgrantees. As clearly indicated in the report, only a very small percentage of these questioned costs are

related to periods after July 12, 1999, the date new guidelines were published in the Federal Register which provide the first such specific guidance on this issue. In some cases, findings have been noted where supporting documentation was available, but never requested during the course of the audit. Commission staff presented all immediately available 1999-2000 member files (nearly 100 files total) to auditors on October 15-16, 2001. As a result of that meeting, 100% of those files presented were eliminated from the stated findings. As a result, Commission staff questions the validity of the fieldwork with regard to member eligibility documentation. A cursory review of the original work papers, by Commission staff indicates that some costs questioned by this report were never actually tested for in the field. Further, examination of the work papers should show that original work papers may have been altered by Inspector General staff conducting the review of the fieldwork. This change was made after fieldwork was complete.

We are confident that the remainder of questioned costs can and will be resolved through follow-up w/ the Corporation. The recommendations in the audit report will be considered, with any and all appropriate measures taken to insure these issues are resolved expeditiously. Procedures have been put in place to minimize the risk of errors or irregularities in internal and monitoring processes.

Specific Response

Material Weaknesses

1. Grants and Program Management

Audit Recommendation:

We recommend that the Commission take the following actions to improve its grants and program management processes:

- Review and implement the recently developed policies and procedures to monitor the programmatic and financial activity of all subgrantees.
- Ensure adequate attention is given to compliance issues which may not be addressed even if a Single Audit in accordance with OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, has been performed for any specific subgrantee.
- During site visits, the frequency of which should depend on the level of risk assessed by the Commission, ensure that subgrantees are compliant with revised guidance and are adequately following up on deficiencies communicated to them by the Commission.
- Although a majority of the subgrants subject to audit have expired as of the date of this report, the Commission should ensure that current subgrantees establish procedures by which all invoices are approved by an authorized individual prior to payment, and the documentation of such approval is maintained with the vendor invoice copy.

Commission Response:

The Commission concurs and has implemented measures to ensure improvement in the procedures and processes noted above. Many of the new measures and policies have been in place for years and appear to be effective. Proof of this can be seen in the declining amount of questioned costs in the more current years of the audit period.

2. Financial Management and Reporting

Audit Recommendation:

We recommend that the MCSC continue to place emphasis on the effective implementation of its recently developed comprehensive set of policies and procedures for all grants received from the Corporation. Such emphasis will help to ensure that the day-to-day procedures are performed accurately and consistently, thus

minimizing the risk of Corporation funds being improperly disbursed. Additionally, the Commission should sign a formal cooperative agreement with all subgrantees for each year that funding is received from the Commission.

Commission Response:

The Commission concurs with the recommendation to continue to place emphasis on implementation of policies. The Commission will continue to focus on risk management in the implementation of recently developed policies and procedures to ensure proper disbursement of Corporation funds The Commission also concurs with the recommendation to execute a formal cooperative agreement with all subgrantees each year that funding is provided by the Commission. This oversight was made only once and was not repeated.

3. Report on Compliance

Audit Recommendation:

- The Corporation should follow up with the Commission to determine whether the questioned amounts should be disallowed and recovered.
- The Commission should provide additional guidance to existing subgrantees on record retention and documentation standards for such items as eligibility, time sheets, member service hours, AmeriCorps roster updates on member status, and other claimed costs submitted for reimbursement and matching costs reported.
- The Commission should establish policies and procedures to ensure that all existing subgrantees maintain financial management systems that are capable of distinguishing expenditures attributable to grant and non-grant funding, identify costs by line item, and differentiate between direct and indirect costs, thus maintaining a clearer audit trail.
- The Commission should enhance its policies and procedures for review of subgrantee member support and program operating matching requirements to ensure compliance.
- The Commission should require existing subgrantees to document and adhere to file maintenance procedures that will ensure compliance with AmeriCorps Provisions. Procedures should include, where applicable, a checklist for all required documentation, a training program for personnel who are responsible for maintenance of member files, and a periodic review process where selected member files are checked for compliance with documented procedures. The Commission should then verify the subgrantee compliance with these file maintenance procedures during periodic site visits.

Commission Response:

- The Commission will work with the Corporation to review questioned amounts and determine if the questioned costs should be disallowed and recovered.
- Correct guidance has been distributed to subgrantees for the last two program years (1999-2001) in accordance with AmeriCorps provision C.26 and will be distributed on a regular and on-going basis to all current and new programs.
- All subgrantees currently maintain financial management systems that are capable of distinguishing expenditures attributable to grant and non-grant funding, identifying costs by line item, and differentiating between direct and indirect costs. The Commission will continue to work with subgrtantees to insure they maintain records and funds so as to establish a clear audit trail.
- Exhibit E of the Draft dated 12/27/2001 illustrates that the Commission has implemented this recommendation.
- The grant reimbursement review claim form lists items that must be received by the Commission from the subgrantee before reimbursement can be made in compliance with AmeriCorps provisions. Training for all personnel responsible for maintenance of member files is done on an annual and on-going basis. Compliance is currently verified during site visits in accordance with the Commission's new Risk-Based Monitoring Policy.

AmeriCorps Grant

A. Compliance Findings Resulting in Questioned Costs

1. Lack of Adequate financial records for the Commission's sub-grants to the Grace Hill Neighborhood Services, Inc. and Youthnet of Greater Kansas City (Questioned Claimed Costs of $1,209,518. Questioned Match Amounts of $703,363, and Questioned Education Awards of $363,218).

Commission Response:

AmeriCorps Provisions, Section C.26 – Retention of Records states, "The Grantee must retain and make available all financial records, supporting documentation...for 3 years from the date of the final submission of the final Financial Status Report..." Our understanding of this Provision would indicate that only those records related to program years not completed with submission of a final FSR by 12/31/1997 would be required to have such records available. A small percentage of the questioned costs occurred after 7/12/1999, the date of the Federal Register which provided the first accurate guidance on this issue. In a meeting with the Senior Auditor on 10/15-16/2001 records were presented to challenge the most recent of the findings and the finding was eliminated.

2. Lack of Documentation – Eligibility requirements were not met (Questioned Claimed Costs of $5,578,726. Questioned Match Amounts of $1,333,528, and Questioned Education Awards of $2,650,746).

   Documentation to support time and attendance records and proper authorization of timesheets was not evident (Questioned Claimed Costs of $25,420).

Commission Response:

Most member files lacking documentation are prior to 12/31/97. Based on AmeriCorps Provision, Section C.26 these records were not required to be maintained more than 3 years past the filing of the Final FSR. The Commission contends that these findings should be eliminated because they are based on records that the auditor says are missing when, in fact, the records were not required to be kept by the subgrantee.

Documentation of citizenship is also an issue raised by the auditor. Prior to the issuance of Federal Register, Volume 64, No. 132, dated July 12, 1999, neither the Commission nor its subgrantees had specific guidance from the Corporation on the types of documentation required to verify citizenship eligibility of AmeriCorps members. (this is taken directly from page 2 of the audit draft dated 12/27/2001) The Commission contends that all findings based on records prior to this should be eliminated. The Commission also contends that I-9 forms issued by the U.S. Immigration and Naturalization for years prior to 7/12/99 should have been sufficient documentation under the guidelines at that time. The Commission would like it noted that the auditors did not perform any field tests on the documentation for citizenship or lawful permanent residency so there is no real evidence that a problem exists.

AmeriCorps Special Provision No. 14 states, in part, that "the Grantee must maintain verifiable records which document each member's eligibility to serve based upon citizenship or lawful permanent residency, birth date, level of educational attainment, date of high school diploma or equivalent certificate (if attained)." The applications on file include date of high school diploma or equivalent certificate. There is no requirement for actual copies of diplomas or equivalency certificates to be kept on file, therefore, this finding should be eliminated.

The Commission contends that the finding related to lack of documentation regarding proof of age should be eliminated because the application contains date of birth information.

3. General Ledger and/or payroll records were not maintained (Questioned Claimed Costs of $904,309).

Commission Response:

All questioned costs with the exception of the Urban League of Kansas City occurred before 12/31/1997. While it is the Commissions intention to have subgrantees maintain adequate records to verify payroll, there is no requirement that the records be kept longer than 3 years past the submission of the final Financial Status Report (AmeriCorps Provision, Section C.26). The Commission does concur with the finding related to the Urban League of Kansas City. For this reason and many others, this program was discontinued midway into its first and only grant year.

4. Documentation to support AmeriCorps member's terms of service was not maintained (Questioned Claimed Costs of $24,595, Questioned Match Amount of $4,340, and Questioned Education Awards of $3,444).

Commission Response:

The Commission concurs with questioned amounts occurring after 12/31/1997. Documentation of member's terms of service is addressed in the Commission's new Risk-Based Monitoring Policy. Issues relating to terms of service will be addressed as identified through the Risk-Based Monitoring Policy.

5. General Ledger detail did not agree to Monthly Reimbursement Requests (Questioned Claimed Costs of $79,121 and Questioned Match Amounts of $147,770).

Commission Response:

The Commission concurs with this finding. This funded program was discontinued for this and other reasons.

6. Documentation to support selected payments claimed under the subgrants was not maintained (Questioned Claimed Cost of $47,862).

Commission Response:

The following will address the questioned costs by subgrantee:

- Grace Hill Neighborhood Services – Documentation is available and was provided for the amounts of $276 and $194. The amount of $4,684 was in accordance with this organizations approved cost allocation plan and as such requires no documentation. In addition it occurred prior to time period ending 12/31/1997 which requires no records retention according to AmeriCorps Provision, Section C.26.
- American Youth Foundation – All findings prior to December 31, 1997 and should be eliminated pursuant to AmeriCorps Provision, Section C.26.
- YMCA of Greater Kansas City – All findings prior to December 31, 1997 and should be eliminated pursuant to AmeriCorps Provision, Section C.26.
- Urban League of Kansas City – The Commission concurs with this finding and this program has been discontinued for this and other reasons.
- Lincoln University – Finding is prior to December 31, 1997 and should be eliminated pursuant to AmeriCorps Provision, Section C.26.
- University of Missouri – Kansas City – The Commission concurs with this finding and this program has been discontinued for this and other reasons.
- Republic RIII School District – The questioned amounts appear to be in-kind contributions of training services. Documentation is available and can be produced by the Subgrantee.

- St. Joseph Youth Alliance – All findings are prior to December 31, 1997 and should be eliminated pursuant to AmeriCorps Provision, Section C.26.

7. Improper/ineligible payments made (Questioned Claimed Costs of $114).

Commission Response:

The Commission concurs with this finding. The money was not recovered and the grant has been closed for several years.

8. Matching requirements were not met (Questioned Claimed Costs of $33,965).

Commission Response:

The following will address the questioned costs by subgrantee:

- American Youth Foundation – Average administrative costs for the 3-year period of this grant did not exceed 5%. As the requirements do not specifically state a time period, the Commission feels this finding should be eliminated.
- Youthnet of Greater Kansas City – The findings here have been question in a previous audit in December 1996, and as such should be eliminated as a finding from this audit.
- YMCA of Greater Kansas City – The information contained in this finding does not correspond to the MCSC records on file. CSC grants are assessed at a maximum of 85% of what the subgrantee needs to operate. Minimum match of 15% must be achieved to operate a program at 100%.
- Lincoln University – Rounding, an acceptable practice by the MCSC, was used here.
- United Way of the Ozarks – The Commission concurs with this finding.
- Southeast Missouri State University – Commission records indicate matching requirements were met for program years 1996-97 and 1997-98.

9. Match amounts claimed are not properly supported (Questioned Match of $1,508,386).

Commission Response:

The following will address questioned costs by subgrantee:

- Grace Hill Neighborhood Services, Inc – Monthly reimbursement requests and monthly expense reports to support member and non-member support matching costs reflected in the quarterly FSR are on file with the Commission and would have been made available upon request. Source documents such as payroll registers and other supporting documents for the matching expenditures recorded on monthly reimbursement requests and monthly expense reports that were provided for the 1996-97 and 1997-98 program years are available and would have been provided upon request. American Youth Foundation – All findings are prior to December 31, 1997 and should be eliminated pursuant to AmeriCorps Provision, Section C.26.
- Urban League of Kansas City – The Commission concurs with this finding. This grant was discontinued for this and other reasons. All costs were recovered.

B. Other Compliance Findings

10. Lack of Documentation
    - Parental consent
    - Criminal record check
    - Position descriptions
    - Member contracts
    - Orientation
    - Member start and end dates/Location of member's service
    - Mid-term and end-of-term evaluations
    - Enrollment forms, change of status forms, exit/end-of-term-of-service forms

- Health Insurance Coverage
- Financial Status Reports (FSRs) and Progress Reports
- Semi-annual staff certifications

Commission Response:

Member files will continue to be monitored to ensure compliance with regards to documentation. Site visits and training, both annual and on going, will ensure compliance in all areas of documentation.

Administration and Program Development and Training (PDAT) Grants

C. Compliance Findings Resulting in Question Costs

11. Matching requirements were not met (Questioned amounts $7,760).

Audit Recommendation:

We recommend the commission follow-up with the Corporation to resolve noncompliance with matching requirements for the 1994-1995 grant period.

Commission Response:

The Commission concurs and has again requested a response from the Corporation on this issue.

CORPORATION
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To: Luise S. Jordan, Inspector General

Through: William Anderson, Deputy Chief Financial Officer

From: Peg Rosenberry, Director of Grants Management
Peter Heinaru, Director, AmeriCorps State/National

Date: January 28, 2002

Subj: Response to OIG Draft Audit Report 02-11: Incurred Cost Audit of Grants Awarded to the Missouri Community Service Commission

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We have reviewed the draft audit report of the Missouri Community Service Commission grants. Due to the limited timeframe for response, we have not yet conducted a comprehensive review nor analyzed documentation from the Missouri Commission supporting the questioned costs. We will respond to all findings and recommendations when the audit is issued. Before the Corporation can resolve any of the issues and the questioned costs, we will need to review the working papers. In most cases, we cannot determine the basis for the questioned costs without that documentation. The Missouri Commission has provided an extensive response and begun corrective action as needed.

The auditors may have incorrectly questioned costs associated with member living allowances because the programs used the Immigration and Naturalization Service Form I-9 as a way to document U.S. citizenship or status as a legal permanent resident alien. The I-9 form is a legitimate form for certification of AmeriCorps eligibility as long as it is used to confirm status as a citizen or legal permanent resident alien. It is unclear from the draft report whether the auditors simply discounted the use of the Form I-9 because it certifies employment eligibility in general or actually reviewed forms at program sites to determine if the programs were using the form correctly to verify the more specific categories of citizenship or resident alien status. The Corporation will have to review this issue during the resolution process.

The draft audit report summary statement also questions significant costs due to the lack of records at some subgrantees and attempts to assign culpability to the Corporation for not providing guidance to the Commissions for record retention for their subgrantees. However, the report goes on to state that the grant provisions contain the requirements for record retention for the grantee. We disagree with the auditors that guidance has not been provided to our grantees for subgrantee record retention. Given this, it is unclear to us what standard the auditors used for subgrantee record retention and related questioned cost determinations.

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The Corporation conducted an Administrative Standards Review of the Missouri Commission in December 2001. That review is a comprehensive assessment of all aspects of Commission operations, including assessment of financial systems and is the Corporation's primary mechanism for assessing Commission systems. Through it we are working closely with the Commission to assess and improve operations.

Finally, we noted several factual errors we have provided to you separately.

KPMG's Comments on Commission Response

The following paragraphs present KPMG's comments on the Commission's general and specific responses to the findings and recommendations included in this report. We continue to believe our findings are valid, based on the results of the incurred cost audit performed on the costs claimed by the Commission and its subgrantees. Further, our recommendations, once fully implemented should result in improvements to internal controls over the operations of the Commission and those of its subgrantees. Our comments related to the Commission's general response are presented for each caption, followed by our comments related to the Commission's specific responses in the aggregate.

General Response

Audit Schedule and Scope
The audit was conducted in accordance with *Government Auditing Standards* using the CNS OIG's audit program for a Full Scope Incurred Cost Audit of Corporation Awards with Subrecipients as a guide. Our audit approach, including coverage of 90% of total claimed costs, had been developed prior to the commencement of the audit, with the participation of CNS OIG and its approval.

We do not concur with the Commission's contention that insufficient notice was given prior to the start of the audit. The initial notification letter from the CNS OIG to the Commission was dated December 15, 2000, and included instructions for the Commission to notify its subgrantees that documentation maintained at subgrantee locations might be required for the completion of the audit. A formal engagement letter from KPMG dated January 17, 2001, was also sent to the Commission, which included reference to the need to provide documentation maintained at the subgrantee level. The Commission signed the engagement letter on Janaury 29, 2001, and returned it to us. Our entrance conference with the Commission was held on March 6, 2001.

Audit Methodology
As the Commission admits, the use of estimates where actual costs are not available is an accepted audit practice. Since the Commission and its subgrantees could not provide actual costs, the use of estimates, based on other Commission trends and relevant Corporation data, was required in order to complete our audit procedures. However, we do not understand the basis for the Commission's statement that "The use of estimates assumes that a questioned cost on one sub-grant would be present on all sub-grants when this is not necessarily a true assumption." No such assumption was used by KPMG in completing the incurred cost audit.

Record Retention Requirements
Throughout its response, the Commission expressed concern over KPMG's interpretation of the AmeriCorps record retention requirement which has given rise to a significant

portion of the questioned costs. As indicated in our report, the AmeriCorps Provisions state that the grantee must retain and make available all financial records, supporting documentation, statistical records, evaluation data, member information and personnel records for 3 years *from the date of the submission of the final expenditure report (Financial Status Report).* Several subgrantees we audited had not submitted the final Financial Status Report (FSR) for all program years under audit. In those instances where subgrantees had submitted final FSRs, the Corporation had not administratively closed out the sub-grants; therefore, they remained subject to our audit scope. The Commission should address this concern with the Corporation during the audit resolution process.

Member Eligibility/Documentation Requirements
The Commission also expressed concern over member eligibility documentation requirements. As indicated in our report, the AmeriCorps Special Provisions state, in part, that "the Grantee must maintain verifiable records which document each member's eligibility to serve based upon citizenship or lawful permanent residency, birth date, level of educational attainment, date of high school diploma or equivalent certificate (if attained)." Thus, even though specific guidance may not have been given by the Corporation to the Commission, adequate documentation proving eligibility should have been obtained and maintained to support member eligibility. Prior to 1999, most subgrantees obtained and maintained copies of drivers' licenses and social security cards as verification for member's citizenship eligibility. Such documentation is not sufficient to support citizenship.

The Commission also asserts that, in some cases, supporting documentation was available, but never requested during the audit. We do not concur with this statement. The Commission and its subgrantees were given every opportunity to provide documentation to support both member and nonmember costs claimed for reimbursement. To accommodate certain subgrantees, we accepted documentation even after fieldwork was completed at a particular subgrantee location. Findings were issued for amounts that were not properly supported as of the completion of the incurred cost audit. If the Commission is in possession of additional documentation, which was not available during the time of the audit, these items should be given to the Corporation as part of the audit resolution process.

The Commission further asserts that its "cursory review of the original work papers " indicated that some questioned costs were never tested in the field and that the work papers were "altered" by OIG staff after fieldwork was complete. This statement is completely untrue and indicates the Commission's lack of knowledge as to the standards under which audits are required to be conducted. Such standards include a requirement that all work papers be reviewed by a supervisor or someone other than the preparer. Supervisory reviews usually result in changes made to work papers to clarify documentation of audit work. Such review ensures adequate documentation exists to support the conclusions reached. Further, to the extent the Commission or its subgrantees provided additional information to support costs which were initially questioned, the

original work papers would obviously need to be revised to take the additional information into consideration.

Specific Response

Many of the Commission's specific responses relate to their assertion that documentation for program years prior to 1997-98 is not required to be maintained and, therefore, findings related to these program years should be eliminated. We disagree as noted above in our response related to *Record Retention Requirements*.

The only other specific responses of the Commission which we believe require comment are as follows:

- Finding No. 6 – The Commission indicated that documentation is available and was provided for the amounts of $276 and $194 which were questioned for Grace Hill Neighborhood Services, Inc. Such information was not provided to us prior to the issuance of the draft report.
- Finding No. 8 – American Youth Foundation – Our understanding is that administrative cost compliance should be computed for each program year. The Commission should bring its contention that the use of average administrative costs over a three year period as an acceptable determination of compliance to the Corporation's attention during the audit resolution process.
- Finding No. 8 – Youthnet of Greater Kansas City – The fact that this finding has been included in a previous audit does not preclude it from inclusion in our report.
- Finding No. 8 – Lincoln University – We do not concur that rounding from 14.73% to 15% is, necessarily, appropriate. The Commission should address this matter with the Corporation during the audit resolution process.
- Finding No. 8 – Southeast Missouri State University – As noted in our report, the University could not provide adequate documentation to support that it had met its matching requirements.
- Finding No. 9 – The Commission indicated that documentation is available at the Commission to support the matching costs claimed by Grace Hill Neighborhood Services, Inc. As the Commission is aware, we visited this subgrantee twice during the incurred cost audit. We were never informed that documentation we requested from the subgrantee may be available from the Commission; therefore, no specific request for such documentation from the Commission was made.

Overall, our findings were based on relevant AmeriCorps Provisions and the documentation made available to us by the subgrantees or Commission during our audit fieldwork or the approximate three-week "grace period" agreed to by the OIG following the exit conference. Any additional documentation that the Commission has subsequently located that it believes will clear the reported findings, should be forwarded to the Corporation as part of the audit resolution process.

KPMG Comments on Corporation's Response

The following paragraphs present KPMG's comments on the Corporation's response to the findings and recommendations included in this report. The "factual errors" referred to at the end of the Corporation's response have be appropriately corrected in our report.

Corporation's response

The Corporation indicated that the draft report was not clear on whether the auditors discounted the use of the Form I-9 because it certified employment eligibility in general.

KPMG's response

We reviewed the Form I-9 at the subgrantees, as this was the form that was provided for member eligibility verification. We did not discount the use of the I-9 form if the supporting documentation reviewed to complete the form verified citizenship/resident eligibility. However, a majority of the subgrantees checked the boxes for driver's license and social security card and maintained copies of these documents. There were very few subgrantees that actually checked the box for birth certificate and maintained a copy of it. We have added a sentence to clarify this in the report.

Corporation's response

The Corporation indicated that record retention guidance provided by the Corporation should not be questioned.

KPMG's response

We disagree with the Corporation in that, the Corporation has not informed the Commission to maintain all documentation in support of grants that have not been closed to date. Thus, even for those subgrantees that have submitted final Financial Status Reports, all supporting documentation needs to be maintained until the Corporation closes out the grant.