OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Incurred Cost Audit of Grants Awarded to the New Hampshire Commission on National and Community Service

OIG Audit Report Number 02-20
April 12, 2002

Financial Schedules
and
Independent Auditors' Report
For the Period
November 1, 1997 to December 31, 2001

Prepared by:

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This report was issued to Corporation management on August 2, 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 January 29, 2003, and complete its corrective actions by August 2, 2003. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

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

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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 New Hampshire Commission for National and Community Service (Commission) and its subgrantees from September 1, 1997 through December 31, 2001. The primary objective of the incurred cost audit was to express an opinion concerning whether the Schedules of Award Costs (Exhibits A through G) 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 are 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 questioned claimed costs as follows:

- $2,266,933 of claimed federal costs out of total claimed federal costs of $3,318,595 (68.3%) for the 4 AmeriCorps subgrantees tested;
- Related match of $865,037 of the total reported match of $2,028,944 (42.6%) for these same 4 subgrantees;
- $712,988 of claimed federal costs out of total claimed federal costs of $1,136,249 (62.7%) for the Commission's Administrative, PDAT and Disability grants, Governor's Innovative Award, Promise Fellows Awards, and Martin Luther King Awards;
- Related match of $259,813 of the total reported match of $512,046 (50.7%) for the Commission's Administrative grant;
- $835,480 related to Education Awards that may have been awarded to ineligible members.

In total, we questioned $2,979,921 (57.1%) of the claimed federal costs, and $1,124,850 (32.9%) of the related match amounts, for all grants administered by the Commission during the audit period.

A significant portion of the questioned costs was due to the inability of the Commission and its subgrantees to provide supporting documentation because their record retention policies did not comply with AmeriCorps Provisions. The 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 or FSR). Most of the grants at the Commission had not submitted their final Financial Status Report and the Corporation has not closed out any of these grants.

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.

Background

The Corporation began making grant awards to the state of New Hampshire in January 1994. Under Title 42, United States Code, section 12638(a)(2), Governor Stephen Merrill established an Alternative Administrative Entity, the New Hampshire Executive Board for Community Service (Executive Board) to administer the supported programs on the state's behalf. The statutory basis for the Executive Board was contained in Chapter 19-G of the New Hampshire Revised Statutes. Section 3 of Chapter 19-G specified that the New Hampshire Job Training Council (JTC) would provide support and administrative staff for the Executive Board. The JTC's financial department was in charge of ensuring that the financial information reported by the subgrantees and on behalf of the Executive Board was valid and that the subgrantees' financial management systems were in place and effectively accounting for the subgrantees' costs. On June 30, 1997, the Executive Board ceased to function and Chapter 19-G was repealed. By Executive Order 97-5, Governor Jeanne Shaheen on October 13, 1997 established the New Hampshire Commission for National and Community Service. The Commission assumed the responsibilities of the Executive Board and continued to receive administrative support from the JTC. The role of the JTC did not change during this re-establishment period. The JTC continued to be responsible for the fiscal management of the Commission and monitoring the financial status reports of the Commission's subgrantees.

On July 17, 2000, Governor Shaheen transferred the duties and responsibilities of the Commission and two related organizations to Volunteer NH!, a nonprofit corporation. The statutory basis for Volunteer NH! is found in Chapter 19-H of the New Hampshire Revised Statutes. Section 19-H:1 states that Volunteer NH!, a 501(c)(3) nonprofit organization, "incorporates the previous responsibilities and programs of the New Hampshire office of volunteerism, the governor's council on volunteerism, and the New Hampshire commission for national and community service (AmeriCorps)". Under section 19-H:8, Volunteer NH! was administratively attached to the Department of Administrative Services; however, the JTC still provided for the fiscal management of the entity and monitoring of its subgrantees until it disbanded in September 2000. On September 22, 1999, Governor Shaheen established the Workforce Opportunity Council. It assumed the responsibilities of the JTC that did not relate to the Corporation grants. While the JTC as a whole ceased to exist on September 1, 2000, the former chief financial officer of the JTC was retained until December 31, 2000 to closeout all accounting for all Commission activity administered by the JTC. Custody of the records of the JTC, including those relating to the New Hampshire Commission and the Executive Board, were transferred to the Workforce Opportunity Council.

As the JTC no longer exists, its financial personnel are no longer affiliated with the state or Corporation-funded grants in the state. Its general ledger system is no longer accessible to print detail reports by cost center, and the hard copy general ledger reports provided to us did not present sufficient detail to enable us to audit the costs claimed under Corporation-funded grants. In addition, the invoice support, personnel files, and payroll information related to JTC that were required to complete our audit procedures

were not organized in a manner to facilitate identification of those that related to Corporation-funded grants. As a result, we questioned a significant amount of costs claimed by JTC in its administrative role for the Commission.

The four Commission subgrantees that we selected to audit continue to receive Corporation funds – The Coalition Against Domestic and Sexual Violence (AVAP), Belknap-Merrimack Counties Community Action Program (NH Reads), Tri-County Community Action Program (Tri-County CAP), and Student Conservation Association, Inc (SCA). 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, 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 include standard accounting codes and a clear audit trail, and are capable of distinguishing expenditures attributable to grant and non-grant funding, identifying costs by budget line item, and differentiating between direct and indirect costs. The Commission should also implement policies and procedures requiring its subgrantees to review member support and program operating matching requirements and ensure compliance with AmeriCorps provisions.

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 terms of the Corporation's grant awards, and the Commission's and our responsibilities.

REPORT ON THE SCHEDULES OF AWARD COSTS

We were engaged to audit the accompanying AmeriCorps Consolidated, Administrative, Program Development and Training (PDAT), State Disability Funds, Promise Fellows, Governor's Innovative Program, and Martin Luther King Program Schedules of Award Costs (Exhibits A through G) for the New Hampshire Commission for National and Community Service, a grantee of the Corporation for National and Community Service, for the awards and award periods listed below:

Program	Award Number	Award/Audit Period
AmeriCorps	94ASCNH030	9/1/97 - 8/31/00
	00ASCNH030	9/1/00 - 12/31/01
Administrative	94SCSNH030	11/1/97- 12/30/00
	94SCSNHA30	9/1/00 - 12/31/00
	01SCSNH030	1/1/01 - 12/31/01
Program Development and Training (PDAT)	95PDSNH030	11/1/97 - 12/31/00
	00PDSNH030	9/1/00 - 12/31/01
State Disability Funds	00DSCNH032	2/1/01 - 12/31/01
Promise Fellows	98APSNH030	11/1/98 - 5/31/00
	99APSNH030	11/1/99 - 9/30/00
	99APSNHA30	9/1/99 - 12/31/01
Governor's Innovative Program	95SPHG0013	11/30/99 - 12/31/01
Martin Luther King Program	99MDDNH016	Not available

Our audit covered the award period from September 1, 1997 through December 31, 2001 for the AmeriCorps program and the entire award periods noted above for the Administrative, PDAT, State Disability Funds, Promise Fellows, Governor's Innovative Program, and Martin Luther King Program.

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 the Commission during the period under audit. The JTC no longer exists, and its financial personnel are no longer affiliated with the state or Corporation-funded grants in the state. As a result, present management of the Commission was unable to furnish us with knowledgeable representation of facts and circumstances regarding certain transactions arising during the audit period. 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, Administrative, PDAT, State Disability Funds, Promise Fellows, Governor's Innovative Program, and Martin Luther King Program Schedules of Award Costs.

The Schedules of Award Costs by subgrantee (Exhibits H-1 through H-8) 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. The information presented in Exhibits I, J, and K is also presented for additional analysis. 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.

New Hampshire Commission on National and Community Service
AmeriCorps
Consolidated Schedule of Award Costs
From September 1, 1997 to December 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 3,041,125	$ 1,773,721	$ 999,471
FICA & Workers Comp.	312,354	191,316	109,713
Health Care	364,061	184,521	88,504
Other	2,348	3,345	42,649
Subtotal	3,719,888	2,152,903	1,240,337
Other Member Costs:			
Training & Education	83,985	60,798	49,988
Uniforms	9,327	7,508	6,326
Other	5,505	7,904	8,284
Subtotal	98,817	76,210	64,598
Staff:			
Salaries	1,046,234	998,882	227,509
Benefits	213,638	184,734	21,462
Training	4,267	4,064	2,041
Other	5,460	4,038	0
Subtotal	1,269,599	1,191,718	251,012
Operational:			
Travel	58,223	34,527	0
Corporation Sponsored Meeting	15,140	2,000	0
Supplies	140,230	123,923	1,082
Transportation	299,543	231,070	0
Equipment	15,340	14,644	0
Other	71,768	68,252	13,142
Subtotal	600,244	474,416	14,224
Internal Evaluation	12,144	5,257	0
Administration	244,375	176,074	66,023
Difference Between GL and Schedule	0	0	2,586
Adjustment to Agree General Ledger to FSRs:	0	(782)	2,715
Federal Costs Claimed in Excess of Approved Percentage:			
Section A	0	0	72,441
Section B-F	0	0	552,997
Total Corporation Funds:	5,945,066	4,075,796	2,266,933
Total Matching Funds:	3,486,855	2,907,444	865,037
Total Funds:	$ 9,431,921	$ 6,983,240	$ 3,131,970

See accompanying notes to Schedules of Award Costs.

New Hampshire Commission on National and Community Service
Administrative Award
Consolidated Schedule of Award Costs
From September 1, 1997 to December 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Staff:			
Salaries	$ 131,390	$ 127,209	0
Benefits	0	40,216	0
Other	0	0	0
Subtotal	131,390	167,425	0
Travel:			
Commissioners	0	2,100	0
Staff	0	7,930	0
Other	0	0	0
Subtotal	0	10,030	0
Subcontracts/Grants/Agreements:			
Contracts	8,400	13,041	0
Subtotal	8,400	13,041	0
Operating Costs:			
Supplies	0	3,857	505
Equipment	0	10,589	0
Communications	1,190	9,959	505
Space	0	0	0
Subtotal	1,190	24,405	1,010
Amount Questioned in Excess of 10% of the Approved Budget:	0	0	3,685
Adjustment to Agree General Ledger to FSRs:	0	(1,258)	0
Total Corporation Funds	538,817 *	547,168 *	338,220 *
Total Matching Funds	315,778 *	512,046 *	259,813 *
Total Funds	$ 854,595	$ 1,059,214	$ 598,033

* Amounts do not foot because detailed schedules were not provided for cost incurred related to the periods during which JTC served as the administrative entity for the Commission. Thus, the total amounts were added directly into the total lines for both Corportation funds and matching funds. These amounts were obtained from the FSRs provided to the Corporation by JTC.

See accompanying notes to the Schedules of Award Costs.

New Hampshire Commission on National and Community Service
Program Development and Training (PDAT)
Schedule of Award Costs
From September 1, 1997 to December 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Program Staff Salary & Benefits	$ 38,316	$ 48,460	0
Program Staff Development	8,500	2,856	0
Consultants	2,000	0	0
Training Events	32,384	53,373	0
Sub-contracts, Sub-grants	2,300	2,300	0
Communication - Systems	0	0	0
Supplies	0	0	0
Other	5,500	39,200	35,639
Research	0	10,000	0
Questioned Costs Not Identified with a Specific Budget Line	0	0	203,539
Adjustment to Agree General Ledger to FSR:	0	(18,020)	0
Total Corporation Funds	$ 690,278 *	$ 341,708 *	$ 239,178 *

* Amounts do not foot because detailed schedules were not provided for cost incurred related to the periods during which JTC served as the administrative entity for the Commission. Thus, the total amounts were added directly into the total lines for both Corportation funds and matching funds. These amounts were obtained from the FSRs provided to the Corporation by JTC.

See accompanying notes to the Schedule of Award Costs.

New Hampshire Commission on National and Community Service
Martin Luther King Program
Schedule of Award Costs
From September 1, 1997 to December 31, 2001

	Budget	Claimed	Questioned Costs
Corporation Funds	$ 2,000	$ 2,000	$ 2,000

See accompanying notes to the Schedule of Awards Costs.

New Hampshire Commission on National and Community Service
Governor's Innotative Program
Schedule of Award Costs
From September 1, 1997 to December 31, 2001

	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds	$ 99,176	$ 71,420	$ 71,420

See accompanying notes to the Schedule of Awards Costs.

New Hampshire Commission on National and Community Service
Promise Fellows Award
Consolidated Schedule of Award Costs
From November 1, 1998 to December 31, 2001

	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds	$ 198,620	$ 161,214	$ 61,401

See accompanying notes to the Schedule of Award Costs.

New Hampshire Commission on National and Community Service
State Disability Funds Grant Award
Schedule of Award Costs
From February 1, 2001 to December 31, 2001

	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds	$ 22,864	$ 12,739	$ 769

See accompanying notes to the Schedule of Award Costs.

New Hampshire Commission on National and Community Service
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, Program Development and Training (PDAT), State Disability, Promise Fellows, Governor's Innovative Program, and Martin Luther King (MLK) grants awarded to the New Hampshire Commission on National and Community Service (Commission) by the Corporation for National and Community Service for the period September 1, 1997 to December 31, 2001.

The Commission subsequently awards its grant funds to numerous subgrantees that administer the AmeriCorps 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 and the accounting records of the Commission and its subgrantees. 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 the Commission while used in the program for which it was purchased or in other future authorized programs. However, the Corporation has a 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.

Explanation of Selected Schedule Line Items

Adjustment to Agree General Ledger to FSRs

AmeriCorps general ledger detail provided by various subgrantees did not agree to the submitted FSRs. The amount on this line represents the difference between these two sources of information.

Federal Costs Claimed in Excess of Approved Percentage

The results of the incurred cost audit indicated that various subgrantees did not meet the matching requirements of their approved AmeriCorps budgets. Such requirements are divided between Section A costs (member support costs) and Sections B-F costs (other costs). In the accompanying Schedules of Award Costs, these lines represent the amount of questioned costs resulting from the subgrantees' failure to meet the matching requirements in each cost section.

Difference Between the General Ledger and Schedule

AmeriCorps general ledger detail provided by various subgrantees did not agree to the submitted Schedule of Awards for each program year. The amount on this line represents the amount of questioned costs resulting from subgrantees' Schedule of Awards exceeding the amounts recorded in their internal general ledgers.

Questioned Cost Not Identified with a Specific Budget Line

This line represents the questioned costs related to JTC. The Commission did not provide detailed schedules of awards necessary to break out the expenditures in the traditional manner.

Questioned Costs

Questioned costs are costs for which there is evidence 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 $835,480.

A detailed reconciliation of amounts identified as questioned costs in the Report on Compliance to those reflected on Exhibits A through G is presented in Note 2.

2.A. Summary of Questioned Costs - AmeriCorps

Finding	Finding Number	Consolidated Full Scope Audit - AmeriCorps Subgrantees	Tri-County Community Action Program	Student Conservation Association
Questioned Claimed Costs				
Lack of documentation				
Eligibility requirements	A1-a	$ 1,305,039	$ 405,088	$ 244,901
Time and attendance records and proper authorization of timesheets	A1-b	224,268	15,109	103,113
General ledger and/or payroll records were not maintained, or expenses reported in the FSRs exceeded expenses recorded in the general ledger	A2	24,241	-	-
Documentation to support selected payments claimed under the grant was not maintained or the expenditure was unallowable	A3	3,093	695	-
Administrative costs in excess of the maximum Corporation share	A4	66,022	12,942	16,453
Funds were allocated to different budget cost categories without prior approval	A5	18,832	11,407	748
Matching requirements were not met	A6	625,438	77,163	340,278
Subtotal		2,266,933	522,404	705,493
Questioned Match				
Lack of documentation				
Eligibility requirements	A1-a	351,830	92,418	91,338
Time and attendance records and proper authorization of timesheets	A1-b	15,373	10,073	5,300
General ledger and/or payroll records were not maintained, or expenses reported in the FSRs exceeded expenses recorded in the general ledger	A2	1,748	-	-
Documentation to support selected payments claimed under the grant was not maintained	A3	2,148	342	-
Match amounts claimed are not properly supported	A7	493,938	-	468,080
Subtotal		865,037	102,833	564,718
Total		$ 3,131,970	$ 625,237	$ 1,270,211

(Continued)

2.A. Summary of Questioned Costs - AmeriCorps

Finding	Finding Number	Coalition Against Domestic and Sexual Violence	Belknap-Merrimack Community Action Program
Questioned Claimed Costs			
Lack of documentation			
Eligibility requirements	A1-a	$ 609,125	$ 45,925
Time and attendance records and proper authorization of timesheets	A1-b	106,046	-
General ledger and/or payroll records were not maintained, or expenses reported in the FSRs exceeded expenses recorded in the general ledger	A2	21,667	2,574
Documentation to support selected payments claimed under the grant was not maintained or the expenditure was unallowable	A3	882	1,516
Administrative costs in excess of the maximum Corporation share	A4	36,627	-
Funds were allocated to different budget cost categories without prior approval	A5		6,677
Matching requirements were not met	A6	116,203	91,794
Subtotal		890,550	148,486
Questioned Match			
Lack of documentation			
Eligibility requirements	A1-a	159,818	8,256
Time and attendance records and proper authorization of timesheets	A1-b	-	-
General ledger and/or payroll records were not maintained, or expenses reported in the FSRs exceeded expenses recorded in the general ledger	A2	1,508	240
Documentation to support selected payments claimed under the grant was not maintained	A3	-	1,806
Match amounts claimed are not properly supported	A7	24,561	1,297
Subtotal		185,887	11,599
Total		$ 1,076,437	$ 160,085

2.B. Summary of Questioned Costs - Administrative, PDAT, Promise Fellows, Governor's Innovative Program, Martin Luther King Program and State Disability Grants

Finding	Finding Number	Consolidated Full Scope Audit - Commission Level Grants	Administrative Grant	PDAT Grant
Questioned Claimed Costs				
Documentation to support selected payments claimed under the grant was not maintained	12	$ 37,418	$ 1,010	$ 35,639
Funds were allocated to different budget cost categories without prior approval	13	3,685	3,685	-
Inability to gain access to subgrantee records	11	671,885	333,525	203,539
Subtotal		712,988	338,220	239,178
Questioned Match				
Inability to gain access to subgrantee records	11	257,264	257,264	-
Match amounts claimed are not properly supported	14	2,549	2,549	-
Subtotal		259,813	259,813	-
Total		$ 972,801	$ 598,033	$ 239,178

(Continued)

2.B. Summary of Questioned Costs - Administrative, PDAT, Promise Fellows, Governor's Innovative Program, Martin Luther King Program and State Disability Grants

Finding	Promise Fellows	Governors Innovative Program	Martin Luther King Program	State Disability Grant
Questioned Claimed Costs				
Documentation to support selected payments claimed under the grant was not maintained	$ -	$ -	$ -	$ 769
Funds were allocated to different budget cost categories without prior approval	-	-	-	-
Inability to gain access to subgrantee records	61,401	71,420	2,000	-
Subtotal	61,401	71,420	2,000	769
Questioned Match				
Inability to gain access to subgrantee records	-	-	-	-
Match amounts claimed are not properly supported	-	-	-	-
Subtotal	-	-	-	-
Total	$ 61,401	$ 71,420	$ 2,000	$ 769

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 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 Schedules of Award Costs of the Commission for the period September 1, 1997 to December 31, 2001.

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 control 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 1999. A more detailed summary of the status of reportable conditions as first reported in OIG Audit Report Number 00-19[1], *Pre-Audit Survey Report of the New Hampshire Commission on National and Community Service* issued on October 22, 1999, is presented as Exhibit L.

[1] For additional information, including the responses by New Hampshire Commission and the Corporation, see OIG Audit Report #00-19; *Pre-Audit Survey Report of the New Hampshire Commission on National and Community Service*, issued by the Corporation OIG.

Material Weaknesses

1. Grants and Program Management

The New Hampshire 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 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. As a result, we identified control weaknesses and instances of noncompliance resulting in significant questioned costs. Additionally, as noted in the Report Summary beginning on page 3, during the period audited, the Commission changed administrative entities from the JTC to Volunteer NH!.

In August 2001, we obtained the AmeriCorps member rosters from the National Service Trust database for individual program years for each of the four Commission AmeriCorps 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.

Subgrantee	Program Year and Exception
Tri-County Community Action Program	1997-98 roster lists four members as active even though they are no longer affiliated with the AmeriCorps Program
Coalition Against Domestic and Sexual Violence	1998-99 roster lists one member as active even though she is no longer affiliated with the AmeriCorps Program.

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 noncompliance issues related to member status forms identified above and in the 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 work at individual subgrantees, we identified the following internal control deficiencies, which indicated inadequate monitoring of subgrantees by the Commission:

- Two subgrantees (Tri-County and SCA) do not have a documented process for filing and adjudicating grievances from labor organizations or other interested parties concerning project or program operations.

- One subgrantee (SCA) does not maintain a written agreement with partnering agencies that specifically addresses employee displacement or service duplication.
- One subgrantee (SCA) does not maintain adequate physical security of its negotiable instruments, such as blank checks.
- Prior to April 1999, one subgrantee's (AVAP) accounting system was incapable of adequate fund accounting. In addition, the subgrantee's current system does not have a budget module, making it difficult to track and analyze actual expenditures against the approved budget.
- Three of the subgrantees (NH Reads, Tri-County CAP and SCA) reallocated funds between budgeted line items without the appropriate authorization from the Corporation and/or the Commission.

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

- Complete the implementation of the recently developed policies and procedures designed to monitor the programmatic and financial activity of all subgrantees.
- Enhance its recently developed monitoring policies and procedures to include specific sampling guidelines for all areas of the monitoring tool and for the review of the validity of reported program accomplishments.
- Ensure that operating sites (i.e., the locations where service is performed) are visited during each subgrantee monitoring visit.
- Ensure that a person knowledgeable of financial management requirements accompanies Commission program personnel on each site visit and performs financial monitoring activities.
- Ensure adequate attention is given to compliance issues which may not be addressed even if an 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.
- Ensure that current subgrantees establish procedures by which adequate segregation of accounting duties is maintained; systems are in place to ensure that expenses incurred can be accurately reported to the Corporation and are based on approved budget line items; systems are in place to track the number of hours members spend on training; and effective accounting controls over bank reconciliations, the posting of journal entries, and the cancellation of vouchers are implemented.
- Establish and implement timeframes for formal submission of site visit feedback to the subgrantee and for receipt of the subgrantee's corrective action plan if issues are identified.

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 L, the 1999 pre-audit survey procedures 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 for accurate, current, and complete disclosure of financial and programmatic results.

Many of the weaknesses identified at the Commission during the pre-audit survey were validated by exceptions we identified for individual subgrantees of the Commission, and resulted in significant questioned costs. Subsequent to the pre-audit survey, the Commission began to develop, and is still developing, formal procedures to improve controls and ensure compliance with all applicable regulations.

However, the Commission has not fully developed and documented the procedures for the following pre-audit survey conditions:

- Ensure that selection officials review prior evaluations of subgrantees during the renewal application process.
- Ensure potential subgrantees' financial systems are assessed during the risk assessment process.
- Review subgrantees' (1) financial systems, (2) AmeriCorp's member timesheets, (3) expense documentation, (4) member living allowances and hours accumulation during site visits, and (5) OMB Circular A-133 Reports.

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

- Schedules of award costs and supporting detail reports for each Commission-level grant administered by JTC could not be prepared from existing accounting records before we concluded our Commission-level fieldwork. Through inquiry, we determined that the JTC Financial Department was responsible for ascertaining that each subgrantee met its matching funds requirements and that related follow-up was performed. However, we could not determine if this control was functioning effectively.
- JTC hired a new Executive Director in July of 1999 without obtaining prior written approval from the Corporation as required by grant provisions.
- On several occasions, Volunteer NH! Executive Director's timesheets were not properly authorized by the Board Chair.

- A list is not maintained of Volunteer NH!'s equipment funded by the Corporation as required by OMB Circular A-110 and A-133; property purchased with federal funds or provided by a federal agency is not properly identified as such; and Volunteer NH lacks physical controls over its equipment, such as periodic physical inspections to verify asset existence.
- Volunteer NH!'s Executive Director is an authorized check signer and maintains control over the petty cash fund, several starter checks, and cash receipts.
- Volunteer NH!'s cash is not logged in upon receipt, or periodically reconciled with the accounting system.
- The individual who is responsible for the custody of cash receipts at Volunteer NH! is also responsible for recording the receipts in the accounting system.
- On 5 occasions, an employee under the Executive Director's responsibility inappropriately approved Volunteer NH! Executive Director's travel expenditures.
- The Commission does not prepare reconciliations which compare the actual amount of cash drawn down from the Department of Health and Human Services (HHS) to the cleared accounts receivable (i.e., claimed expenses). For PDAT and Promise Fellows grants, we noted that the amount of cash draw down from the HHS exceeded the amounts claimed on the related FSRs. In addition, one subgrantee (AVAP) received funds in excess of claimed expenditures and has not returned the funds or the interest earned to the Corporation.

We recommend that the Commission develop a comprehensive set of policies and procedures for all grants received from the Corporation. These policies and procedures should address all aspects of the Commission's financial activities, including the accounting, reporting and monitoring of funds received and disbursed by the Commission. Once developed, these policies and procedures should be immediately implemented to ensure that day-to-day procedures are performed accurately and consistently, thus minimizing the risk of Corporation funds being improperly disbursed.

We recommend the Corporation follow up with the Commission to ensure the new procedures have been properly implemented and adequate corrective action is taken on the unresolved conditions noted in the pre-audit survey report and on the additional matters discussed above.

REPORT ON COMPLIANCE

The results of our tests of compliance disclosed the following instances of noncompliance and related questioned costs as reflected in Exhibits A through G, 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 Supplemental Schedules of Award Costs by subgrantee at Exhibits H-1 through H-8, 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 documentation

a. Eligibility requirements were not met (Questioned Claimed Costs of $1,305,039, Questioned Match Amounts of $351,830 (other match amounts questioned in additional findings reported below), and Questioned Education Awards of $835,480).

The following subgrantees failed to maintain sufficient documentation to verify that members met eligibility requirements. 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)...If a member does not have a high school diploma or its equivalent at the time of enrollment, the Grantee must maintain a record of the member's elementary or high school drop-out date, the member's written agreement to obtain a high school diploma or its equivalent before using the education award, and, if applicable, verification of the member's enrollment at an institution of higher education..."

Subgrantee	**Member Files Lacking Documentation/ Sample Size**	**Applicable program years**
Lacking Documentation For: High school diploma, equivalent certificate or other required documentation		
Coalition Against Sexual and Domestic Violence*	20 of 21	1997-98 through 2000-01
Belknap-Merrimack Community Action Program**	5 of 15	1997-98 through 1999-2000
Tri-County Community Action Program*	20 of 26	1997-98 through 2000-01
Student Conservation Association*	20 of 20	1997-98 through 2000-01
Lacking Documentation For: Proof of age or parental consent		
Belknap-Merrimack Community	4 of 25	1997-98 & 1998-99

Subgrantee	Member Files Lacking Documentation/ Sample Size	Applicable program years
Action Program**		
Student Conservation Association*	7 of 20	1997-98 through 1999-2000
Tri-County Community Action Program*	13 of 26	1997-98 through 1999-2000
Lacking Documentation For: Proof of citizenship		
Coalition Against Sexual and Domestic Violence*	9 of 21	1997-98 through 1999-2000
Belknap-Merrimack Community Action Program**	5 of 15	1997-98 & 1998-99
Tri-County Community Action Program*	13 of 26	1997-98 through 1999-2000
Student Conservation Association*	7 of 20	1997-98 through 1999-2000

* 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.

** Because of the number of exceptions noted, we have questioned 33 % of member costs incurred for this subgrantee and all related Education Awards issued by the Corporation relating to the member files that lacked documentation.

b. *Documentation to support time and attendance records and proper authorization of timesheets was not evident, including lack of support for AmeriCorps members' terms of service (Questioned Claimed Costs of $224,268 and Questioned Match Amounts of $15,373 (other match amounts questioned in additional findings reported below)).*

The AmeriCorps Special Provisions also require 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. Lack of documentation to support successful completion of hours of service could ultimately result in questioned education awards.

Further, the AmeriCorps Special Provisions state that "time and attendance records must be signed by both the member and by an individual with oversight responsibilities for the member." They also require 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 with the hours recorded by the member/employee.

The subgrantees listed below (a) could not locate staff timesheets for entire program years, or (b) could not provide timesheets that were signed by the individual or an authorizing official for selected program years, or (c) did not maintain required documentation to support staff salary rates.

Subgrantee	**Member Files Lacking Documentation/ Sample Size**	**Applicable program years**
Lacking Documentation For: Approved Staff Timesheets		
Coalition Against Sexual and Domestic Violence	3 of 20	1997-98 & 1998-99
Student Conservation Association	9 of 40	1997-98 & 1998-99
Tri-County Community Action Program	All *	1st Quarter 1997-98
Lacking Documentation For: Approved Staff Salary Rates		
Coalition Against Sexual and Domestic Violence	N/A**	1997-98 & 1998-99

* The subgrantee could not locate any staff timesheets for the 1st quarter of the 1997-98 program year.
** The subgrantee could not provide documentation supporting the approved salary rate for one staff member for two years of her employment.

2. *General ledger and/or payroll records were not maintained, or expenses reported in the FSRs exceeded expenses recorded in the general ledger (Questioned Claimed Costs of $24,241 and Questioned Match Amounts of $1,748).*

The AmeriCorps General Provisions state that subgrantees must maintain adequate supporting documents for every expenditure (federal and non-federal) and in-kind contribution 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 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. Subgrantees' financial management responsibilities 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.

Coalition Against Domestic and Sexual Violence
Claimed salary costs per the general ledger for program years 1997-98 and 1998-99 exceeded total expenses recorded in the payroll registers.

Community Action Belknap-Merrimack County and Coalition Against Domestic and Sexual Violence
Claimed costs per the FSRs for program years 1997-98, 1998-99, & 2000-01 exceeded total expenses recorded in the general ledger.

3. *Documentation to support selected payments claimed under the grant was not maintained (Questioned Claimed Cost of $3,093 and Questioned Match Amounts of $2,148).*

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

Coalition Against Domestic and Sexual Violence

Category of Cost	Payee	Amount	Program Year
Other Member Costs – Training	N/A**	$500*	1999-2000
Member Costs – Healthcare	N/A**	$2,813*	1998-99
Other Member Costs – Training	Patricia Baum	$131*	1998-99
Other Member Costs – Training	Unitarian Universalist Church	$130*	1998-99
Member Training Costs	The Gristmill Restaurant	$545*	1998-99
Operational - Other	N/A**	$160	1998-99
Operational - Other	N/A**	$150	1998-99
Operational - Other	N/A**	$200	1998-99

* These amounts were not included in the above questioned costs because all "other member costs" were questioned due to member non-compliance.
** The "payee" could not be determined because supporting documentation was not provided for the expenditure. In addition, the general ledger did not include "payee" information.

The following subgrantees charged expenses to the AmeriCorps program that were either unrelated or unallowable to the program, or we could not determine whether they were incurred solely for the program. The related amounts in expenditures selected for review were as follows:

The Coalition Against Domestic and Sexual Violence

Category of Cost	Payee	Amount	Program Year
Other Member Costs – Training	Eagle Pond Catering	$500*	2000-01
Operational – Other	Patricia Baum	$39	1999-2000
Other Member Costs – Training	Theresa Maier	$562*	1998-99
Other Member Costs – Training	Patricia Baum	$156*	1997-98
Other Member Costs – Training	Industry Prints	$502*	1997-98
Other Member Costs – Training	Alan's of Boscawen	$650*	1997-98
Operational – Supplies	Speedy Printing	$334	1997-98

* These amounts were not included in the above questioned costs because all "other member costs" were questioned due to member non-compliance.

Belknap-Merrimack Community Action Program

Category of Cost	Payee	Amount	Program Year
Other Member Costs	American Express	$194	2000-01
Other Member Costs	American Express	$370	2000-01
Other Member Costs	Concord Stop and Save	$320	2000-01
Member Support Costs - Healthcare	New Hampshire Job Training Council	$520	1998-99
Member Support Costs - Healthcare	New Hampshire Job Training Council	$160	2000-01
Other Member Costs	New Hampshire Job Training Council	$629	1998-99
Other Member Costs	New Hampshire Job Training Council	$637	1998-99
Other Member Costs	The Gristmill Restaurant	$491	1998-99

Tri-County Community Action Program

Category of Cost	Payee	Amount	Program Year
Operational - Other	New Hampshire Job Training Council	$609	1998-99
Operational - Other	New Hampshire Job Training Council	$428	1998-99

The AmeriCorps General Provisions state that subgrantees must maintain adequate supporting documents for every expenditure (federal and non-federal) and in-kind

contribution 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.

4. *Administrative costs in excess of the maximum Corporation share were claimed (Questioned Claimed Costs of $66,022).*

The AmeriCorps General Provisions indicate that administrative costs cannot exceed 5% of total Corporation funds actually expended under the award.

The following subgrantees claimed administrative costs in excess of this maximum percentage:

Subgrantee	**Applicable program years**
Coalition Against Domestic and Sexual Violence	All years
Tri-County Community Action Program	All years
Student Conservation Association	All years

5. *Funds were allocated to different budget cost categories without prior approval, when required (Questioned Claimed Costs of $18,832).*

The following subgrantees departed from the approved budget without obtaining prior written approval:

Subgrantee	**Category from where funding was reduced**	**Category that funding was disbursed**	**Applicable program years**
Belknap-Merrimack Community Action Program	Member support costs	Other Member Support Cost – Staff Salaries	1998-99
Tri-County Community Action Program	Member support costs	Operational - Other	1999-2000
Student Conservation Association	Member support costs	Operational - Supplies	1999-2000

* All member support costs were already questioned due to member non-eligibility compliance.

The AmeriCorps Provisions state that the subgrantee must obtain the prior written approval of the Corporation before deviating from the approved budget in various ways, including:

- Reallocation of Funds from the "Member Support Cost" category to other categories of the approved budget. The specific line items covered by this sub clause are:
  a. Living Allowance

b. FICA, worker's compensation, and unemployment insurance and
c. Healthcare
(1994 – 2000 Provisions)

- Budgetary transfers to absorb administrative costs above the amount specified in the approved budget, if below the 5% maximum limit (1994 – 1999 Provisions).
- Within the "Other Member Costs" category, the subgrantee may not decrease funds budgeted for training and education without prior Corporation approval (1995 – 1999 Provisions).

6. *Matching requirements were not met (Questioned Claimed Costs of $625,438).*

According to the AmeriCorps Provisions, the grantee must provide and account for matching funds consistent with the approved application and budget. The Corporation requires, 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.

After taking questioned costs noted elsewhere in this incurred cost audit into consideration, the following subgrantees did not meet matching requirements for certain program years:

Subgrantee	**Applicable budget/FSR cost section**	**Applicable program years**
Coalition Against Domestic and Sexual Violence	Both Both Both Sections B-F	1997-98 1998-99 1999-2000 2000-01
Belknap-Merrimack Community Action Program	Both Both Both Section A	1997-98 1998-99 1999-2000 2000-01
Student Conservation Association	Both Both Both Both	1997-98 1998-99 1999-2000 2000-01
Tri-County Community Action Program	Both Both Both Both	1997-98 1998-99 1999-2000 2000-01

7. *Match amounts claimed are not properly supported (Questioned Match of $493,938).*

Student Conservation Association
The Student Conservation Association could not provide support for any of their in-kind contributions for program years 1997-98 through 2000-01. Therefore, we questioned all in-kind contributions for the entire audit period.

Coalition Against Domestic and Sexual Violence
Coalition Against Domestic and Sexual Violence could not provide support for 7 of 40 selected in-kind matching expenses for program years 1997-98, 1998-99 and 1999-2000.

Belknap-Merrimack Community Action Program
During program years 1997-98, 1998-99 and 1999-2000, Belknap-Merrimack Community Action Program inappropriately recorded in-kind contributions for non-member volunteers that provided services normally provided by members.

The 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.

The AmeriCorps provisions also state that because the purpose of the Grant is to enable and stimulate volunteer community service, the Grantee may not include the value of direct community service performed by volunteers in kind. However, the Grantee may include the value of volunteer services contributed to the organization for organizational functions such as accounting, audit, and training of staff and AmeriCorps members.

B. Other Compliance Findings

8. *Lack of documentation*

- *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. The 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 AmeriCorps Provisions require that this documentation be maintained within member or employee files.

Subgrantee	Member files lacking documentation/ sample size	Applicable program years
Tri-County Community Action Program	7 of 26	1997-98 & 1998-99

- *Position descriptions*

The 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.

The following subgrantees failed to maintain member files that included position descriptions as required above:

Subgrantee	Member files lacking documentation/ sample size	Applicable program years
Belknap-Merrimack Community Action Program	9 of 15	1997-98 & 1998-1999
Student Conservation Association	10 of 20	1997-98 & 1998-1999
Tri-County Community Action Program	6 of 26	1997-98, 1998-99, & 1999-2000

- *Member contracts*

The AmeriCorps Special Provisions require that the subgrantee 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.

The following subgrantees failed to maintain documentation to support that members had signed contracts that included all required elements noted above.

Subgrantee	Member files lacking documentation/ sample size	Applicable program years
Lacking Documentation For: Member Contracts That Include All Required Elements		
Tri-County Community Action Program	7 of 26	1997-98

- *Orientation*

The 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.

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
Lack of Documentation: Evidence of Orientation		
Student Conservation Association	All for program year 1997-98	1997-98
Belknap-Merrimack Community Action Program	All for program years 1997-98 though 2000-01	All Years

- *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. The AmeriCorps Provisions require that each subgrantee 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: Signed Mid-Term and/or End-of-Term Evaluations		
Coalition Against Domestic and Sexual Violence	8 of 21	1997-98, 1998-99 & 1999-2000
Lacking Documentation For: Mid-Term and/or End-of-Term Evaluations		
Coalition Against Domestic and Sexual Violence	8 of 21	1997-98, 1998-99 & 1999-2000
Belknap-Merrimack Community Action Program	4 of 15	1997-98 & 1998-99
Student Conservation Association	15 of 20	1997-98, 1998-99 & 2000-01
Tri-County Community Action Program	7 of 26	All years

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

The AmeriCorps Special Provisions require the following documents 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.

Certain standard forms required to be completed for members were not completed by the following subgrantees.

Subgrantee	Member files lacking documentation/ sample size	Applicable program years
Lacking Documentation For: Approved and Dated Enrollment Form		
Coalition Against Domestic and Sexual Violence	6 of 21	1997-98 & 1999-2000
Lacking Documentation For: Approved Exit/End-of-Term Form		
Coalition Against Domestic and Sexual Violence	2 of 21	1999-2000
Tri-County Community Action Program	1 of 26	1999-2000
Lacking Documentation For: Exit/End-of-Term form with Hours of Completion		
Tri-County Community Action Program	2 of 26	2000-01

- *Timesheets to Support 1,700 Hours of Service*

The Subgrantee 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), participation start date and end date, hours of service per week, location of service activities and project assignment. The records must be sufficient to establish that the individual was eligible to participate in the Program and 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.

The following subgrantee failed to maintain timesheets to support members completed 1,700 hour of service:

Subgrantee	Member files lacking documentation/ sample size	Applicable program years
Lacking Documentation For: Timesheets to Support 1,700 Hours of Completion		
Student Conservation Association	5 of 20	1997-98 & 1998-99

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

According to the AmeriCorps Provisions, beginning in program year 1999-2000, FSRs are due May 1 for the period ending March 31 and October 31 for the period ending September 30. A grantee properly utilizing the Web-Based Reporting System (WBRS) meets financial reporting requirements when the grantee uses that system to submit reports within the approved time frames. A subgrantee must meet the submission deadlines set by the grantee for accurate and timely reporting. Prior to program year 1999-2000, FSRs were due 30 days after the end of each calendar quarter.

A subgrantee completing the final year of its grant must submit, in lieu of the last semi-annual FSR, a final FSR that is cumulative over the entire project period. This FSR is due within 90 days after the end of the project period.

A grantee completing the final year of its grant must submit, in addition to the Progress Report due on October 31, a final Progress Report that is cumulative over the entire project period. This progress report is due within 90 days after the close of the grant.

The AmeriCorps Provisions also require that each grantee set its own subgrantee reporting requirements consistent with its need for timely and accurate reports. As such, the Commission required its subgrantees to submit quarterly progress reports within 30 days of the end of the 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	**Missing reports /sample size**
Lacking Documentation For: Timely Submission of FSR	
Coalition Against Domestic and Sexual Violence	7 of 10
Belknap-Merrimack Community Action Program	6 of 14
Lacking Documentation For: Final FSRs and Final Progress Reports	
Coalition Against Domestic and Sexual Violence	1 of 1
Tri-County Community Action Program	1 of 1
Student Conservation Association	1 of 1
Lacking Documentation For: Timely submission of progress reports	
Coalition Against Domestic and Sexual Violence	3 of 4
Belknap-Merrimack Community Action Program	3 of 3
Tri-County Community Action Program	All

9. Lack of Adequate Internal Controls

According to the AmeriCorps Provisions, "The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary."

We identified lack of internal controls at the following subgrantees:

The Student Conservation Association
The Student Conservation Association's Senior Finance Assistant maintains the ability to post cash receipt journal entries in the accounting system, make the daily bank deposits, and prepare bank reconciliations. Proper segregation of duties requires these tasks to be performed by separate personnel. In addition, the Budget and Finance Analyst maintains the ability to transmit employees' hours to ADP online, receives payroll checks, reviews the payroll summary sent by ADP, and approves the payroll expense journal entry without any supervisory review.

The Student Conservation Association keeps blank checks in an unlocked cabinet in the finance department area. In addition, the Finance Controller does not keep track of the issued check sequence.

Tri-County Community Action Program
The administrative entity's Administrative Assistant and the Bookkeeper are responsible for posting the employees' hours in the accounting system, distributing payroll checks, and making changes to the employees' pay rates. Thus, no proper segregation of duties exists for personnel processing payroll and distributing checks. In addition, there is no adequate review performed over changes made in the accounting system related to pay rates. We noted no evidence that bank reconciliations are reviewed. Bank reconciliations are not signed by either the preparer or the reviewer. Also, bank reconciliations for the period from October 1, 1997, to June 30, 1998, were destroyed in accordance with Tri-County Community Action Program's retention policy, which is not compliant with the AmeriCorps provisions.

10. Other exceptions to program compliance.

Student Conservation Association
The Student Conservation Association did not maintain a documented process for filing and adjudicating grievances from labor organizations or other interested parties concerning project or program operations. In addition, the administrative entity does not maintain written agreements with partnering agencies that specifically address employee displacement or service duplication.

Tri-County Community Action Program
The Tri-County Community Action Program did not maintain a documented process for filing and adjudicating grievances from labor organizations or other interested parties concerning project or program operations.

According to the AmeriCorps Provisions, the Grantee must establish and implement a process for filing and adjudicating grievances from members, labor organizations and other interested parties. A grievance process may include dispute resolution programs such as mediation, facilitation, assisted negotiation and neutral evaluation. A grievance process must provide an opportunity for a grievance hearing and binding arbitration. If the grievance alleges fraud or criminal activity, it must be brought to the attention of the Inspector General of the Corporation immediately. Discrimination complaints may also be raised through the grievance procedure.

According to the AmeriCorps Provisions, grant funds may not be used to duplicate services that are available in the locality of a program or project. The Grantee may not conduct activities that are the same or substantially equivalent to activities provided by a state or local government agency in which the Grantee entity resides. In addition, the Grantee may not displace an employee or position, including partial displacement such as reduction in hours, wages or employment benefits, because of the use by such employer of a member in a program or project.

Coalition Against Domestic and Sexual Violence
During the program years under audit, the Coalition received approximately $55,000 in excess of claimed expenditures and has not returned the funds or the interest earned to the Corporation. However, the Coalition has attempted to return the money to the Commission without success. It has maintained the funds in an interest-bearing bank account.

The AmeriCorps Provisions state that the Grantee may receive advance payments of Grant funds, provided the Grantee meets the financial management standards specified in OMB Circular A-102 and its implementing regulations or A-110 and its implementing regulations, as applicable. If the Grantee does not establish procedures to minimize the time elapsing between the receipt of the cash advance and its disbursement, the Corporation may, after providing due notice to the Grantee, discontinue the advance payment method and allow payments in advance only by individual request and approval, or by reimbursement. The Grantee must deposit advance funds received from the Corporation in federally insured, interest-bearing accounts.

In addition, prior to April 1999, the Coalition Against Domestic and Sexual Violence's accounting system was incapable of adequate fund accounting. As a result, the Coalition had to manually track expenditures. Although the current accounting system is capable of budgetary accounting, the Coalition Against Domestic and Sexual Violence has not implemented the budget module, making it difficult to track and analyze actual expenditures against the approved budget.

The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this Grant from expenditures not attributable to this 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.

Recommendations Related to the AmeriCorps Grant

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

- The Corporation should follow up with the Commission to determine whether the questioned amounts should be disallowed and recovered.
- The Corporation should issue guidance to clarify what is meant by a final FSR to ensure that subgrantees understand when the 3-year retention period specified in the AmeriCorps Provisions begins.
- 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, other claimed costs submitted for reimbursement, matching costs reported, and contributions received. The Commission should then verify subgrantee compliance with this guidance during periodic site visits.
- 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 ensure that current subgrantees have developed and implemented procedures that prevent administrative costs claimed from exceeding the maximum percentage allowable in each program year, and require prior written approval for budgetary transfers, when applicable.
- The Commission should ensure that current subgrantees have developed and implemented periodic budget to actual monitoring procedures for the AmeriCorps grant to ensure costs charged against it are reasonable given the amount of the grant period that has expired.
- The Commission should require existing subgrantees to document and adhere to file maintenance procedures that will ensure compliance with the 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 verify subgrantee compliance with these file maintenance procedures during periodic site visits.
- The Commission should assist subgrantees in developing sufficient internal controls that provide (1) proper segregation of duties, (2) appropriate approvals, (3) security of assets, (4) appropriate review, and (5) maintenance of supporting documentation that complies with the AmeriCorps provisions.
- The Commission should ensure that subgrantees have implemented policies and procedures that are consistent with the AmeriCorps provisions.

Administrative, Program Development and Training (PDAT), Martin Luther King Program (MLK), Governor's Innovative Program, Promise Fellows, and State Disability Awards

The following findings are a result of compliance audit work performed at the New Hampshire Commission level related to the Administrative, PDAT, MLK, Governor's Innovative Program, Promise Fellows, and State Disability Awards. As indicated below, we questioned the majority of costs claimed for the period under audit related to the program years when JTC had administrative responsibility of the Commission. These questioned costs result primarily from a lack of financial records and supporting documentation. However, to the extent other records were available, we performed other tests of compliance as required by the *Audit Program for Full Scope Incurred Cost Audit of Corporation Awards with Subrecipients.* Those findings, many of which are similar to the pre-audit survey findings, are presented in the following paragraphs as they relate to both JTC and Volunteer NH!.

C. Compliance Findings Resulting in Questioned Costs

The specific amounts questioned related to the findings discussed below are included in the Schedules of Award Costs at Exhibits B through G, and in the Summary of Questioned Costs included as Note 2 to the Consolidated Schedule of Award Costs. Note 2 reconciles the amounts identified as questioned costs in the following paragraphs to the consolidated amounts of questioned costs reflected in Exhibits C and D.

11. Documentation to support expenses claimed under the grant was not maintained (Questioned Claimed Cost of $671,885 and Questioned Match Amounts of $257,264).

The Commission was unable to provide a Schedule of Award Costs related to program years 1997-98 through September 2000 because adequate supporting financial records and supporting documentation was not maintained. Therefore, we questioned $203,539 of PDAT expenses, $333,525 of Administrative expenses, $61,401 of Promise Fellows expenses, $71,420 of Governor's Innovative Program expenses, and $2,000 of Martin Luther King expenses incurred during those periods. We also questioned $257,264 of PDAT matching expenses.

Per the Administrative and PDAT Grant General Provisions, the Grantee must retain and make available to the Corporation upon request all financial records, supporting documentation, statistical records, evaluation data, participant information, and personnel records for 3 years from the date of the submission of final Financial Status Report, or if any audit is started prior to the expiration of the 3 year period, the records shall be retained until the audit findings involving the records have been resolved and final action has been taken. The Grantee has full fiscal and programmatic responsibility for managing all aspects of grant and grant-supported activities, subject to the oversight of the Corporation. The Grantee is accountable to the Corporation for its operation of the AmeriCorps Program and the use of Corporation grant funds. It must expend grant funds in a judicious and reasonable manner.

Recommendation

We recommend that the Commission enhance its record-keeping procedures to ensure that supporting documentation for its expenses is maintained as required by the OMB Circulars and the grant agreement.

12. Documentation to support selected expenditures claimed under the grant was not maintained (Questioned Claimed Cost of $37,418).

The Commission was unable to provide documentation that supported the existence and/or reasonableness of selected payments claimed for reimbursement from the Corporation under the Administrative grant, as follows:

Category of Cost	Payee	Amount	Program Year
Communications	Postmaster	$505	2000-01
Supplies	Andrea Walsh	$505	2000-01

The Commission was unable to provide documentation that supported the existence and/or reasonableness of selected payments claimed for reimbursement from the Corporation under the PDAT grant, as follows:

Category of Cost	Payee	Amount	Program Year
Other	New Hampshire Job Training Council	$35,639	1999-2000

In addition, the Commission made one disbursement under the Disability award for $1,619 based on an estimate for services. However, when the service was completed, the final invoice was for $850. The Commission did not receive a refund from the vendor, therefore we question the non-refunded difference of $769.

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, states "To be allowable under Federal awards, costs must...be adequately documented."

Recommendation

We recommend that the Commission enhance its record-keeping procedures to ensure that supporting documentation for its expenses is maintained as required by the OMB Circulars and the grant agreement.

13. Approvals for budget modifications were not obtained (Questioned costs of $3,685).

Volunteer NH! overspent several budget line items for the Administrative grant that resulted in cumulative budget transfers exceeding 10% of the approved budget ($14,609). No prior approvals were obtained from the Corporation for these budget changes. Budget transfers include $8,103 for Travel, $7,820 for Operating Costs, and $2,371 for Other,

totaling $18,294. Therefore, we questioned transferred amounts in excess of $14,609, which is 10% of the approved budget.

Per the 2001 Administrative Provisions, "Changes in the budget. The Grantee must obtain the prior written approval of the Corporation before deviating from the approved budget in any of the following ways...Unless waived by the awarding agency, cumulative transfers among direct cost categories, or, if applicable, among separately budgeted programs, projects, functions, or activities, which exceed or are expected to exceed ten percent of the current total approved budget, whenever the awarding agency's share exceeds $100,000."

Recommendation

We recommend that Volunteer NH! develop and implement policies and procedures to obtain prior written approval for changes/transfers between budget line items, when required by grant provisions.

14. Matching contributions claimed were not properly supported (Questioned Match of $2,549).

The Commission could not provide supporting documentation for one in-kind matching contribution selected for testing (donor – Lenny Bernard, $2,000 claimed as in-kind match).

The Commission also claimed a $549 matching disbursement to the Administrative grant that was determined to be unallowable to the program as a matching expense.

Recommendation

We recommend that the Commission enhance its record-keeping procedures to ensure that supporting documentation for its expenses is maintained as required by the OMB Circular and the grant agreement.

D. Other Compliance Findings

15. Subgrantee Selection Process

As part of the application process, JTC began to conduct fiscal screenings of new applicants in 1998-99. This fiscal screening consisted of the review of Office of Management and Budget (OMB) Circular A-133 audit reports by JTC's Fiscal Department. However, no documentation could be provided to demonstrate that JTC's Fiscal Department reviewed these reports or conducted any other pre-selection fiscal review.

In program year 1999-2000, as part of the evaluation process for renewal applicants, JTC began using fiscal site visits and Financial Status Report (FSR) Reviews, in addition to screening using the OMB Circular A-133 reports. However, no similar control over

renewal applicants' financial systems appears to have been in place for 1997-98 and 1998-99 as part of the subgrantee selection process.

JTC was unable to locate the FSR Review for Natural Resource Protection & Community Preparedness for July 1 – September 30, 1999.

In addition, JTC was unable to provide documentation supporting the selection process for 4 of 5 AmeriCorps applicants selected (NH PARKS 1998-99, North Country 1998-99, Natural Resource Protection & Community Preparedness 1997-98, and NH READS 1997-98).

Per OMB Circular A-133 Subpart C, "The auditee shall maintain internal control over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The AmeriCorps Provisions state, "The grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary."

Per OMB Circular A-133 Subpart D, "A pass-through entity shall perform the following for the Federal award it makes...3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved."

Recommendation

No recommendation is considered necessary as the administrative entity no longer exists.

16. Reporting Compliance

Of 6 Administrative grant FSRs selected for testing for JTC, 4 were not submitted timely. In addition, of 6 PDAT grant FSRs selected for testing, 2 could not be located and 1 was not signed or dated.

The Commission did not submit a final FSR for JTC upon its dissolution in September 2000.

According to Grant Provisions, section 11(c): "Financial reports shall be submitted quarterly on the Financial Status Report form SF 269 or SF269A. Reports are due 30 days after the end of the calendar quarters of March 31, June 30, September 30 and December 31."

Volunteer NH! did not submit Annual Financial Reports for program years 1999-2000 and 2000-2001 as required by the Administrative provisions.

Per the 2001 Admin Provisions "Annual Financial Reports shall be submitted within 90 days of completion and will compare actual expenditures to budgeted amounts using the line item categories in the grant budget form."

Recommendation

We recommend that the Commission and/or Volunteer NH! continue its implementation of procedures to ensure that FSRs submitted to the Corporation are complete, accurate, and timely.

17. Subgrantee Monitoring

Of a sample of 7 programmatic JTC site visit reports, 5 documented that interviews occurred with members and host site personnel, but did not document the actual results of the interviews. These interviews are intended to determine if AmeriCorps members were performing prohibited activities and if the activities performed were in accordance with the intent of the grant.

Before program year 1998-99, JTC's site visit documentation indicated that member files were reviewed during site visits, but no results of or procedures performed related to member file reviews were identified. During program year 1998-99, while separate forms were used to perform member file reviews, no formal procedures or instructions related to these reviews were part of the site monitoring tool or the monitoring process guidance.

The Code of Federal Regulations states that, "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

Recommendation

No recommendation is considered necessary, as the administrative entity no longer exists.

18. Site Visit Schedules

The Commission was unable to provide the JTC schedule of site visits to be performed or list of site visits that were performed in program years 1998-99 and 1999-2000.

According to A Reference Manual for Commission Executive Directors and Members, "Commissions must evaluate whether subgrantees comply with legal, reporting, financial management and grant requirements and ensure follow through on issues of non-compliance."

Recommendation

No recommendation is considered necessary, as the administrative entity no longer exists.

19. Review of Progress Reports

Progress reports prepared by JTC for program years 1998-99 and 1999-2000 were not reviewed by someone other than the preparer prior to submission. In addition, the data submitted by the subgrantees, which is used to compile the Commission progress report, was not specifically tested and a methodology for testing the data submitted was never formalized.

Per the PDAT and Administrative general grant provisions, which apply to the period of 1997 to 2000:

"The Grantee has full fiscal and programmatic responsibility for managing all aspects of grant and grant supported activities, subject to the oversight of the Corporation. The Grantee is accountable to the Corporation for its operation of the AmeriCorps Program and the use of Corporation grant funds."

Recommendation

No recommendation is considered necessary, as the administrative entity no longer exists.

20. Expenditure Classification

Of 53 invoices tested for the 2000 and 2001 Administrative grants, the following expenditure was misclassified as supplies in the general ledger when it should have been recorded as a retirement expense.

Grant	Cost Category	Date	Description	Amount
Admin 01	Supplies	05/25/01	TIAACREF	$750.00

Of 44 invoices tested for the 2000 and 2001 PDAT grants, 7 expenditures were misclassified on the schedule of award costs as salaries and expense when they were travel related reimbursements. In addition, another expenditure was misclassified in the general ledger as a telephone expense when it related to contracted financial management services.

Grant	Cost Category	Date	Payee	Amount
PDAT 01	Other	05/09/01	GSMR	$700.00
PDAT 01	Travel PDAT	01/19/01	Andrea Walsh	408.60
PDAT 01	Travel PDAT	04/20/01	Alexis Walker	379.50
PDAT 01	Mileage PDAT	06/01/01	Andrea Walsh	134.91
PDAT 01	Staff Program Dev.	07/12/01	J. Milliken	576.39
PDAT 00	Travel PDAT	09/29/00	Andrea Walsh	49.65
PDAT 00	Staff Program Dev.	10/23/00	Lessons in Learning	398.00
PDAT 00	Mileage PDAT	12/08/00	Andrea Walsh	189.23

In order to meet the reporting requirements of the grants, actual costs should be reported in the proper cost categories by program year, according to the approved budgets.

Recommendation

We recommend that Volunteer NH! enhance its current procedures to ensure that expenditures are properly classified in the accounting system so that financial reporting and budget to actual comparisons are accurate.

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. However, the Commission staff was not specifically knowledgeable of the GPRA. Of the subgrantees that we audited, the program directors were not specifically aware of GPRA. However, these subgrantees do submit periodic progress reports describing their accomplishments against their goals.

RESPONSIBILITIES

Management's Responsibility

The New Hampshire Commission for National and Community Service 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 Schedules 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 Schedules of Award Costs.

Although our report included a disclaimer of opinion on the Schedules 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 G), 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 Schedules of Award Costs presentation.

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 Schedules 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.

We provided a draft of this report to the Commission and Corporation. The responses from the Commission's current administrative entity, Volunteer NH!, the State of New Hampshire, Office of the Governor, and the Corporation are included as Appendix A, B and C, respectively.

DISTRIBUTION

This report is intended solely for the information and use of the Office of the Inspector General and management of the Corporation for National and Community Service, the management of the Volunteer NH!, the New Hampshire Governor's Office, 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

April 12, 2002

New Hampshire Commission on National and Community Service
Tri-County Community Action Program
Schedule of Award Costs
From September 1, 1997 to August 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 618,171	$ 342,328	$ 314,222
FICA & Workers Comp.	78,568	39,691	36,501
Health Care	67,638	30,423	28,448
Other	104	3,345	3,196
Subtotal	764,481	415,787	382,367
Other Member Costs:			
Training & Education	9,294	11,190	10,591
Uniforms	877	2,227	2,227
Other	5,505	7,904	8,284
Subtotal	15,676	21,321	21,102
Staff:			
Salaries	121,036	126,836	11,300
Benefits	38,198	31,648	3,268
Training	1,200	808	541
Other	5,460	4,038	0
Subtotal	165,894	163,330	15,109
Operational:			
Travel	19,230	9,200	0
Corporation Sponsored Meeting	1,800	0	0
Supplies	1,802	1,505	0
Transportation	0	0	0
Equipment	0	0	0
Other	13,386	13,628	12,102
Subtotal	36,218	24,333	12,102
Internal Evaluation	5,100	2,100	0
Administration	45,655	24,400	12,943
Difference Between GL and Schedule	0	0	0
Adjustment to Agree General Ledger to FSRs:	0	(1,228)	1,618
Federal Costs Claimed in Excess of Approved Percentage:			
Section A	0	0	17,674
Section B-F	0	0	59,489
Total Corporation Funds:	1,033,024	650,043	522,404
Total Matching Funds:	389,457	251,649	102,833
Total Funds:	$ 1,422,481	$ 901,692	$ 625,237

New Hampshire Commission on National and Community Service
Student Conservation Association
Schedule of Award Costs
From September 1, 1997 to August 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 147,475	$ 147,324	$ 147,324
FICA & Workers Comp.	21,201	20,843	20,843
Health Care	55,000	52,654	52,654
Other	0	0	0
Subtotal	223,676	220,821	220,821
Other Member Costs:			
Training & Education	21,500	21,500	21,500
Uniforms	2,580	2,580	2,580
Other	0	0	0
Subtotal	24,080	24,080	24,080
Staff:			
Salaries	365,907	366,208	83,419
Benefits	82,967	77,841	18,194
Training	1,500	1,500	1,500
Other	0	0	0
Subtotal	450,374	445,549	103,113
Operational:			
Travel	10,000	10,000	0
Corporation Sponsored Meeting	4,000	2,000	0
Supplies	111,315	109,443	748
Transportation	89,148	91,449	0
Equipment	7,100	7,100	0
Other	22,900	22,999	0
Subtotal	244,463	242,991	748
Internal Evaluation	2,500	0	0
Administration	48,879	48,092	16,453
Difference Between GL and Schedule	0	0	0
Adjustment to Agree General Ledger to FSRs:	0	0	0
Federal Costs Claimed in Excess of Approved Percentage:			
Section A	0	0	0
Section B-F	0	0	340,278
Total Corporation Funds:	993,972	981,533	705,493
Total Matching Funds:	743,624	769,496	564,718
Total Funds:	$ 1,737,596	$ 1,751,029	$ 1,270,211

New Hampshire Commission on National and Community Service
The Coalition Against Domestic and Sexual Violence
Schedule of Award Costs
From September 1, 1997 to August 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 877,440	$ 499,280	$ 499,280
FICA & Workers Comp.	72,206	52,468	49,049
Health Care	94,200	39,453	3,419
Other	0	0	39,453
Subtotal	1,043,846	591,201	591,201
Other Member Costs:			
Training & Education	23,305	16,565	16,565
Uniforms	3,960	1,359	1,359
Other	0	0	0
Subtotal	27,265	17,924	17,924
Staff:			
Salaries	246,206	213,011	126,113
Benefits	20,000	16,878	0
Training	475	1,436	0
Other	0	0	0
Subtotal	266,681	231,325	126,113
Operational:			
Travel	7,448	288	0
Corporation Sponsored Meeting	2,000	0	0
Supplies	5,710	4,936	334
Transportation	55,679	45,901	0
Equipment	3,000	3,000	0
Other	22,904	15,878	1,040
Subtotal	96,741	70,003	1,374
Internal Evaluation	0	0	0
Administration	65,800	50,798	36,627
Difference Between GL and Schedule			959
Adjustment to Agree General Ledger to FSRs:	0	(501)	149
Federal Costs Claimed in Excess of Approved Percentage:			
Section A	0	0	0
Section B-F	0	0	116,203
Total Corporation Funds:	1,500,333	960,750	890,550
Total Matching Funds:	604,176	465,437	185,887
Total Funds:	$ 2,104,509	$ 1,426,187	$ 1,076,437

New Hampshire Commission on National and Community Service
Community Action Belknap-Merrimack County
Schedule of Award Costs
From September 1, 1997 to August 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 698,318	$ 376,177	$ 38,645
FICA & Workers Comp.	61,249	32,194	3,320
Health Care	77,120	32,523	3,983
Other	0	0	0
Subtotal	836,687	440,894	45,948
Other Member Costs:			
Training & Education	20,683	6,371	1,332
Uniforms	1,566	1,164	160
Other	0	0	0
Subtotal	22,249	7,535	1,492
Staff:			
Salaries	139,053	139,137	6,677
Benefits	44,468	40,447	0
Training	904	132	0
Other	0	0	0
Subtotal	184,425	179,716	6,677
Operational:			
Travel	12,113	12,046	0
Corporation Sponsored Meeting	2,000	0	0
Supplies	6,830	2,870	0
Transportation	118,621	73,269	0
Equipment	0	0	0
Other	0	0	0
Subtotal	139,564	88,185	0
Internal Evaluation	1,000	0	0
Administration	23,976	8,992	0
Difference Between GL and Schedule			1,627
Adjustment to Agree General Ledger to FSRs:	0	947	948
Federal Costs Claimed in Excess of Approved Percentage:			
Section A	0	0	54,767
Section B-F	0	0	37,027
Total Corporation Funds:	1,207,901	726,269	148,486
Total Matching Funds:	819,942	542,362	11,599
Total Funds:	$ 2,027,843	$ 1,268,631	$ 160,085

New Hampshire Commission on National and Community Service
Plus Time NH
Schedule of Award Costs (Unaudited)
From September 1, 2000 to August 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 153,000	$ 57,788	0
FICA & Workers Comp.	20,120	5,992	0
Health Care	13,276	4,609	0
Other	0	0	0
Subtotal	186,396	68,389	0
Other Member Costs:	0	0	0
Training & Education	0	0	0
Uniforms	0	0	0
Other	0	0	0
Subtotal	0	0	0
Staff:			
Salaries	24,000	18,383	0
Benefits	8,900	2,768	0
Training	0	0	0
Other	0	0	0
Subtotal	32,900	21,151	0
Operational:			
Travel	2,000	833	0
Corporation Sponsored Meeting	0	0	0
Supplies	0	0	0
Transportation	0	0	0
Equipment	0	0	0
Other	1,000	620	0
Subtotal	3,000	1,453	0
Internal Evaluation	0	0	0
Administration	11,693	8,638	0
Difference Between GL and Schedule	0	0	0
Adjustment to Agree General Ledger to FSRs:	0	0	0
Federal Costs Claimed in Excess of Approved Percentage:			
Section A	0	0	0
Section B-F	0	0	0
Total Corporation Funds:	233,989	99,631	0
Total Matching Funds:	86,083	36,808	0
Total Funds:	$ 320,072	$ 136,439	0

New Hampshire Commission on National and Community Service
City Year
Schedule of Award Costs (Unaudited)
From June 1, 2000 to June 30, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 95,550	$ 103,418	0
FICA & Workers Comp.	9,310	9,912	0
Health Care	8,933	8,377	0
Other	0	0	0
Subtotal	113,793	121,707	0
Other Member Costs:			
Training & Education	3,450	2,943	0
Uniforms	0	0	0
Other	0	0	0
Subtotal	3,450	2,943	0
Staff:			
Salaries	96,750	95,932	0
Benefits	17,899	14,162	0
Training	188	188	0
Other	0	0	0
Subtotal	114,837	110,282	0
Operational:			
Travel	0	0	0
Corporation Sponsored Meeting	2,000	0	0
Supplies	5,000	2,649	0
Transportation	13,050	11,177	0
Equipment	0	0	0
Other	11,194	14,853	0
Subtotal	31,244	28,679	0
Internal Evaluation	3,444	3,157	0
Administration	14,032	14,032	0
Difference Between GL and Schedule	0	0	0
Adjustment to Agree General Ledger to FSRs:	0	0	0
Federal Costs Claimed in Excess of Approved Percentage:			
Section A	0	0	0
Section B-F	0	0	0
Total Corporation Funds:	280,800	280,800	0
Total Matching Funds:	366,022	368,225	0
Total Funds:	$ 646,822	$ 649,025	0

New Hampshire Commission on National and Community Service
New Hampshire Resource Conservation
Schedule of Award Costs (Unaudited)
From December 1, 2000 to December 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 229,500	$ 84,024	0
FICA & Workers Comp.	25,206	11,049	0
Health Care	23,550	3,558	0
Other	2,244	0	0
Subtotal	280,500	98,631	0
Other Member Costs:			
Training & Education	2,758	0	0
Uniforms		0	0
Other		0	0
Subtotal	2,758	0	0
Staff:			
Salaries	30,826	16,703	0
Benefits	0	0	0
Training	0	0	0
Other	0	0	0
Subtotal	30,826	16,703	0
Operational:			
Travel	5,025	1,413	0
Corporation Sponsored Meeting	1,340	0	0
Supplies	6,527	71	0
Transportation	6,700	180	0
Equipment	0	0	0
Other	0	10	0
Subtotal	19,592	1,674	0
Internal Evaluation	0	0	0
Administration	16,750	6,288	0
Difference Between GL and Schedule	0	0	0
Adjustment to Agree General Ledger to FSRs:	0	0	0
Federal Costs Claimed in Excess of Approved Percentage:			
Section A	0	0	0
Section B-F	0	0	0
Total Corporation Funds:	350,426	123,296	0
Total Matching Funds:	278,504	282,298	0
Total Funds	$ 628,930	$ 405,594	0

New Hampshire Commission on National and Community Service
North Country Resource Conservation and Dev.
Schedule of Award Costs (Unaudited)
From January 1 1, 1997 to March 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 221,671	$ 163,382	0
FICA & Workers Comp.	24,494	19,167	0
Health Care	24,344	12,924	0
Other	0	0	0
Subtotal	270,509	195,473	0
Other Member Costs:			
Training & Education	2,995	2,229	0
Uniforms	344	178	0
Other	0		0
Subtotal	3,339	2,407	0
Staff:			
Salaries	22,456	22,672	0
Benefits	1,206	990	0
Training	0	0	0
Other	0	0	0
Subtotal	23,662	23,662	0
Operational:			
Travel	2,407	747	0
Corporation Sponsored Meeting	2,000	0	0
Supplies	3,046	2,449	0
Transportation	16,345	9,094	0
Equipment	5,240	4,544	0
Other	384	264	0
Subtotal	29,422	17,098	0
Internal Evaluation	100	0	0
Administration	17,590	14,834	0
Difference Between GL and Schedule	0	0	0
Adjustment to Agree General Ledger to FSRs:	0	0	0
Federal Costs Claimed in Excess of Approved Percentage:			
Section A	0	0	0
Section B-F	0	0	0
Total Corporation Funds:	344,622	253,474	0
Total Matching Funds:	199,047	191,169	0
Total Funds:	$ 543,669	$ 444,643	0

New Hampshire Commission on National and Community Service
Volunteer NH! - Administrative Award
Schedule of Award Costs
From September 1, 2000 to December 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Staff:			
Salaries	$ 131,390	$ 127,209	0
Benefits	0	40,216	0
Other	0	0	0
Subtotal	131,390	167,425	0
Travel:			
Commissioners	0	2,100	0
Staff	0	7,930	0
Other	0	0	0
Subtotal	0	10,030	0
Subcontracts/Grants/Agreements:			
Contracts	8,400	13,041	0
Subtotal	8,400	13,041	0
Operating Costs:			
Supplies	0	3,857	505
Equipment	0	10,589	0
Communications	1,190	9,959	505
Space	0	0	0
Subtotal	1,190	24,405	1,010
Amount Questioned in Excess of 10% of the Approved Budget:	0	0	3,685
Adjustment to Agree General Ledger to FSRs:	0	(1,258)	0
Total Corportation Funds	140,980	213,643	4,695
Total Matching Funds	116,860	254,782	2,549
Total Funds	$ 257,840	$ 468,425	$ 7,244

New Hampshire Commission on National and Community Service
Job Training Council - Administrative Award
Schedule of Award Costs
From September 1, 1997 to August 31, 2000

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Total Corporation Funds	$ 397,837	$ 333,525	$ 333,525
Total Match Funds	198,919	257,264	257,264
Total Funds	$ 596,756	$ 590,789	$ 590,789

Note: A line item break-out of budgeted and claimed administrative costs for the period under audit was not available.

New Hampshire Commission on National and Community Service
Volunteer NH! - Program Development and Training (PDAT)
Consolidated Schedule of Award Costs
From September 1, 2000 to December 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Program Staff Salary & Benefits	$ 38,316	$ 48,460	0
Program Staff Development	8,500	2,856	0
Consultants	2,000	0	0
Training Events	32,384	53,373	0
Sub-contracts, Sub-grants	2,300	2,300	0
Communication - Systems	0	0	0
Supplies	0	0	0
Other	5,500	39,200	35,639
Research	0	10,000	0
Adjustment to Agree General Ledger to FSR:	0	(18,020)	0
Total Corporation Funds	$ 161,702	$ 138,169	$ 35,639

New Hampshire Commission on National and Community Service
Job Training Council - Program Development and Training (PDAT)
Schedule of Award Costs
From September 1, 1997 to August 31, 2000

	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds	$ 528,576	$ 203,539	$ 203,539

New Hampshire Commission on National and Community Service
Voluteer NH! - Promise Fellows Award
Schedule of Award Costs (Unaudited)
From November 1, 1999 to December 31, 2001

	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds	$ 86,220	$ 99,813	0

Note: The Volunteer New Hampshire! Promise Fellows award was not audited. However, during our preparation of above schedule we noted that the amount claimed exceeds the revised budgeted grant amount. In September, 2001 the Corporation reduced the Commission's approved grant, after the initially approved budgeted amount had already been expended.

New Hampshire Commission on National and Community Service
Job Training Council - Promise Fellows Award
Schedule of Award Costs
From Novemver 1, 1998 to May 31, 2000

	Approved Budget	Claimed Costs	Questioned Costs
Corporation Funds	$ 112,400	$ 61,401	$ 61,401

Status of Findings from
OIG Audit Report #00-19, *Pre-Audit Survey of the New Hampshire Commission on National and Community Service*

The Commission did not begin to implement significant corrective action related to the pre-audit survey findings until September 2000, after the administrative entity changed from The Job Training Council to Volunteer NH!. We reviewed action taken by the Commission through April 2002 on the findings.

Selecting Subgrantees

Consideration of Prior Evaluations by Selection Officials in the Renewal Application Process

"A panel of three Commission Board members and one member of the community evaluate applicants and make approval/rejection decisions. Commission personnel provide information to these selection officials for each applicant. If the Commission has funded an applicant in a previous year, Commission personnel verbally communicate key aspects of program evaluations to the selection officials during a pre-selection meeting. However, the content of this verbal communication can vary significantly from applicant to applicant because Commission subgrantee selection procedures do not identify what information should be communicated to selection officials for each previously funded applicant. As a result, Commission personnel may provide certain information to the selection officials about one previously funded applicant, but omit that information in their communications about other previously funded applicants. If similar information is not consistently communicated about each previously funded applicant, then the fairness of the selection process may be impaired and Commission personnel may unintentionally bias the selection officials."

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. The application form provided by the Corporation does not specifically address the applicant's financial systems. Commission selection procedures do not require Commission personnel to request from the applicants additional information related to their financial systems. As a result, grant funds may be provided to an organization that does not have financial systems in place to properly account for those funds or to ensure compliance with related grant requirements."

Lack of Formal Conflict of Interest Statements

"According to *A Reference Manual for Commission Executive Directors and Members*, section 3.6, "State Commissions should strive to achieve the greatest objectivity and impartiality possible in the review and selection of grantees in the state...Any time a

voting Commission member is not, or does not appear to be, for any reason, impartial to a program that is applying to the Commission for funding, the member has a conflict of interest." One way to help ensure this objectivity is to require selection officials to annually certify in writing that they have no conflicts of interest."

"Although Commission staff discuss conflict of interest issues with selection officials and distribute relevant guidance to them, Commission policies and procedures do not require these officials to annually sign conflict of interest statements certifying that they have no conflicts. If selection officials have conflicts of interest but do not report them, the fairness of the selection process may be impaired."

Missing Documentation Related to Application Rejections

"The Commission was unable to provide us with requested documentation related to application rejections because all documentation supporting application rejection decisions and related communications to applicants were stored on a computer that experienced a hard drive failure. As a result, if a rejected applicant questions the reason for rejection, the Commission has no records to reference to support its decisions. In addition, we were unable to assess for adequacy the Commission's basis for rejecting applicants and communications to rejected applicants."

Limited Advertising of Funding Availability

"According to *A Reference Manual for Commission Executive Directors and Members*, section 3.2, "the Commission is expected to widely publicize the availability of funds." Mediums that the Commission has used to advertise funding availability at different points during program years 1995-96 through 1998-99 include radio, television, newspapers, magazines, newsletters, and an internet website. However, the ability of the Commission to fully utilize all advertising mediums each year and reach all interested parties has been limited due to its level of funding resources. As a result, all interested parties may not be informed of funding availability, thereby eliminating certain potential AmeriCorps programs from the selection process. For example, in 1998-99 program year, only six organizations applied for AmeriCorps funding, as compared with 16 in program year 1997-98 and 10 in program year 1996-97."

Recommendations

The report recommended that the Commission:

- Develop an objective, standardized method of communicating the results of the Commission's evaluation of previously funded applicants. This method should ensure that the same type of information is communicated for each applicant. The Commission should also consider providing this information in writing to ensure consistency of content and availability of the information to the selection officials while they are making their funding determinations.

- Include in its subgrantee selection procedures an evaluation of the adequacy of the applicant's financial systems to ensure applicants have systems in place 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 provided.
- Develop and implement procedures to periodically backup its computerized files.
- Direct additional funding to its advertising efforts if additional funding becomes available to the Commission. In addition, the Commission should explore opportunities for free advertising that various media may provide to not-for-profit organizations.

Status

The Commission implemented a process of site monitoring and reporting, which includes using a site visit report and an annual evaluation "report card" for subgrantees submitting renewal application packets. These site visit reports and annual report cards are distributed to all the selection officials. The categories and attributes listed on the report card and site visit report are consistent for each subgrantee. Therefore, it is more likely that the information disseminated to the selection officials over each subgrantee will be comparable. These report cards were utilized beginning in program year 2000, as the Job Training Council and Volunteer NH! transition occurred. Report cards were not completed for new applicants accepted in 2000 because the programs would only have been running for about 4 months before the renewal applications for the 2001 program year were due (in February 2000).

The Commission is currently in the process of developing procedures to formally evaluate the adequacy of the applicants' financial management systems. However, as of the end of our fieldwork, controls have not been developed or implemented.

The Commission began requiring its staff, Board Members, and peer evaluators to sign conflict of interest statements for the 2001 program year. In addition to signing the statement, the signor must identify his/her affiliation with the entity as well as his/her affiliation with any other entities that may be considered a conflict of interest.

The Commission remains unable to recover documentation related to any application rejections before 2000 as a result of the hard drive failure identified during the pre-audit survey. The Commission was able to recover some of the requested correspondence following the rejection letter. However, the Commission was able to produce requested documentation relating to 2001 application rejections.

Changes were not made in the Commission's level of funding resources committed to advertising through the Job Training Council's existence. However, under Volunteer NH!, it appears that funds were adequately used for advertising, which resulted in an increase in program applications.

Administering Grant Funds

Lack of Evidence of FSR Review, Including Matching Recalculation

"Commission procedures require that subgrantee FSRs be reviewed upon receipt and that matching requirements be recalculated at that time. However, prior to the third quarter of program year 1998-99, no evidence existed to document that this review was performed. In addition, procedures are not in place requiring Commission personnel to compare the FSRs to the subgrantees' accounting systems or other supporting documentation during site visits to ensure proper reporting of costs."

Timeliness of Receipt of FSRs, Invoices and Progress Reports

"The Commission does not routinely date-stamp FSRs, invoices and progress reports from subgrantees as they are received. The receptionist at the Commission's front desk does not date-stamp all mail received from the subgrantees. Also, on occasion, the Program Officer receives documents by hand from the subgrantees during site visits where the date-stamp is not available for use. Therefore, the Commission can not routinely verify if these documents are submitted timely in compliance with the grant agreement. As a result, subgrantee FSRs may be submitted late."

Recommendations

The report recommended that the Commission:

- Continue implementation of developed procedures to review subgrantee FSRs, recalculate matching requirements and formally document what review procedures were performed.
- Include in its site visit monitoring tool procedures to agree the subgrantees' FSRs to the subgrantees' accounting systems or other supporting documentation for accuracy and allowability.

Status:

The Commission has developed and implemented adequate procedures to determine whether the subgrantees' FSRs are recalculated to ensure all matching requirements are met. However, the Commission has not developed or implemented procedures that require Commission personnel to compare the subgrantees' FSRs to the subgrantees' accounting systems or other supporting documentation during the site visits to ensure proper reporting of costs.

Evaluating and Monitoring Subgrantees

Review of Subgrantees' Financial Systems, AmeriCorps Member Timesheets, and Expense Documentation during Site Visits

"There is no evidence to indicate Commission personnel review the subgrantees' financial systems, AmeriCorps Member timesheets, and expense documentation during site visits. As a result, control weaknesses or instances of material noncompliance related to the subgrantees' financial systems, the reporting of AmeriCorps Member hours, and the propriety of expense documentation, of which the Commission is not aware, may exist."

Review for Prohibited Activities

"The Commission has no formal procedures in place to determine, on a periodic basis throughout the grant period, if AmeriCorps Members are performing prohibited activities. The Commission's site visit monitoring tool only requires monitors to document the existence of subgrantee policies to prevent prohibited activities. However, the monitoring tool does not include suggested procedures for visits to program sites or interviews of AmeriCorps Members (on a spot check basis) to identify any potential prohibited activities. Without specific procedures in place to determine if AmeriCorps Members are performing prohibited activities, such prohibited activities could exist and remain undetected, causing noncompliance. The inclusion of procedures, in the monitoring tool, to check for prohibited activities as a part of the site visit, would provide reasonable assurance that they were performed and documented consistently during each site visit."

Review of Member Living Allowances and Hours Accumulation

"The Commission does not have formal procedures in place to determine whether AmeriCorps Members' living allowances are being paid according to established guidelines. Also, the Commission does not *specifically* review the nature of the hours accumulated by AmeriCorps Members, to determine whether they represent activities which meet the educational, human, environmental, and public safety needs specified in the Act which established the AmeriCorps program. Instructions for the performance of such a review is not incorporated into the site monitoring tool. As a result, instances of material noncompliance related to the AmeriCorps program of which the Commission is not aware may exist and may not be detected or corrected."

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

"OMB Circular A-133 Compliance Supplement, April 1999, Part 6 – Internal Control suggests that review of and follow-up on subgrantees' audit reports is a key component of a program to monitor subgrantees' compliance with federal grant requirements. However, as part of the Commission's monitoring process, the Commission does not require its subgrantees to submit OMB Circular A-133 or other audit reports. Therefore, the Commission does not routinely review these reports to determine if auditors have identified control weaknesses or instances of noncompliance related to the AmeriCorps program. As a result, control weaknesses or instances of material noncompliance related to the AmeriCorps program of which the Commission is not aware may exist and may not be detected or corrected."

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 that are identified by the Commission. As a result, the Commission may not properly or timely ensure the correction of noted subgrantee deficiencies. However, for the two subgrantees tested in program year 1998-99, we noted that recommendations provided in the first site visit report were addressed in the second site visit report."

Schedule of Planned and Actual Site Visit Dates

"The Commission does not maintain a schedule of planned and actual dates for site visits for each program year. Without documentation of when site visits will occur and have occurred, the Commission could overlook a particular site visit or not perform site visits timely."

Recommendations

The report recommended that the Commission:

- Develop and implement procedures to review the subgrantees' financial systems during site visits. Document the results of specific AmeriCorps Members' timesheets and expense documentation performed during site visits.
- Develop formal procedures, such as visits to randomly selected program sites and interviews of AmeriCorps Members, to determine whether any prohibited activities are being performed. These procedures should be carried out during each subgrantee site visit and should be specifically incorporated into the Commission's monitoring tool.
- Establish specific sections in its site visit monitoring tool to determine and document whether (1) AmeriCorps Members' living allowances are being paid according to established guidelines and (2) hours accumulated by AmeriCorps Members represent activities permitted under the Act.
- Require its subgrantees to submit OMB Circular A-133 or other audit reports once the final reports are issued. 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 written policies and procedures to ensure that adequate corrective actions are taken when deficiencies are noted by the Commission.
- Maintain a clear, concise schedule of site visits to be preformed during each program year, and a record of when site visits are performed. A person other than the employee responsible for performing site visits should periodically review this schedule to ensure the schedule is complete and that site visits are being performed timely and according to Commission policy.

Status:

The Commission's documentation of reviews of the subgrantees' financial systems is on a very summarized level with no supporting details for report conclusions. The Commission's report documents that member file reviews, timesheet reviews, and expense documentation reviews were performed. However, the site visits reports used to document such reviews do not include sufficient documentation to determine (1) what member files were reviewed, (2) how many timesheets were reviewed, and (3) what expenses were reviewed. The Commission should include this information as an audit trail in each site visit report.

The Commission's site visit files contain evidence that prohibited activity inquiries are being performed. Specifically, the files contained evidence of interviews with members, host sites, and program directors regarding prohibited activities.

The Commission still does not have formal procedures in place to determine whether AmeriCorps Members' living allowances are being paid according to established guidelines. The Commission's site visit files document the review of member hours, member timesheets and interviews with members to determine whether their time was properly spent on AmeriCorps activities. However, the Commission's site monitoring tools do not specifically mention the procedures used to determine whether AmeriCorps Members' living allowances are being paid according to established guidelines. The Commission should include such procedures in the entity's site monitoring tools and maintain documentation of the review in the site monitoring files.

The Commission is currently developing plans for comprehensive reviews of and follow-up of findings reflected in A-133 reports. However, currently, the Commission's review of A-133 reports does not ensure that the entity is following-up on findings that are identified during the A-133 audits. The Commission should develop and implement processes to ensure that all findings related to the A-133 or other audits are followed-up on and the appropriate corrective action is taken.

The Commission's AmeriCorps Program Policies have been enhanced to deal with elements of noncompliance of its subgrantees.

The Commission currently maintains a schedule of planned and actual dates for site visits for each program year.

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Shireen Tilley
Corporation for National Service

Alexis Walker
Executive Director

State Stewards
The Timberland Company
Tyco International Ltd.

July 22, 2002

Mr. Terry Bathen
Acting Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW
Washington, D.C. 20525

Dear Terry,

In re: OIG Audit Report Number 02-20

Our Governor's Office received the draft version of the Incurred Cost Audit of Grants of the New Hampshire Commission For National and Community Service and Volunteer NH!. This letter is our response to what we believe to be the Volunteer NH! portion of the audit. The Governor's Office is handling the New Hampshire Job Training Council's portion.

The audit, two days prior to the auditors arriving, was officially changed in scope to include Volunteer NH! and its subgrantees. Despite this last minute change we did our best, with a very small staff, to accommodate the auditors in their efforts on your office's behalf. While only $40,093 was questioned from the administrative side, $35,639 of which is dependent on NH Job Training Council back-up, we do not believe the report gives a fair representation of our operations. In addition, we do not agree with many of the findings related to our subgrantees and will be working with the Corporation for National Service on the questioned costs identified there.

We appreciate the recommendations made regarding Volunteer NH!'s administrative operations and have already implemented those which could quickly be accomplished with Board approval. We were also pleased to have made appropriate corrections to issues we discovered before the auditors arrived and to learn that the issues we originally identified were also identified by the auditors. Our ability to police ourselves will greatly improve the results of future audits.

Please feel free to contact me if you need additional information at (603) 271-7202.

Sincerely,

Alexis Walker
Executive Director

JEANNE SHAHEEN
GOVERNOR

STATE OF NEW HAMPSHIRE

OFFICE OF THE GOVERNOR

Appendix B

July 19, 2002

Terry E. Bathen, Esquire
Acting Inspector General
Office of Inspector General
1201 New York Avenue, NW
Washington, DC 20525

Dear Mr. Bathen:

In re: OIG Audit Report Number 02-20

Thank you very much for extending to New Hampshire an opportunity to comment on the draft audit of the New Hampshire Commission on National and Community Service. Thanks as well for your prompt and courteous responses to my phone calls and e-mails. As discussed, we will work with the Corporation to resolve the questioned costs and implement policies and procedures as necessary to address the concerns raised in the audit. We are confident that we will be able to provide adequate documentation and backup during the resolution process to substantiate all questioned expenditures and demonstrate that adequate internal controls, grants and program management, financial management and reporting were in place during the audit period.

New Hampshire would, however, like to provide some general response to the draft audit. The New Hampshire Job Training Council, Inc., which served as fiscal agent for Corporation funds until August 2000, ceased to exist in December 2000, because its primary function, job training, had been assumed by the New Hampshire Workforce Opportunity Council, Inc. Sherry Turgeon, the former Deputy Executive Director for the New Hampshire Job Training Council, was retained by the Workforce Opportunity Council as a consultant through October 2001 and addressed any remaining questions about Job Training Council activities during that time period.

It was unfortunate that the KPMG audit work was not done as originally scheduled in the fall of 2001 when Ms. Turgeon was available to assist in finding and providing information and documentation. We now find ourselves in the position of

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providing information and documentation. We now find ourselves in the position of having to respond "after the fact," but fortunately, as you know, we have been able to retain Ms. Turgeon as a consultant to help us resolve the questioned costs with the Corporation.

We are somewhat disappointed that there was no recognition of improvements made by the New Hampshire Commission in its oversight role during the audit period. In October 1999, a Pre-Audit Survey was done by KPMG (see OIG Audit Report Number 00-19). Despite challenges in raising matching administrative funds and understaffing, the New Hampshire Commission has responded to all the oversight issues raised at that time. It would have been encouraging to be recognized for that effort.

New Hampshire takes very seriously its responsibility to oversee and expend federal funds in a responsible manner. In the audit resolution process, we expect to provide Expense Reports vs. Grant Awards, back-up General Ledger information, copies of accounting and administrative procedures, payroll information for staff and members, and other information as necessary to support expenditures. We have already been in touch with the Corporation to be sure that members of the audit resolution team can be in New Hampshire in September to review the information we have prepared.

We will work as well with our sub-grantees and Volunteer NH!, which has been the recipient for Corporation funds since September, during the resolution process to address all the audit findings. Many of the sub-grantees are small, but they run good programs. The fact that they may not have sophisticated computerized accounting and tracking systems should not preclude them from running their programs provided their systems are able to adequately track Corporation expenditures.

Our goal during the resolution process is to provide adequate information and documentation so there are few, if any, questioned costs. We also are striving for complete resolution by the end of 2002. Again, thank you for your time.

Sincerely,

Judy E. Reardon
Legal Counsel to the Governor

cc: Sherry Turgeon
Alexis Walker

CORPORATION
FOR NATIONAL
AND
COMMUNITY
SERVICE

To: Terry E. Bathen, Acting Inspector General

Through: William Anderson, Deputy Chief Financial Officer

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

Date: July 19, 2002

Subj: Response to OIG Draft Audit Report 02-20: Incurred Cost Audit of Grants Awarded to the New Hampshire Commission for National and Community Service

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We have reviewed the draft audit report of the grants to the New Hampshire Commission for National and Community Service. Due to the limited timeframe for response, we have not analyzed documentation provided by the New Hampshire Commission supporting the questioned costs nor reviewed the audit work papers. We will respond to all findings and recommendations when the audit is issued and we have reviewed the findings in detail.

As indicated in the audit report, most of the records required to conduct the audit from 1997 through 2000 were not available because three different organizations administered the grants to the state over the period of the awards. The current organization did not have the records from earlier administrative entities. However, a staff member from the former organization is now collecting the records and will be working with the Corporation during the resolution process to prepare schedules of expenditures. The Corporation must then review the scheduled and supporting documentation in order to resolve the audit.

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