OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Incurred Cost Audit of Grants Awarded to the Alabama Governor's Office on National and Community Service

OIG Audit Report Number 02-21
June 20, 2002

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

Prepared by:

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Contract No. GS 23F 8127H
Task Order No. 01-04

This report was issued to Corporation management on September 30, 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 March 31, 2003, and complete its corrective actions by September 30, 2003. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

CORPORATION
FOR NATIONAL
SERVICE

Office of Inspector General
Corporation for National and Community Service
Audit Report 02-21

Incurred Cost Audit of Grants Awarded to the Alabama Governor's Office on National and Community Service

Introduction

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

The Office of Inspector General (OIG) engaged KPMG LLP to audit Corporation grants to the Alabama Commission and its subgrantees for the period from January 1, 1997 through December 31, 2001 for AmeriCorps, Promise Fellows, Administration, and Program Development and Training programs. The auditors identified questioned costs of $780,999 (approximately 14 percent) out of total claimed costs of $5,668,755. The primary objective of the audit was to express an opinion concerning whether the Schedules of Award Costs presented fairly the financial results of the awards. Additionally, in performing the audit, the auditors considered the Commission's internal controls over financial reporting and compliance with Federal laws, applicable regulations, and award provisions.

The audit 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. The audit report also identifies a number of matters which require corrective action relating to internal control over financial reporting. The report concludes that adequate procedures for monitoring the financial activity and related compliance with laws and regulations of the Commission's subgrantees are not in place, and that the Commission did not have an effective system for ensuring quality control of financial reporting.

OIG has reviewed the report and the work papers supporting the auditor's conclusions.

OIG provided the Commission and Corporation a draft of this report for their review and comment. Their responses are included as Appendices A and B, respectively.

Inspector General
1201 New York Avenue, NW
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Office of Inspector General
Corporation for National and Community Service
Incurred Cost Audit of Grants Awarded to the
Alabama Governor's Office on National and Community Service

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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 Alabama Governor's Office on National and Community Service (herein referred to as the Commission) and its subgrantees from January 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 D) fairly present the costs incurred by the Commission, during the periods under audit, in conformity with the terms of the Commission's grant agreements with the Corporation for National and Community Service (herein referred to as the Corporation). 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 claimed costs and related match amounts 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 item 1 to be a material weakness and item 2 to be a reportable condition:

1. 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.

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2. Financial Management and Reporting – An effective system for ensuring quality control of financial reporting activities at the Commission was not in place.

Our tests of compliance with laws and regulations disclosed several instances of noncompliance resulting in total questioned claimed costs and related match amounts as follows:

AmeriCorps Program

- $349,179 (12%) of Federal claimed costs out of total Federal claimed costs of $2,927,580 for the six subgrantees tested;
- Related match of $112,351 (7%) of the total reported match of $1,660,475 for these six subgrantees; and
- Post service educational benefits of $92,065 that may have been earned by ineligible members who served at these subgrantees.

Administrative Program

- $362,550 (46%) of Federal claimed costs out of total Federal claimed costs of $792,375.
- Related match of $352,148 (47%) of the total reported match of $752,554.

Program Development and Training (PDAT) Program

- $69,270 (20%) of Federal claimed costs out of total Federal claimed costs of $337,933.

In total, we questioned $780,999 (14%) of the claimed Federal and $464,499 (15%) of the related match amounts for all grants administered by the Commission during the audit period.

The majority of the questioned costs were due either to inadequate guidance in interpreting the AmeriCorps compliance requirements related to eligibility or the inability of the Commission to provide supporting documentation that complied with grant provisions.

Prior to the issuance of Federal Register, volume 64, No. 132, dated July 12, 1999, the Commission and its subgrantees did not have specific guidance from the Corporation on the types of documentation required to verify citizenship eligibility of AmeriCorps members. The majority of the subgrantees that we audited maintained an I-9 form issued by the U.S. Immigration and Naturalization Service along with documents to support employment verification (e.g., social security card and driver's license) rather than to support citizenship/resident eligibility (e.g., birth certificate, passport, and green card). As such, our Report on Compliance identified significant questioned costs related to noncompliance with citizenship eligibility requirements. Of the above questioned costs, $329,775 represents amounts resulting from lack of documentation to support citizenship eligibility requirements.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* defines the requirements for documentation for personnel compensation and payroll. During the period October 1998 through September 2001, the Commission's support for personnel compensation claimed under the Administrative and PDAT programs did not meet the requirements. Specifically, staff salaries and wages were not supported by timesheets or periodic certifications that confirmed that the employees worked solely on Federal programs during the period indicated. Of the above questioned costs, $431,820 is questioned due to lack of adequate documentation to support such compensation.

Financial and program records of a Commission subgrantee, Family Healthcare of Alabama, were unavailable for audit purposes due to an on-going government investigation of the entity. As a result, we were unable to audit the costs claimed for program years 1997-98 through 2000-01. The total Corporation and match costs claimed amounted to $1,071,745. Some or all of the costs incurred by Family Healthcare of Alabama may be questioned or disallowed as a result of the investigation. However, the types of findings that might result from the investigation could be entirely different from any questioned costs that might have been identified using the procedures in this Audit's Incurred Cost Guide.

BACKGROUND

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 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 their service, eligible members may receive a living allowance and post service educational benefits.

The Alabama Governor's Office on National and Community Service (the Commission) is located in Montgomery, Alabama. The Commission has received AmeriCorps grant funds since program year 1994-95, Administrative grants since program year 1994, and PDAT grants since program year 1995. It has also received Promise Fellow grants since 1996; however, these funds were not subject to our audit procedures since the funds awarded during our audit period were only $165,000, which is not material in relation to the total funds awarded. Receipt and disbursement of grant funds are accounted for in Alabama's general ledger system. Beginning March 2001, the Alabama Department of Economic and Community Affairs (ADECA) is responsible for the Commission's fiscal administration duties. Prior to March 2001, these duties were handled by the Commission itself, except for the period between July 1999 through December 1999 when ADECA was responsible.

Four of the seven subgrantees that we selected for detailed audit work currently continue to receive Corporation funds. They are Butler County Board of Education, Calhoun Community College, Cooper Green Hospital, and the University of Alabama at Birmingham. The various compliance issues identified in relation to all subgrantees indicate that the Commission needs to provide more guidance to its subgrantees on record retention and documentation standards for such items as eligibility, time sheets, member service hours, AmeriCorps roster updates on member status, and other claimed costs submitted for reimbursement and matching costs reported.

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

REPORT ON THE SCHEDULES OF AWARD COSTS

We were engaged to audit the accompanying AmeriCorps Consolidated, Administrative, and Program Development and Training, and Promise Fellow Schedules of Award Costs (Exhibits A through D) for the Alabama Governor's Office on National and Community Service, a grantee of the Corporation for National and Community Service, for the awards, award periods, and audit periods listed below:

Program	Award Number	Award Period	Audit Period
AmeriCorps	94ASCAL001	8/1/94 – 12/31/00	10/1/97 – 12/31/00
	00ASFAL001	9/1/00 – 9/30/02	9/1/00 – 12/31/01
	00ASCAL001	10/1/00 – 6/30/02	10/1/00 – 12/31/01
Administrative	94SCSTAL002	12/29/93 – 12/31/00	1/1/97 – 12/31/00
	01SCSAL002	1/1/01 – 12/31/01	1/1/01 – 12/31/01
PDAT	95PDSAL002	1/1/95 – 12/31/01	1/1/97 – 12/31/01
Promise Fellow	98APSAL001	11/1/98 – 12/31/99	Unaudited

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 periods 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 noted noncompliance exceptions resulting in questioned costs, which are material to the Schedules of Award Costs.

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

Since the Family Healthcare of Alabama's financial and program records were not available for audit purposes due to an on-going investigation, we were unable to determine the allowability of the costs claimed for program years 1997-98 through 2000-01. The total Corporation and match costs claimed amounted to $1,071,745.

Because of the matters discussed in the three 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, and Program Development and Training Schedules of Award Costs.

The Schedules of Award Costs for each subgrantee (Exhibits E-1 through E-10) are presented for additional analysis of the AmeriCorps Consolidated Schedule of Award Costs (Exhibit A) rather than to present the costs incurred by the individual subgrantees. Because of the matters discussed in the second and third preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on this information.

Alabama Governor's Office on National and Community Service
AmeriCorps
Consolidated Schedule of Award Costs
From October 1, 1997 to December 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 4,012,865	$ 2,702,034	$ 283,722
FICA & Workers Comp	374,470	247,510	21,125
Health Care	384,505	197,086	26,536
Subtotal	4,771,840	3,146,630	331,383
Other Member Costs:			
Training & Education	30,800	11,303	-
Uniforms	4,244	3,134	-
Other	23,798	10,184	-
Subtotal	58,842	24,621	-
Staff:			
Salaries	845,989	787,596	156
Benefits	179,264	156,047	218
Training	-	-	-
Other	23,956	4,050	-
Subtotal	1,049,209	947,693	374
Operating Costs:			
Corp. Sponsored Meetings	30,670	11,129	750
Supplies	37,135	22,979	-
Transportation	36,895	22,019	-
Equipment	2,700	1,120	-
Other	13,984	10,468	240
Subtotal	121,384	67,715	990
Internal Evaluation:	2,500	-	-
Administration:	303,202	186,788	12,022
Costs claimed exceeded maximum match percentage	-	-	3,721
PER * exceeds General Ledger	-	-	689
Total Corporation Funds	6,306,977	4,373,447	349,179
Total Matching Funds	3,336,884	2,413,071	112,351
Total Funds	$ 9,643,861	$ 6,786,518	$ 461,530

* Periodic Expenditure Report

Exhibit B

Alabama Governor's Office on National and Community Service
Administrative
Schedule of Award Costs
From January 1, 1997 to December 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Personnel	$ 586,427	$ 547,402	$ 362,550
Travel	145,488	88,547	-
Subgrants/Subcontracts	7,523	7,943	-
Operating Costs	101,844	141,676	-
Other Costs	1,852	1,823	-
Unified State Plan	6,000	4,984	-
Total Corporation Funds	849,134	792,375	362,550
Total Matching Funds	885,557	752,554	352,148
Total Funds	$ 1,734,691	$ 1,544,929	$ 714,698

Alabama Governor's Office on National and Community Service
Program Development and Training (PDAT)
Schedule of Award Costs
From January 1, 1997 to December 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Commission Staff	$ 76,850	$ 80,175	$ 69,270
Program Staff Development	27,250	26,938	-
Consultants	27,193	25,647	-
Training	193,550	191,513	-
Subgrants/Subcontracts	1,500	500	-
Communication	3,150	2,514	-
Supplies	10,904	10,053	-
Other	550	593	-
Total Corporation Funds	$ 340,947	$ 337,933	$ 69,270

Exhibit D

Alabama Governor's Office on National and Community Service
Promise Fellow
Schedule of Award Costs (unaudited)
From November 1, 1998 to December 31, 1999

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Total Corporation Funds	$ 165,000	$ 165,000	$ -

Alabama Governor's Office 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), and Promise Fellow grants awarded to the Alabama Governor's Office on National and Community Service (herein referred to as the Commission) by the Corporation for National and Community Service (Corporation) for the period January 1, 1997 through December 31, 2001.

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

Basis of Accounting

The accompanying Schedules have been prepared to comply with the provisions of the grant agreements between the Corporation and the Commission. The information presented in the Schedules has been prepared from the reports submitted by the Commission to the Corporation 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 therefrom, is subject to Federal regulations.

Inventory

Minor materials and supplies are charged to expense when purchased.

Questioned Costs

Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the awards, or those costs which require 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 post-service educational benefits related to ineligible members. Such additional questioned costs amount to $92,065.

A detailed reconciliation of amounts identified as questioned costs in the Report on Compliance to those reflected on Exhibits A through D is presented in notes 2A and 2B.

Alabama Governor's Office on National and Community Service
Note 2.A. Summary of Questioned Costs - AmeriCorps

Finding	Consolidated Full Scope Audit - AmeriCorps Subgrantees	Birmingham AIDS Outreach	Birmingham Cultural and Heritage Foundation	Calhoun Community College	Cooper Green Hospital	University of Alabama at Birmingham
Questioned Claimed Costs						
Lack of Documentation:						
* Eligibility Requirements	$ 329,775	$ 59,425	$ 56,157	$ 1,721	$ 116,218	$ 96,254
* Documentation to support selected payments claimed under the subgrants was not maintained, allocable to the program, or properly approved	2,573	1,517	720	254	-	82
Expenses claimed per the Periodic Expenditure Report did not agree with expenses recorded in the general ledger	689	-	-	-	-	689
Member stipends paid at incorrect amounts	159	-	159	-	-	-
Administrative costs in excess of the maximum Corporation share	12,022	3,034	2,841	27	1,450	4,670
Matching requirements were not met	3,721	-	-	-	-	3,721
Member healthcare costs were based on estimates and duplicated	240	-	-	-	240	-
Subtotal	349,179	63,976	59,877	2,002	117,908	105,416
Questioned Match						
Lack of Documentation:						
* Eligibility Requirements	57,717	10,009	9,909	304	20,509	16,986
Member stipends paid at incorrect amounts	28	-	28	-	-	-
Match amounts claimed are not properly supported, necessary and reasonable, properly valued, or allocable to the program	32,129	31,643	427	45	-	14
Member healthcare costs were based on estimates and duplicated	22,477	-	-	-	22,477	-
Subtotal	112,351	41,652	10,364	349	42,986	17,000
Total	$ 461,530	$ 105,628	$ 70,241	$ 2,351	$ 160,894	$ 122,416
Questioned Education Awards						
Lack of Documentation:						
* Eligibility Requirements	$ 92,065	$ 23,681	$ 25,184	$ -	$ 4,725	$ 38,475

(Continued)

Alabama Governor's Office on National and Community Service
Note 2.B. Summary of Questioned Costs - Administrative and PDAT

Finding	Consolidated Full Scope Audit - Commission Level Grants	Administrative Grant	PDAT Grant
Questioned Claimed Costs			
Inadequate documentation to support compensation of personnel services	$ 431,820	$ 362,550	$ 69,270
Subtotal	431,820	362,550	69,270
Questioned Match			
Inadequate documentation to support compensation of personnel services	343,184	343,184	-
Matching contributions were not adequately supported	8,964	8,964	-
Subtotal	352,148	352,148	-
Total	$ 783,968	$ 714,698	$ 69,270

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 condition identified as item 1 below is a material weakness. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the Commission's Schedules of Award Costs.

Our consideration of internal controls would not necessarily disclose all matters in internal controls 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 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 and its subgrantees' internal controls over financial reporting. Consequently, we do not provide an opinion on internal control over financial reporting.

The following paragraphs present the 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 2000. A more detailed summary of the status of reportable conditions as first reported in OIG Audit Report Number 01-20[1], *Pre-Audit Survey of the Alabama State Commission on National and Community Service* issued on February 2, 2001, is presented as Exhibit F.

Material Weakness

1. Grants and Program Management

The Alabama Governor's Office on National and Community Service is responsible for evaluating whether its subgrantees comply with legal, reporting, financial management

[1] For additional information, including the responses by the Commission and the Corporation, see OIG Audit Report Number 01-20; *Pre-Audit Survey of the Alabama State Commission on National and Community Service*, issued by the Corporation OIG.

and grant requirements and ensuring corrective actions are taken on issues of noncompliance. For most of the period audited, the Commission lacked a comprehensive program to monitor the programmatic activity of all subgrantees to ensure that adequate attention was given to compliance issues and documentation was retained as evidence of compliance. We also noted that the Commission had experienced significant personnel turnover. As a result, we identified control weaknesses and instances of noncompliance as reported in the Report on Compliance, some of which resulted in questioned costs.

We obtained the AmeriCorps member rosters from the Corporation's National Service Trust database for the individual program years for each of the seven 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 year did not appear accurate or complete, or had not been properly updated.

Subgrantee	Program Year	Exception
Birmingham AIDS Outreach	99-00	2 members reflected as "active" even though the subgrantee ceased to operate the program in December 2000.
	98-99 and 99-00	Hours per the subgrantee's records did not agree with the hours reflected on the Corporation's Member Roster for 5 members.
Cooper Green Hospital	99-00	6 members listed on subgrantee's member roster but not the Corporation's Member Roster.
Calhoun Community College	98-99 and 00-01	Hours per the subgrantee's records did not agree with the hours reflected on the Corporation's Member Roster for 3 members.

The Corporation relies on the Commission and its subgrantees to maintain systems and management controls that provide accurate member service information to the National Service Trust. The noncompliance issues related to member status 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. In addition, failure to provide accurate member information to the Corporation could result in erroneous education awards being issued and undermines the reliability of certain of the Corporation's GPRA statistics.

Further, during our audit of individual subgrantees, we identified the following internal control deficiencies, which indicate the Commission is not adequately monitoring its subgrantees:

- Financial Status Reports, Progress Reports, and member status forms were not submitted timely, properly completed, appropriately signed, or dated in certain instances for all subgrantees audited.

- Vendor invoices, primarily related to staff benefits, were not always appropriately approved by the Program Director at the Birmingham Cultural and Heritage Foundation.

- Cooper Green Hospital does not have a procedure to account for in-kind contributions, including a donor signed voucher for the goods and services provided.

- Cooper Green Hospital used healthcare benefits estimates to claim costs from the Corporation rather than actual healthcare costs incurred.

- Birmingham AIDS Outreach lacked adequate segregation of duties.

- The University of Alabama at Birmingham failed to stamp invoices as paid upon payment in order to prevent their resubmission.

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

- Complete the implementation of the recently developed policies and procedures to monitor the programmatic and financial activity of all subgrantees.
- Ensure adequate attention is given to compliance issues that may not be addressed, even if a Single Audit in accordance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, has been performed for any specific subgrantee.
- Ensure that current subgrantees establish procedures to adequately segregate financial duties, to ensure that expenses incurred are accurately reported to the Commission, and vouchers are cancelled timely.
- Conduct site visits as frequently as necessary based on the Commission's assessment of the risk associated with a particular grantee; during such site visits, ensure that the subgrantee is complying with revised Commission policies and procedures and is adequately implementing recommended corrective actions to resolve identified deficiencies.

Reportable Condition

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 Commissions must maintain. OMB

Circulars also establish standards for monitoring, compliance oversight, record retention, documentation and allowable costs.

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

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

However, the following conditions continue to exist and require corrective action.

- Untimely receipt of subgrantee Financial Status Reports (FSRs) and Progress Reports.
- Lack of review of FSRs submitted by the subgrantees for accuracy or agreement with the subgrantees' accounting system.
- Lack of review of Commission-level FSRs by the Commission's program office prior to their transmittal to the Corporation.

Further, during the incurred cost audit, we found that the Commission lacked procedures to perform comparisons of budget to actual expenditures on a regular basis.

We recommend that the Commission continue to emphasize the implementation of its recently developed set of policies and procedures for all Corporation grants. Such emphasis will help to ensure that day-to-day procedures are performed accurately and consistently, thus minimizing the risk of Corporation funds being improperly disbursed.

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

REPORT ON COMPLIANCE

The results of our tests of compliance disclosed instances of noncompliance and related questioned costs as reflected in Exhibits A through D, 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 where actual costs were provided by the Commission and its subgrantees) or estimated costs (in those instances where actual costs were not readily available).

AmeriCorps Grant

A. Compliance Findings Resulting in Questioned Costs

The specific amounts questioned for the findings discussed below are included in the Schedules of Award Costs by subgrantee at Exhibits E-1 through E-6, and in the Summary of Questioned Costs (see Note 2 to the Consolidated Schedule of Award Costs on pages 12 – 13). This Note reconciles the amounts identified as questioned costs in the following paragraphs to the consolidated questioned costs in Exhibit A.

1. Lack of documentation

a. Eligibility requirements were not met (Questioned Claimed Costs of $329,775, Questioned Match Amounts of $57,717, and Questioned Education Awards of $92,065).

The following subgrantees did not maintain sufficient documentation to verify that members met eligibility requirements. AmeriCorps 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	**Occurrence/ Sample Size**	**Applicable Program Years**
Lacking Documentation For: Citizenship or lawful permanent residency		
Birmingham AIDS Outreach	11 of 16	97-98 through 99-00
University of Alabama at Birmingham	11 of 15	98-99 through 00-01
Cooper Green Hospital	15 of 23	98-99 through 00-01
Birmingham Cultural and Heritage Foundation	8 of 10	97-98 and 98-99
Calhoun Community College	3 of 16	98-99 through 00-01
Lacking Documentation For: High school diploma		
Cooper Green Hospital	16 of 23	98-99 through 00-01

We have questioned member costs, i.e., living allowances and benefits claimed for member files without required eligibility documentation. Correspondingly, we have questioned the amount of education awards earned by these members.

b. *Documentation to support selected payments claimed under the subgrants was not maintained, allocable to the program, or properly approved by the Program Director (Questioned Claimed Cost of $2,573).*

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

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

Birmingham AIDS Outreach

Category of Cost	Payee/Description	Amount	Program Year
Other Operating	Mathematical error on the Periodic Expenditure Report	$ 750	99-00
Salaries and Benefits	P. Kellar and P. Holland	$ 176	99-00
Salaries and Benefits	FICA for staff	$ 37	97-98
Salaries and Benefits	Unemployment for staff	$ 161	All years
Member Healthcare	Allianz Life	$ 262	98-99
Member Healthcare	Allianz Life	$ 131	98-99

Birmingham Cultural and Heritage Foundation

Category of Cost	Payee	Amount	Program Year
Member Healthcare	Allianz Life	$ 589	97-98 and 98-99
Member Healthcare	Allianz Life	$ 131	97-98
Training and Education	Cardiopulmonary Resuscitation +	$ 170 *	97-98
Salaries and Benefits	United Healthcare of AL and United Concordia (Jan 98)	$ 501 *	98-99
Salaries and Benefits	United Healthcare of AL and United Concordia (Jan 00)	$ 268 *	98-99
Salaries and Benefits	United Healthcare of AL and United Concordia (Nov 97)	$ 235 *	97-98
Salaries and Benefits	United Healthcare of AL (Feb 98)	$ 227 *	97-98
Salaries and Benefits	United Concordia (Aug 98 dental insurance)	$ 16 *	97-98

* We have not questioned these costs because the only missing documentation was the Program Director's signature as approval for these invoices.

Calhoun Community College

Category of Cost	Payee	Amount	Program Year
Member Healthcare	Jefferson Outpatient Care	$ 65	99-00
Member Healthcare	Jefferson Outpatient Care	$189	00-01

University of Alabama at Birmingham

Category of Cost	Payee	Amount	Program Year
Member Healthcare	Jefferson Outpatient Care	$ 82 **	99-00

** The questioned cost is for one member even though we noted exceptions for two. However, the healthcare costs for the second member have already been questioned as a result of the lack of documentation to support citizenship eligibility.

2. *Expenses claimed per the Periodic Expenditure Report did not agree with expenses recorded in the general ledger (Questioned Claimed Costs of $689)*

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

Subgrantees must 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.

University of Alabama at Birmingham

Amounts reported and claimed on the Periodic Expenditure Report, also known as the drawdown request, for program year 2000-01 for staff salaries and related FICA did not agree with amounts recorded in the general ledger. The salary costs exceeded the amounts in the general ledger and the FICA costs were less than the amounts in the

general ledger. We have questioned the net effect ($689) of these discrepancies representing costs claimed in excess of what was recorded in the general ledger.

Birmingham Cultural and Heritage Foundation

The total amount recorded in the general ledger for program year 1997-98 exceeded the amount reported and claimed on the Periodic Expenditure Report by $2,362. The subgrantee could not explain the difference. We have not questioned this amount since the amount was not claimed.

3. *Member stipends paid at incorrect amounts (Questioned Claimed Costs of $159 and Questioned Match Costs of $28)*

According to the AmeriCorps Provisions, subgrantees must provide a living allowance to full-time members within a specified range. Provisions further state that the living allowance is designed to help members meet the necessary living expenses incurred while participating in the AmeriCorps program and that the living allowance should be paid in increments, such as weekly or bi-weekly. As such, programs must establish and implement controls to ensure that members receive the proper stipend amount based on their length of service.

The following subgrantees paid members incorrect living allowances. Amounts overpaid by Birmingham Cultural and Heritage Foundation are recognized as questioned costs.

Subgrantee	**Total Members Under or Overpaid**	**Total Amount Overpaid ***	**Total Amount Underpaid ***	**Program Year**
Birmingham AIDS Outreach	3	$242 **	$ 90	97-98 and 99-00
Birmingham Cultural and Heritage Foundation	4	$187	$431	98-98
Calhoun Community College	2	N/A	$748	98-99 and 00-01

* Amounts exclude the associated FICA.

** There are no associated questioned costs related to these members since member support costs for these members have already been questioned due to inadequate documentation to determine citizenship or permanent resident eligibility.

4. *Administrative costs in excess of the maximum Corporation share were claimed (Questioned Claimed Costs of $12,022).*

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

The following subgrantees claimed administrative costs in excess of this maximum percentage as a result of questioned/claimed costs in the administrative cost base (Corporation funds actually expended):

Subgrantee	**Amount**	**Applicable Program Years**
Birmingham AIDS Outreach	$ 3,034	All years
Birmingham Cultural and Heritage Foundation	$ 2,841	All years
Calhoun Community College	$ 27	All years
Cooper Green Hospital	$ 1,450	All years
University of Alabama at Birmingham	$ 4,670	All years

5. *Matching requirements were not met (Questioned Claimed Costs of $3,721).*

According to the AmeriCorps Provisions, the subgrantee must provide, at a minimum, the following aggregate matches:

i. member support costs of 15% - including living allowance, FICA, unemployment insurance, worker's compensation and healthcare; and
ii. program operating costs of 33% - including other member costs, staff, operating costs, internal evaluation and administration.

The maximum the University of Alabama at Birmingham should have claimed using Corporation funds for member support would be 85 percent. However, in program year 2000-01, it claimed 88 percent. We questioned the difference of $3,721.

6. *Amounts claimed as match are not properly supported, necessary and reasonable, properly valued, or allocable to the program (Questioned Match of $32,129).*

AmeriCorps 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.

In addition, the AmeriCorps Provisions stipulate that contributions, including cash and third party in-kind, will be accepted as part of the grantee's matching share for Program Operating Costs when such contributions meet all of the following criteria:

i. They are verifiable from Grantee records;
ii. They are not included as contributions for any other federally-assisted program;
iii. They are necessary and reasonable for the proper and efficient accomplishment of program objectives; and
iv. They are allowable under applicable cost principles.

Further, as indicated in the AmeriCorps Provisions, the value of grantee contributions of services and property will be determined in accordance with applicable cost principles set forth in OMB Circulars A-21, A-87, and A-122, and the approved budget.

The following subgrantees lacked documentation to support the existence and/or reasonableness of the following match amounts claimed:

Birmingham AIDS Outreach

Category of Cost	Payee/Donor	Amount	Program Year
Training and Education	Mathematical error on the Periodic Expenditure Report	$ 1,334	99-00
Other Member	Mathematical error on the Periodic Expenditure Report	$21,029	99-00
Training and Education	University of Alabama at Birmingham 1917 Clinic	$ 250	98-99
Training and Education	Birmingham AIDS Outreach	$ 4,500	99-00
Training and Education	UAB Civilian International Research Center	$ 400	99-00
Other Operating	Pitney Bowes	$ 113	99-00
Training and Education	Al Psychotherapy and Wellness Center	$ 100	98-99
Other Operating	Associated Data Services	$ 1,351	99-00
Other Operating	Birmingham News	$ 114	99-00
Other Operating	Birmingham News	$ 316	99-00
Other Operating	Newcourt Financial	$ 1,359	99-00
Salaries and Benefits	P. Kellar and P. Holland	$ 335	99-00
Salaries and Benefits	FICA for staff	$ 46	97-98
Salaries and Benefits	Unemployment for staff	$ 327	All years
Member Healthcare	Allianz Life	$ 46	98-99
Member Healthcare	Allianz Life	$ 23	98-99

Birmingham Cultural and Heritage Foundation

Category of Cost	Payee	Amount	Program Year
Training and Education	Michael Levine	$300	97-98
Member Healthcare	Allianz Life	$104	97-98 and 98-99
Member Healthcare	Allianz Life	$ 23	97/98

Calhoun Community College

Category of Cost	Payee	Amount	Program Year
Member Healthcare	Allianz Life	$12	99-00
Member Healthcare	Allianz Life	$33	00-01

University of Alabama at Birmingham

Category of Cost	Payee	Amount	Program Year
Member Healthcare	Jefferson Outpatient Care	$14 **	99-00

** The questioned cost is for one member even though we noted exceptions for two. However, the healthcare costs for the second member have already been questioned as a result of the lack of documentation to support citizenship eligibility.

Cooper Green Hospital

The Cooper Green Hospital's procedures to account for in-kind contributions does not include obtaining a donor signed voucher for the goods and services provided. We had to review alternative documentation to assess the validity and reasonableness of the match amounts reported. Further, the subgrantee records the in-kind contributions on a periodic basis, e.g., quarterly or annually, as opposed to recording the amounts when the goods or services are provided. This practice increases the risk that all in-kind donations may not properly be recorded and inadequate documentation may result in questioned costs.

7. *Member healthcare costs were based on estimates and claimed twice (Questioned Claimed Costs of $240 and Questioned Match Amounts of $22,717).*

The Cooper Green Hospital provides healthcare to its AmeriCorps members. In order to place a value on the services provided, the subgrantee computes an estimate, on a quarterly basis, based on the number of hours served by each member. The estimated amount is then reported as match. The subgrantee has the ability to determine the actual healthcare amounts incurred on behalf of the members are available to the subgrantee. These amounts are not compared with the estimated amounts previously reported, resulting in estimated amounts exceeding the actual amounts by approximately $5,900. We have not questioned this match amount, since we have already questioned member healthcare costs due to lack of documentation for citizenship eligibility.

However, we note that the subgrantee reported the estimated amount as match and also claimed the actual costs. Since this resulted in duplication of claimed costs, we have questioned the following claimed and match amounts.

Budget Line Item	Amount	Program Year
Other Operating Costs	$7,008	98-99
Other Member Costs	$8,121	99-00
Other Member Costs	$7,588	00-01

B. Other Compliance Findings

8. Lack of documentation

a. Criminal background check

The following subgrantees enrolled members who require a criminal background check; however, sufficient documentation to support that a criminal background check was conducted was not maintained. The AmeriCorps Provisions require that programs with members or employees who have substantial contact with children (as defined by state law) or who perform service in the homes of children or individuals considered vulnerable by the program shall, to the extent permitted by state and local law, conduct criminal record checks. The Provisions require that this documentation be maintained within member or employee files.

Subgrantee	Occurrence/ Sample Size	Applicable Program Years
Lacking Documentation For: Criminal Background Check		
Cooper Green Hospital	4 of 23	99-00
Calhoun Community College	1 of 23	99-00

b. Member contracts

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

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

The following subgrantees did not maintain documentation to support that members had signed such contracts.

Subgrantee	Occurrence/ Sample Size	Applicable Program Years
Lacking Documentation For: Signed Member Contracts		
Birmingham AIDS Outreach	1 of 16	99-00
Cooper Green Hospital	5 of 23	99-00
Lacking Documentation For: Member Contracts that Include all Required Elements		
University of Alabama at Birmingham	15 of 15	98-99 through 00-01
Cooper Green Hospital	1 of 23	99-00

c. Orientation

AmeriCorps 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.

Cooper Green Hospital did not maintain documentation to support that an orientation was conducted for 5 out of 23 (program years 98-99 and 99-00) member files tested.

d. Member start and end dates/Location of member's service

The University of Alabama at Birmingham did not maintain required documentation on the identification of a member's location of service and project assignment for 2 of the 15 member files tested. AmeriCorps Provisions require that the subgrantee must maintain verifiable records, which document each member's participation, start date and end date, hours of service per week, location of service activities and project assignment.

e. Mid-term and end-of-term evaluations

The following subgrantees could not locate mid-term and end-of-term evaluations for some members that were selected for review. AmeriCorps Provisions require that each subgrantee must conduct at least a mid-term and end-of-term written evaluation of each member's performance, focusing on such factors as:

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

Subgrantee	Occurrence/ Sample Size	Applicable Program Years
Lacking Documentation For: Mid-Term and End-of-Term Evaluations		
Birmingham AIDS Outreach	12 of 16	97-98 through 99-00
Cooper Green Hospital	7 of 23	98-99 and 99-00
Lacking Documentation For: Mid-Term Evaluations		
Butler County Board of Education	15 of 20	97-98 through 00-01
Calhoun Community College	1 of 16	98-99
Lacking Documentation For: End-of-Term Evaluations		
Birmingham AIDS Outreach	2 of 16	99-00

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

The following subgrantees did not maintain or submit certain standard forms required to be completed for members, did not adhere to the required timeframe for submission, or did not properly record the required information. AmeriCorps Provisions require that the following documents be completed:

- **Enrollment Forms.** State Commissions and parent organizations must submit member enrollment forms to the Corporation no later than 30 days after a member is enrolled.
- **Change of Status Forms.** State Commissions and parent organizations must submit member change of status forms to the Corporation no later than 30 days after a member's status is changed. By forwarding member change of status forms to the Corporation, State Commissions and parent organizations signal their approval of the change.
- **Exit/End-of-Term-of-Service Forms.** Programs must submit member exit/end-of-term-of-service forms to the Corporation no later than 30 days after a member exits the program or finishes his/her term of service early.

Subgrantee	Occurrence/ Sample Size	Applicable Program Years
Lacking Documentation For: Enrollment Form		
Cooper Green Hospital	4 of 23	99-00
Lacking Documentation For: Approval of Enrollment Form		
Cooper Green Hospital	3 of 23	99-00

Subgrantee	Occurrence/ Sample Size	Applicable Program Years
Lacking Documentation For: Exit/End-of-Term Form		
Cooper Green Hospital	5 of 23	99-00 and 00-01
Birmingham AIDS Outreach	2 *	99-00
Lacking Documentation For: Timely submission of Exit/End-of-Term Form		
University of Alabama at Birmingham	5 of 15	98-99 and 00-01
Lacking Documentation For: Properly recorded information on Exit Form re: service hours and/or exit date		
Cooper Green Hospital	9 of 23	98-99 and 99-00
University of Alabama at Birmingham	1 of 15	00-01

* The two members were not included in our sample of members but were identified when we reviewed the Member Rosters maintained by the Corporation's National Service Trust. At the time of our fieldwork, both members were still reflected as "active" even though the subgrantee's program ceased operations by December 2000.

g. Timesheets to support hours of service

Under the AmeriCorps Provisions, the subgrantee must maintain verifiable records, which document each member's eligibility to serve based upon hours of service per week, among other criteria. The records must be sufficient to establish that the individual was eligible to participate in the Program and that the member successfully completed 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.

Further, AmeriCorps Provisions require that time and attendance records must be signed by both the member and by an individual with oversight responsibilities for the member. The member or employee's signature represents acknowledgement that the hours reported reflect an accurate depiction of the hours served. A supervisor's signature indicates approval of the hours recorded by the member/employee.

The following subgrantees failed to maintain all or a portion of a member's timesheets to support the hours of service performed:

Subgrantee	Occurrence/ Sample Size	Applicable Program Years
Lacking Documentation For: Member Timesheets		
Cooper Green Hospital	5 of 23	00-01
Calhoun Community College	1 of 16	98-99

No questioned costs relate to members without timesheets. Member support costs for these members have already been questioned due to inadequate documentation to determine program eligibility.

h. Termination for compelling personal circumstances

If a member is released from a program for compelling personal circumstances, AmeriCorps provisions state that the member is eligible for a pro-rated educational award based on the number of hours served, if it is at least 15% of the total required hours. The circumstances must be documented and retained in the member file. The following subgrantees had members who received partial education awards, however, the members' files lacked documentation to support the compelling personal circumstances:

Subgrantee	**Occurrence/ Sample Size**	**Applicable Program Years**
Lacking Documentation For: Support for termination for compelling personal circumstances		
Birmingham AIDS Outreach	2 of 16	98-99 and 99-00
University of Alabama at Birmingham	2 of 15	98-99
Butler County Board of Education	5 of 8	97-98 and 98-99
Cooper Green Hospital	2 of 23	99-00 and 00-01

9. 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.

Our review of the FSRs and progress reports at the selected subgrantees disclosed numerous discrepancies in the preparation and submission of FSRs and Progress Reports. The following summarizes the type of discrepancy and the occurrence for each subgrantee:

Financial Status Reports:

Subgrantee	**Occurrence/Sample Size**
Lack of preparation of a cumulative FSR for a particular program year if the program year exceeded a 12-month period	
Birmingham AIDS Outreach	1 of 1
Birmingham Cultural and Heritage Foundation	1 of 1
Improperly prepared FSR (including lack of date)	
Birmingham AIDS Outreach	1 of 5
University of Alabama at Birmingham	3 of 6
Cooper Green Hospital	2 of 6
Calhoun Community College	1 of 8
Lack of preparation of a FSR based on submission requirements stipulated in the Cooperative Agreement	
Birmingham AIDS Outreach	1 of 1
Lack of submission of a final FSR	
University of Alabama at Birmingham	1 of 1

Additionally, we were informed that Birmingham Public Schools, a subgrantee of the Commission not audited by us, has not requested reimbursement for expenditures incurred for program year 2000-2001. Another subgrantee whom we were unable to audit due to an ongoing investigation, the Family Healthcare of Alabama, has not requested reimbursement for expenditures incurred since July 2001. As a result, the Commission could not provide complete program costs incurred by these subgrantees. The Corporation holds grantees such as the Commission responsible for monitoring subgrantee activities to ensure timely compliance with reimbursement requirements. The Commission should have taken follow up action on these subgrantees to obtain the respective FSRs. We recommend particular attention be paid to FSRs submitted by these subgrantees to ensure their accuracy.

Progress Reports:

Lack of retention of a Progress Report	
Cooper Green Hospital	1 of 6
Untimely submission of a Progress Report (including final)	
Butler County Board of Education	1 of 11
Progress Report was not dated	
Cooper Green Hospital	5 of 6
Calhoun Community College	6 of 6
University of Alabama at Birmingham	5 of 5
Improper completion of a Progress Report	
Birmingham AIDS Outreach	1 of 4
Final Progress Report was not cumulative	
University of Alabama at Birmingham	1 of 1
Cooper Green Hospital	1 of 1
Calhoun Community College	1 of 1
Lack of preparation of a Progress Report based on submission requirements stipulated in the Cooperative Agreement	
Birmingham AIDS Outreach	1 of 1
Lack of completion of a Progress Report for a particular program year if the program exceeded a 12-month period	
Birmingham Cultural and Heritage Foundation	1 of 1
Birmingham AIDS Outreach	1 of 1

10. 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 a lack of specific internal controls at the following subgrantees:

Birmingham AIDS Outreach

There does not appear to have been adequate segregation of duties; an authorized check signer had access to petty cash; and the individual who prepared the bank reconciliation also handled cash receipts and prepared checks. While we were unable to determine the

exact procedures in place during the grant period due to personnel changes, the same deficient procedures may have been used throughout the grant period.

University of Alabama at Birmingham

No policy requires that invoices be stamped as paid to prevent their resubmission.

11. Minor disciplinary policy contradicts AmeriCorps Provisions.

Birmingham AIDS Outreach and Birmingham Cultural and Heritage Foundation's minor disciplinary policy included in the member contract permitted suspended members to receive a living allowance. Although we found no evidence that any suspended members actually received a living allowance, the policy contradicts AmeriCorps Provisions. While the AmeriCorps Provisions permit a grantee to temporarily suspend or impose a fine on a member for minor disciplinary reasons, the provisions stipulate that "members who are suspended for minor disciplinary reasons may not receive a living allowance for the suspension period."

12. Grant advances were not limited to immediate cash needs

Birmingham AIDS Outreach

Grant advances were not limited to immediate cash needs. At the end of each program year, Birmingham AIDS Outreach had what appeared to be excess Federal funds. After the final grant close-out occurred in July 2001, the Commission determined that no Federal funds were required to be returned. Excess funds received for program year 1996-97 were offset by expenditures not yet reimbursed for program year 1999-00, and the excess Federal funds received for program year 1998-99 were offset by Commission adjustments to the amounts claimed for program year 1998-99. The AmeriCorps Provisions stipulate that the amount of grant advances requested by the subgrantee must be based on actual and immediate cash needs in order to minimize Federal cash on hand in accordance with Department of the Treasury policies.

Birmingham Cultural and Heritage Foundation

Birmingham Cultural and Heritage Foundation's grant advances were not limited to immediate cash needs, interest earned on advances was not remitted timely, and excess funds were not remitted timely. Specifically, our analysis disclosed that the first advances for program years 1997-98 and 1998-99, and the final advance for program year 1997-98 were not limited to the subgrantee's immediate cash needs. As a result, interest in excess of $250 was earned on the advanced funds and the interest was only remitted after the final grant close-out with the Commission occurred in June 2001. In addition, at the end of program year 1997-98, the subgrantee had what appeared to be excess funds. When the Commission completed final grant close-out, the excess funds were netted, to the extent possible, against the 1998-99 expenditures that had not yet been reimbursed. During final grant close-out, which occurred in June 2001, the remaining excess funds

were returned to the Commission, and subsequently remitted to the Corporation. The AmeriCorps Provisions stipulate that the amount of grant advances requested by the subgrantee must be based on actual and immediate cash needs in order to minimize Federal cash on hand in accordance with Department of the Treasury policies. The AmeriCorps Provisions further stipulate that interest earned on advances in excess of $250 must be remitted annually to the Department of Health and Human Services – Payment Management System.

13. Program was not internally evaluated

Other than the results of a member survey that was conducted in May 2000 at the Birmingham AIDS Outreach, we found no evidence that the program was internally evaluated. The AmeriCorps Provisions stipulate that "the Grantee must track progress toward achievement of their program objectives. The grantee must also monitor the quality of service activities, the satisfaction of both service recipients and members, and management effectiveness."

Recommendations Related to the AmeriCorps Grant

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

- The Corporation should follow up with the Commission to determine whether the questioned amounts should be disallowed and recovered.
- The Commission should provide additional guidance to existing subgrantees on record retention and documentation standards for such items as eligibility, time sheets, member service hours, AmeriCorps roster updates on member status, 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 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 then verify subgrantee compliance with these procedures during periodic site visits.
- The Commission should immediately contact the subgrantees that have not submitted reimbursement requests and inquire why they have not submitted such requests. The Commission should notify these subgrantees that they are in non-compliance with grant requirements.
- 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 assist subgrantees to develop and implement proper internal controls that would ensure (1) proper segregation of duties, (2) appropriate approvals, (3) timely submission and proper completion of forms and reporting documents, (4)

maintenance of supporting documentation in compliance with the AmeriCorps Provisions, (5) accurate tracking and reporting of member service hours, and (6) proper payment of member stipends.

- The Commission should, in conjunction with the subgrantees, attempt to contact any member who received a reduced stipend in an amount less than the member was entitled and reimburse the member for any shortage.
- The Commission should ensure that subgrantees have implemented policies and procedures that are consistent with the AmeriCorps Provisions.

Administrative and Program Development and Training (PDAT) Grants

The following findings are a result of compliance audit work performed at the Commission level for the Administrative and PDAT programs. A majority of the questioned costs are due to the lack of supporting documentation. However, to the extent that 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.* These findings are presented in the following paragraphs.

C. Compliance Findings Resulting in Questioned Costs

The specific amounts questioned for the findings discussed below are included in the Schedules of Award Costs at Exhibits B and C, and in the Summary of Questioned Costs (see Note 2 to the Consolidated Schedule of Award Costs on pages 12 – 13). This note reconciles the amounts identified as questioned costs in the following paragraphs to the consolidated amounts of questioned costs in Exhibits B and C.

1. Inadequate documentation to support compensation for personnel services (Questioned Claimed Cost of $431,820 and Questioned Match Amounts of $343,184).

From October 1998 through September 2001, the Commission's support for its compensation of personnel costs claimed under the Administrative and PDAT programs did not meet the requirements specified in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments.* Specifically, staff salaries and wages were not supported by timesheets or periodic certifications that confirmed that the employees worked solely on Federal programs. Therefore, we questioned $69,270 of PDAT costs, and $362,550 of Administrative costs incurred during those periods. We also questioned $343,184 of Administrative matching costs.

Section 11h, Attachment B of OMB Circular A-87 stipulates that "where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

Recommendation

No recommendation is considered necessary since the Commission began completing and submitting signed and approved timesheets each pay period since October 2001.

2. *Matching contributions claimed were not properly supported (Questioned Match of $8,964)*

The Commission could not provide supporting documentation for one in-kind matching contribution that was included in the schedule detailing the components of the Administrative grant's Schedule of Award Costs for the 1998 program year.

The General Provisions for State Administrative Awards stipulate that the Grantee must maintain adequate supporting documents for its expenditures (Federal and non-Federal) and in-kind contributions made under the grant. Costs must be shown in books or records, e.g., 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.

Recommendation

No recommendation is considered necessary, as the lack of support appears to be an isolated case.

D. Other Compliance Findings

3. *Lack of prior approvals for budget modifications*

The Commission did not obtain prior written approval for purchases of equipment that were not budgeted. During our tests of claimed costs, we noted that in program year 2000, equipment purchases totaling $31,325 were claimed under the Administrative program, yet we found no evidence that the Corporation approved such purchases. Under the Provisions for Program Development and Training, Disability Placement and State Administrative Awards, the "Grantee must obtain the prior written approval of the Corporation's Office of Grants Management before deviating from the approved budget in any of the following ways.... Purchases of equipment over $5,000 using Grant funds, unless specified in the approved application and budget." As a result of our audit, the Commission submitted a budget revision to the Corporation to include equipment purchases. The Corporation has approved the revised budget. As such, we have not questioned any costs for equipment purchases.

Recommendation

We recommend that the Commission develop and implement policies and procedures to ensure that prior written approval is obtained from the Corporation for deviations from the approved budget when required.

4. Lack of comparisons of budget to actual expenditures

The Commission does not perform budget to actual expense comparisons for the Administrative and PDAT programs. While the State's accounting system has the ability to compare budget to actual based on object class codes, the codes do not necessarily coincide with the budget line items in the grants, thus requiring comparisons to be performed manually. However, such manual comparisons have not been performed regularly. We were informed that a comparison was performed at the end of fiscal year 2001 but no comparisons have been performed in fiscal year 2002, as the frequency with which the comparisons will be performed has not been determined.

Section 4, Subpart C of the Provisions for Program Development and Training, Disability Placement and State Administrative Awards stipulates the standards for financial management systems that a grantee must maintain. This section also references OMB Circular A-102 and its implementing regulations in the Code of Federal Regulations (CFR) for further details regarding a grantee's financial management responsibilities. 45 CFR 2541.200 states that "fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to.... actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant."

Recommendation

We recommend that the Commission implement policies and procedures to perform comparisons of actual expenses to budgeted amounts on a regular basis, at least bi-annually.

5. Noncompliance with reporting requirements

Out of a sample of eight Administrative grant FSRs and a sample of nine PDAT grant FSRs selected for testing, five from each sample were not submitted timely.

Prior to program year 1999, the provisions governing the Administrative and PDAT grants stipulated that FSRs were to be submitted within 30 days after the end of the calendar quarters of March 31, June 30, September 30, and December 31, except in the final year of the grant when the timeframe was extended to 90 days. Beginning with program year 1999, the quarterly submission requirement was revised to a semi-annual requirement.

Recommendation

We recommend that the Commission implement policies and procedures to ensure that FSRs are submitted on a timely basis.

6. Inadequate subgrantee monitoring procedures

The policies and procedures implemented to monitor subgrantees have not been sufficient and/or effective, nor has comprehensive documentation been developed to support the monitoring efforts, as evidenced by the following:

- The Site Monitoring Tool 00-01 does not include any indication that (a) prohibited activities were detailed in the members' contracts, discussed during orientation sessions, or certification was obtained, and (b) stipends paid to members were reviewed.

- Other than an electronic file of completed site monitoring tools, a comprehensive listing of site visits actually performed does not exist.

- Based on audit procedures performed at selected subgrantees, we noted monitoring deficiencies at each. For example, Birmingham AIDS Outreach conducted an AmeriCorps program during program years 1997-98 through 1999-2000. The majority of the Commission's oversight and monitoring took place in program year 1999-2000 only, which focused primarily on programmatic matters rather than both financial and programmatic matters. In another example, Birmingham Cultural and Heritage Foundation conducted an AmeriCorps program during program years 1997-98 and 1998-99. The majority of the Commission's oversight and monitoring took place in program year 1997-98 and focused on both financial and programmatic matters. Little oversight occurred during program year 1998-99.

The AmeriCorps Provisions state 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."

Further, the AmeriCorps Provisions state that, "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 funds."

Recommendation

We recommend that the Commission improve its monitoring of subgrantees. Procedures should be added to the site visit tool so the Commission validates that (a) living allowances are being paid in accordance with established guidelines and (b) prohibited activities are being discussed or reviewed with members.

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. Neither the Commission nor the subgrantees' staff were specifically aware of the GPRA. However, both the staff of the Commission and the subgrantees indicated that progress reports describing their accomplishments are submitted to the Corporation on a periodic basis. Further, the Commission staff indicated that subgrantees submit an Annual Accomplishment Report (AAR) to the Corporation. Some subgrantees confirmed that an AAR is completed and submitted if the forms are received from the Corporation. Certain other subgrantees indicated that they have not received this AAR form for completion.

RESPONSIBILITIES

Management's Responsibility

The Alabama Governor's Office on National and Community Service is responsible for:

- preparing FSRs in accordance with the terms and conditions of its grant awards from the Corporation. The FSRs and other financial records 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.

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 D), are free of material misstatement.

An audit includes:

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

In planning and performing our incurred cost audit, we considered the Commission and its subgrantees' internal control over financial reporting by obtaining an understanding of the Commission and its subgrantees' 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 and its subgrantees' 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 Commission's and Corporation's responses to our report are included as Appendix A and B, respectively.

DISTRIBUTION

This report is intended solely for the information and use of the Office of Inspector General and management of the Corporation for National and Community Service, the management of the Alabama Governor's Office on National and Community Service, and the United States Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 20, 2002

Alabama Governor's Office on National and Community Service
Birmingham AIDS Outreach
Schedule of Award Costs
From October 1, 1997 to December 31, 2000

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 502,860	$ 248,452	$ 50,497
FICA & Workers Comp	77,009	46,265	3,283
Health Care	49,025	17,068	6,038
Subtotal	628,894	311,785	59,818
Other Member Costs:			
Training & Education	-	-	-
Uniforms	-	-	-
Other	2,000	-	-
Subtotal	2,000	-	-
Staff:			
Salaries	97,238	113,277	156
Benefits	25,046	24,019	218
Training	-	-	-
Other	-	-	-
Subtotal	122,284	137,296	374
Operating Costs:			
Corp. Sponsored Meetings	2,232	1,132	750
Supplies	-	-	-
Transportation	-	-	-
Equipment	-	-	-
Other	975	-	-
Subtotal	3,207	1,132	750
Internal Evaluation:	2,500	-	-
Administration:	39,917	23,682	3,034
Total Corporation Funds	798,802	473,895	63,976
Total Matching Funds	624,203	456,535	41,652
Total Funds	$ 1,423,005	$ 930,430	$ 105,628

Alabama Governor's Office on National and Community Service
Birmingham Cultural and Heritage Foundation
Schedule of Award Costs
From August 1, 1997 to December 31, 1999

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 354,450	$ 207,323	$ 47,632
FICA & Workers Comp	32,468	16,530	3,644
Health Care	39,250	17,881	5,760
Subtotal	426,168	241,734	57,036
Other Member Costs:			
Training & Education	250	245	-
Uniforms	825	687	-
Other	1,470	750	-
Subtotal	2,545	1,682	-
Staff:			
Salaries	85,588	79,900	-
Benefits	16,255	17,307	-
Training	-	-	-
Other	7,596	-	-
Subtotal	109,439	97,207	-
Operating Costs:			
Corp. Sponsored Meetings	2,218	442	-
Supplies	4,250	1,104	-
Transportation	-	-	-
Equipment	-	-	-
Other	-	-	-
Subtotal	6,468	1,546	-
Internal Evaluation:	-	-	-
Administration:	28,647	17,998	2,841
Total Corporation Funds	573,267	360,167	59,877
Total Matching Funds	165,920	113,325	10,364
Total Funds	$ 739,187	$ 473,492	$ 70,241

Alabama Governor's Office on National and Community Service
Bulter County Board of Education
Schedule of Award Costs
From October 1, 1997 to December 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 584,970	$ 477,673	$ -
FICA & Workers Comp	45,051	36,544	-
Health Care	62,808	33,065	-
Subtotal	692,829	547,282	-
Other Member Costs:			
Training & Education	-	-	-
Uniforms	1,934	1,035	-
Other	3,315	1,914	-
Subtotal	5,249	2,949	-
Staff:			
Salaries	128,648	121,042	-
Benefits	37,310	32,877	-
Training	-	-	-
Other	344	50	-
Subtotal	166,302	153,969	-
Operating Costs:			
Corp. Sponsored Meetings	2,000	1,242	-
Supplies	5,371	5,091	-
Transportation	-	-	-
Equipment	-	-	-
Other	100	-	-
Subtotal	7,471	6,333	-
Internal Evaluation:	-	-	-
Administration:	45,859	33,110	-
Total Corporation Funds	917,710	743,643	-
Total Matching Funds	331,039	281,125	-
Total Funds	$ 1,248,749	$ 1,024,768	$ -

Alabama Governor's Office on National and Community Service
Calhoun Community College
Schedule of Award Costs
From October 1, 1998 to December 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 443,180	$ 336,685	$ 1,356
FICA & Workers Comp	34,713	26,398	103
Health Care	47,108	24,643	516
Subtotal	525,001	387,726	1,975
Other Member Costs:			
Training & Education	600	240	-
Uniforms	-	-	-
Other	3,409	1,893	-
Subtotal	4,009	2,133	-
Staff:			-
Salaries	78,778	76,895	-
Benefits	23,481	24,080	-
Training	-	-	-
Other	196	-	-
Subtotal	102,455	100,975	-
Operating Costs:			
Corp. Sponsored Meetings	2,000	-	-
Supplies	9,254	6,821	-
Transportation	500	481	-
Equipment	-	-	-
Other	-	-	-
Subtotal	11,754	7,302	-
Internal Evaluation:	-	-	-
Administration:	33,833	26,142	27
Total Corporation Funds	677,052	524,278	2,002
Total Matching Funds	320,111	229,085	349
Total Funds	$ 997,163	$ 753,363	$ 2,351

Alabama Governor's Office on National and Community Service
Cooper Green Hospital
Schedule of Award Costs
From August 1, 1998 to December 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 443,190	$ 227,658	$ 103,351
FICA & Workers Comp	39,442	20,306	7,907
Health Care	33,660	24,521	4,960
Subtotal	516,292	272,485	116,218
Other Member Costs:			
Training & Education	9,800	7,391	-
Uniforms	-	-	-
Other	1,274	1,274	-
Subtotal	11,074	8,665	-
Staff:			
Salaries	85,710	78,913	-
Benefits	22,243	19,262	-
Training	-	-	-
Other	147	-	-
Subtotal	108,100	98,175	-
Operating Costs:			
Corp. Sponsored Meetings	6,220	-	-
Supplies	2,900	2,341	-
Transportation	4,169	2,358	-
Equipment	-	-	-
Other	240	240	240
Subtotal	13,529	4,939	240
Internal Evaluation:	-	-	-
Administration:	34,126	13,507	1,450
Total Corporation Funds	683,121	397,771	117,908
Total Matching Funds	322,387	242,665	42,986
Total Funds	$ 1,005,508	$ 640,436	$ 160,894

Alabama Governor's Office on National and Community Service
University of Alabama at Birmingham
Schedule of Award Costs
From October 1, 1998 to December 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 438,880	$ 242,241	$ 80,886
FICA & Workers Comp	34,123	22,001	6,188
Health Care	29,800	7,165	9,262
Subtotal	502,803	271,407	96,336
Other Member Costs:			
Training & Education	1,700	1,512	-
Uniforms	-	-	-
Other	1,508	184	-
Subtotal	3,208	1,696	-
Staff:			
Salaries	97,607	94,685	-
Benefits	24,911	22,570	-
Training	-	-	-
Other	-	-	-
Subtotal	122,518	117,255	-
Operating Costs:			
Corp. Sponsored Meetings	6,000	1,427	-
Supplies	1,255	3,345	-
Transportation	2,264	1,444	-
Equipment	-	-	-
Other	11,756	10,228	-
Subtotal	21,275	16,444	-
Internal Evaluation:	-	-	-
Administration:	34,179	21,024	4,670
Cost claimed exceeds maximum match percentage	-	-	3,721
PER * exceeds General Ledger	-	-	689
Total Corporation Funds	683,983	427,826	105,416
Total Matching Funds	492,114	337,740	17,000
Total Funds	$ 1,176,097	$ 765,566	$ 122,416

* Periodic Expenditure Report

Alabama Governor's Office on National and Community Service
Birmingham Public Schools
Schedule of Award Costs (unaudited)
From October 1, 1999 to December 31, 2001

Cost Category	Approved Budget	Claimed Costs*	Questioned Costs
Member Support Costs:			
Living Allowance	$ 301,410	$ 138,001	$ -
FICA & Workers Comp	25,126	10,557	-
Health Care	22,440	6,324	-
Subtotal	348,976	154,882	-
Other Member Costs:			
Training & Education	3,100	-	-
Uniforms	660	613	-
Other	2,548	500	-
Subtotal	6,308	1,113	-
Staff:			
Salaries	41,416	17,442	-
Benefits	10,459	4,821	-
Training	-	-	-
Other	15,098	3,775	-
Subtotal	66,973	26,038	-
Operating Costs:			
Corp. Sponsored Meetings	4,000	1,750	-
Supplies	2,660	-	-
Transportation	3,318	-	-
Equipment	2,400	-	-
Other	663	-	-
Subtotal	13,041	1,750	-
Internal Evaluation:	-	-	-
Administration:	22,601	9,667	-
Total Corporation Funds	457,899	193,450	-
Total Matching Funds	263,519	106,357	-
Total Funds	$ 721,418	$ 299,807	$ -

* The claimed column does not include amounts related to program year 2000-01 since this subgrantee has not yet submitted a request for reimbursement to the Commission for the 2000-01 program year.

Alabama Governor's Office on National and Community Service
Family Healthcare of Alabama
Schedule of Award Costs (unaudited)
From October 1, 1997 to December 31, 2001

Cost Category	Approved Budget	Claimed Costs*	Questioned Costs
Member Support Costs:			
Living Allowance	$ 655,860	$ 555,459	$ -
FICA & Workers Comp	52,405	44,523	-
Health Care	70,650	39,035	-
Subtotal	778,915	639,017	-
Other Member Costs:			
Training & Education	5,350	1,915	-
Uniforms	825	665	-
Other	3,100	1,325	-
Subtotal	9,275	3,905	-
Staff:			
Salaries	133,804	100,281	-
Benefits	4,337	2,113	-
Training		-	-
Other	392	150	-
Subtotal	138,533	102,544	-
Operating Costs:			
Corp. Sponsored Meetings	2,000	-	-
Supplies	7,485	2,756	-
Transportation	24,872	3,276	-
Equipment	300	300	-
Other	250	-	-
Subtotal	34,907	6,332	-
Internal Evaluation:	-	-	-
Administration:	50,602	28,220	-
Total Corporation Funds	1,012,232	780,018	-
Total Matching Funds	401,659	291,727	-
Total Funds	$ 1,413,891	$ 1,071,745	$ -

*The claimed costs are only through July 2001 which represents the most recent program cost information available.

Alabama Governor's Office on National and Community Service
Mobile AIDS Support Services
Schedule of Award Costs (unaudited)
From October 1, 1997 to December 31, 1998

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 135,065	$ 135,065	$ -
FICA & Workers Comp	20,517	12,940	-
Health Care	15,708	15,708	-
Subtotal	171,290	163,713	-
Other Member Costs:			
Training & Education	10,000	-	-
Uniforms	-	134	-
Other	3,600	1,266	-
Subtotal	13,600	1,400	-
Staff:			
Salaries	55,200	67,500	-
Benefits	10,648	4,960	-
Training	-	-	-
Other	183	75	-
Subtotal	66,031	72,535	-
Operating Costs:			
Corp. Sponsored Meetings	2,000	3,700	-
Supplies	1,940	-	-
Transportation	612	13,300	-
Equipment	-	820	-
Other	-	-	-
Subtotal	4,552	17,820	-
Internal Evaluation:	-	-	-
Administration:	13,438	13,438	-
Total Corporation Funds	268,911	268,906	-
Total Matching Funds	123,663	109,946	-
Total Funds	$ 392,574	$ 378,852	$ -

Alabama Governor's Office on National and Community Service
Selma Digital Divide
Schedule of Award Costs (unaudited)
From October 1, 2000 to December 31, 2001

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 153,000	$ 133,477	$ -
FICA & Workers Comp	13,616	11,446	-
Health Care	14,056	11,676	-
Subtotal	180,672	156,599	-
Other Member Costs:			
Training & Education	-	-	-
Uniforms	-	-	-
Other	1,574	1,078	-
Subtotal	1,574	1,078	-
Staff:			
Salaries	42,000	37,661	-
Benefits	4,574	4,038	-
Training	-	-	-
Other	-	-	-
Subtotal	46,574	41,699	-
Operating Costs:			
Corp. Sponsored Meetings	2,000	1,436	-
Supplies	2,020	1,521	-
Transportation	1,160	1,160	-
Equipment	-	-	-
Other	-	-	-
Subtotal	5,180	4,117	-
Internal Evaluation:	-	-	-
Administration:	-	-	-
Total Corporation Funds	234,000	203,493	-
Total Matching Funds	292,269	244,566	-
Total Funds	$ 526,269	$ 448,059	$ -

Exhibit F

Follow-up on Pre-Audit Survey Report Findings and Recommendations
OIG Audit Report No. 01-20, *Pre-Audit Survey of the Alabama State Commission on National and Community Service*

We reviewed the corrective actions taken by the Commission through April 2002 in response to the pre-audit survey findings. Our assessment of the status of the pre-audit survey findings are set out below:

Selecting Subgrantees

Lack of a Comprehensive Applicant Listing

"The Commission does not have a comprehensive listing of grant applicants prior to program year 2000-01. We tested two application files for program year 1999-2000 and noted that the reasons for rejection were documented and communicated to the applicant; however, due to the lack of a comprehensive listing of grant applicants, we were not able to determine a complete population for sampling purposes. As a result, the overall fairness of the selection process could not be tested."

Lack of Documented Subgrantee Selection Procedures

"Current Commission management does not know what, if any, written subgrantee selection guidelines and procedures were employed prior to program year 1999-2000 because of a lack of documentation. An important part of a sound control environment should be the maintenance of written procedures to provide guidance for all key processes performed by an entity."

Financial Systems Not Evaluated as Part of Subgrantee Selection

"The Commission has not developed an adequate process to evaluate a grant applicant's 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 and ensure compliance with related grant requirements. *AmeriCorps Provisions* Section C.21.a states, "The grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary." In order to meet this responsibility, the Commission must be able to ensure that subgrantees have systems in place to accurately track expenditures, since this information forms the basis of a majority of Commission expenditure reporting."

Prior Subgrantee Evaluations Not Provided to Selection Officials

"For program years prior to 1999-2000, communication of renewal applicants' prior evaluations was not addressed in guidance provided to selection officials. Therefore, there is increased risk that Commission personnel may have provided certain information to the selection officials about one previously funded applicant, but omitted that information in their communications about other previously funded applicants. If similar information was not consistently communicated about each previously funded applicant, then the fairness of the selection process may have been impaired and Commission personnel may have unintentionally biased the selection officials. An important part of a sound control environment is the consistent communication of the results of previous interactions with applicants. Such information is crucial to making informed business decisions in the subgrantee selection process."

Lack of Mass Media Advertising

"The Commission does not use mass media advertising for notice of funds availability. As a result, all interested parties may have not been informed of funding availability, thereby eliminating certain potential AmeriCorps programs from the selection process."

Missing or Unsigned Conflict of Interest Forms

"Conflict of interest forms could not be located for 2 of 15 current Commissioners. In addition, signatures were missing on 4 of 13 current Commissioner conflict of interest forms reviewed. If Commissioners or selection officials have conflicts of interest but do not report them, the fairness of the selection process may be impaired. An important part of a sound control environment is the implementation of procedures to ensure objectivity within the selection process. One method to ensure this objectivity is to require selection officials to annually certify in writing that they have no conflicts of interest."

Recommendations

The report recommended that the Commission:

- Establish a file each year for denied applications. When applications are received, log the application on a sheet in the front of the file. File the applications along with the selection officials' reports documenting the reasons for denial and Commission's concurrence and all correspondence related to the application.

- Incorporate into its procedures for subgrantee selection, an evaluation of the adequacy of the applicants' financial systems to ensure applicants have systems in place to properly account for grant funds and comply with related grant requirements.

- Develop and implement 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.

- Place notice of funds availability in major state-wide publications or utilize other forms of mass media.

- Develop and implement procedures that require Commissioners and selection officials to sign conflict of interest statements annually after discussion of related issues with Commission staff and review of guidance provided.

Status

The Commission adopted a manual (*Conducting a Grant Application Review Process*) that was effective in December 1999. The manual describes the purpose of the subgrantee selection process, how to implement the process, and the final outcome of the completed selection process. The Commission appears to have implemented appropriate corrective actions based on our review of the manual, discussions with Commission personnel, and review of documentation supporting the application process for the 2000-01 program year. We consider the above recommendations to be closed.

Administering Grant Funds

Lack of Proper Procedures over Disbursement to Subgrantees

"An analytical review of financial data is not performed in conjunction with grant administration. For example, draw-down requests and expenditures to date are not compared to budgets provided by the subgrantees, and Commission personnel do not investigate if a subgrantee has requested draw-down of an excessive portion of grant funds early in the program year. In addition, Commission personnel do not review actual documentation (e.g., receipts) in connection with their review of draw-down requests or subgrantee FSRs. Without proper documented review of subgrantee FSRs, errors on the FSRs may not be detected. Also, if information reported on subgrantees' FSRs are not agreed to the subgrantees' accounting system and other supporting documentation, there is an increased risk that subgrantees are incorrectly reporting amounts on their FSRs."

Inadequate Grant Administration Policies and Procedures over Timeliness of Subgrantee Report Submission and Audit Follow-up

"While the Commission has a relatively small number of subgrantees, it lacks a formal process to ensure that FSRs, progress reports, OMB Circular A-133 reports and other audit reports are received from subgrantees and reviewed on a timely basis. In addition, prior to program year 2000-01, there are no documented procedures for resolution of issues related to audit findings."

Lack of Prohibited Activities Training

"The Commission does not provide formal training to Members on prohibited activities. Without specific training related to the types of activities prohibited by the AmeriCorps program, Members may unknowingly engage in activities which are expressly prohibited while accumulating service or training hours."

Lack of Commission-Level Records and Supervisory Review

"The Commission does not have a comprehensive file of Commission-level FSRs and related supporting documentation prior to the fourth quarter 1999. In addition, review of internal Commission-level financial reports is not documented in writing. As a result, Commission-level FSRs and related supporting documentation are not available to support Commission-level financial results."

Lack of Documentation of Required State Match

"The Commission does not have records which support that the State of Alabama has in fact advanced funds or provided in-kind matching contributions, as required."

Recommendations

The report recommended that the Commission:

- Consider developing written policies and procedures which require that an analysis of expenditures to date versus budget amounts be prepared prior to authorizing draw-downs. We recommend that the Commission review subgrantee draw-down requests and FSRs and formally document what review procedures were performed. We also recommend that the Commission include examples of the FSRs reviewed and document procedures performed in agreeing subgrantees' FSRs to their accounting systems or other supporting documentation as part of site visits.

- Develop and implement formal procedures to ensure that OMB Circular A-133 reports or other audit reports are received from applicable subgrantees on a timely basis and that review of the report is documented. The Commission should implement a "received stamp/date" process to document when reports are received. In addition, formal procedures for resolving audit issues should be developed and documented.

- Develop a formal training module on prohibited activities to be presented during new member orientation.

- Develop and implement policies and procedures to ensure that Commission-level FSRs and related supporting documentation are maintained. In addition, the Executive Director should review all financial reports monthly and initial them to indicate his review. The Commission should also maintain documentation to support all cash and in-kind matching contributions.

Status

Although the Commission developed and implemented various policies and procedures, these policies and procedures did not include a review of subgrantee FSRs. In addition, FSRs (both subgrantee and Commission-level) are not reviewed by the program office's management. Further, the policies and procedures implemented regarding the monitoring of the timely submission of FSRs and Progress Reports did not appear to be operating effectively based on our test work on progress reports and FSRs submitted for program year 2000-01.

The Commission indicated that providing formal training on prohibited activities would not be feasible. Instead, it emphasized that prohibited activities were discussed during subgrantee member orientation. The Commission also indicated that it would verify that members were not participating in prohibited activities during site visits. However, the site monitoring tool used during such visits does not include a procedure to ensure that prohibited activities are listed or included in the member agreement or training agenda.

We consider these recommendations to be open and have included recommendations related to the exceptions noted in our incurred cost audit report.

Evaluating and Monitoring Subgrantees

Lack of Proper Site Visit Policies and Procedures

"The Commission does not maintain a listing of site visits performed, and there is a lack of control over ensuring that site visits are performed timely. In addition, the Commission does not have written policies and procedures to follow up on subgrantees' responses to site visit comments and determine that corrective action has been taken."

Inadequate Subgrantee Monitoring Documentation

"The monitoring tool used prior to program year 2000 was in a "yes/no" answer format. Therefore, little detail is available related to monitoring activities. For example, Commission personnel stated that they reviewed the financial system (a "yes" answer), but there is no explanation of the system or details supporting their conclusion. Commission personnel do not document the sample items tested or their rationale for sample selection. Such information should be documented to support site visit testing of Member timesheets, personal expenses, matching expenses, and programmatic accomplishment statistics. In addition, the monitoring tool lacks specific sections related to review for prohibited activities and review of Member allowances and hours accumulation. As a result, control weaknesses or instances of material noncompliance related to the AmeriCorps program of which the Commission is not aware may exist and not be detected or corrected."

Missing Labor Hour Certifications

"For subgrantees with multiple grants, the site visit reports we reviewed indicated that labor hour certifications were not maintained to support work charged to the Commission grant for the period under review. As a result, policies and procedures at the subgrantee level are not sufficient to ensure that that the work of subgrantee personnel is specifically related to the Commission grant and that the required effort reporting systems are in place."

Recommendations

The report recommended that the Commission:

- Establish and follow an annual site visit plan. In addition, we recommend that the Commission clearly document the results of all site visits and related resolution of all identified issues.

- Develop a site visit tool which provides for:

  a) Review of documentation supporting member eligibility.

  b) Review of member timesheets to:

     i. Ensure that a supervisor approved the hours recorded and that the supervisor had appropriate knowledge of the member's activities.

     ii. Determine whether hours were spent on allowable activities and in accordance with the intent of the grant and the program, and that prohibited activities were not performed.

     iii. Agree hours into the tracking system used by the subgrantee to determine completion of educational service award requirements.

  c) Review of member contracts.

  d) Review of change of status forms and forms used to document waivers for compelling personal circumstances, and eligibility for day care.

  e) Interview of members about timesheets, contracts, prohibited activities, and day care eligibility.

  f) Review of living allowance to determine if it was paid according to established guidelines.

  g) Comparison of total hours in the tracking system to hours reported on the end-of-term form for members who have earned awards. Ensure hours met minimum requirements for award certified as earned (full time, part time or reduced part time).

- Develop and implement written policies and procedures to ensure appropriate corrective actions are taken and issues are resolved or document when deficiencies are noted.

- Emphasize the importance of completion of labor hour certifications to support time charged to Corporation grants.

Status

The Commission does not maintain a listing of site visits performed, nor are site visits performed timely. In program year 1999-2000, the Commission began compiling a calendar that listed all of the tentatively scheduled site visits. However, not all of the scheduled site visits were conducted. In both program years 1999-2000 and 2000-01, only one site visit per subgrantee occurred. As of April 2002, no site visits had been conducted for program year 2001-02. While site visits had been planned for March 2002, the site visits were postponed until late April 2002 due to the Corporation's financial statement audit. Furthermore, although copies of completed site monitoring tools are retained, a comprehensive listing of site visits performed is not maintained.

The Commission's site monitoring tool was revised for the 2000-01 program year. This site monitoring tool did not, however, adequately address the matters related to prohibited activities or living allowances.

We have included recommendations addressing the exceptions noted in our incurred cost audit report.

APPENDIX A

ALABAMA GOVERNOR'S OFFICE ON NATIONAL AND COMMUNITY SERVICE RESPONSE*

* The Commission's consolidated response includes reference to attachments and specific responses to the findings as provided by subgrantees of the Commission. The attachments and subgrantee responses have not been included for the sake of brevity but are available upon request from the Corporation OIG.

DON SIEGELMAN
GOVERNOR

GINA BAILEY MCKELL
EXECUTIVE DIRECTOR

STATE OF ALABAMA

GOVERNOR'S OFFICE ON NATIONAL AND COMMUNITY SERVICE

RSA UNION BUILDING, SUITE 134
100 NORTH UNION STREET
MONTGOMERY, ALABAMA 36130
(334) 242-7110
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September 13, 2002

Mr. Terry E. Bathen
Acting Inspector General
Office of Inspector General
Corporation for National Service
1201 New York Avenue, NW
Washington, DC 20525

Dear Mr. Bathen:

Please see the attached response to the draft report of the KPMG LLP audit of the Alabama Governor's Office on National and Community Service for the calendar years 1997 through 2001.

If you have any questions concerning this response or the attachments, please contact me at (334) 242-7110 or email gbmckell@goncs.state.al.us.

Sincerely,

Gina Bailey McKell
Executive Director

Attachments

Response to the Draft Report
For the Alabama Governor's Office on National and Community Service
Calendar Years 1998 through 2001

Grants and Program Management

In response to the material weakness identified in the *Report on Internal Control over Financial Reporting*, the Commission has experienced significant personnel turnover resulting in gaps in the administration of the program. In order to remedy the cited findings, GONCS has implemented the following corrective actions:

- Effective with the funding applications for Program Year 2002-2003, a questionnaire is submitted to the subgrantee prior to the grant award in order to evaluate the overall internal controls and financial accounting system. See Attachment 1.
- Effective April 1, 2002, GONCS began using a programmatic monitoring checklist which was revised based on recommendations from the pre-audit survey. Program staff complete the checklist during monitoring visits to ensure compliance with all applicable regulations and guidelines. A limited financial review (Attachment 2) of the accounting system and internal controls is included in the programmatic review. Please see Attachment 3. We plan to perform two to four visits of each AmeriCorps program in the 2002-2003 program year based on a risk-based assessment of the subgrantee.
- Effective October 1, 2001, the ADECA accounting staff is utilizing the WBRS system to monitor and assure the accurate and timely submission of FSRs. In addition, a calendar identifying deadlines and due dates has been included in the Policies and Procedures Manual provided to each subgrantee. Please see the additional response to this finding under the Financial Management and Reporting Section, page 4.
- Effective October 1, 2002, subgrantees are required to submit all supporting documentation with their drawdown reports to include amounts reported as in-kind. Since ADECA began reviewing the financial documentation, cash has not been advanced to subgrantees. All documentation is reviewed by the ADECA accounting staff to determine compliance with applicable cost principles and for proper approvals.
- ADECA Audit Section staff will include GONCS subgrantees in the sample of subgrantees in their annual audit plan. This will allow onsite financial compliance audits and internal control evaluations. Please see the additional response concerning the ADECA Audit Section responsibilities under the Financial Management and Reporting Section, page 4.

The following responses are provided to specific cited instances.

FINDING: Financial Status Reports, Progress Reports, and member status forms were not submitted timely, properly completed, appropriately signed, or dated in certain instances for all subgrantees audited.

RECOMMENDATIONS: Complete the implementation of the recently developed policies and procedures to monitor the programmatic and financial activity of all subgrantees. Conduct site visits as frequently as necessary based on the Commission's assessment of the risk associated with a particular grantee; and during such site visits ensure that the subgrantee is complying with the revised Commission policies and procedures and adequately implements recommended corrective actions to resolve identified deficiencies.

RESPONSE: Please see our above response in the cited ***Grants and Program Management*** findings.

FINDING: Vendor Invoices, primarily related to staff benefits, were not always appropriately approved by the Program Director at the Birmingham Cultural and Heritage Foundation.

RECOMMENDATION: No recommendation is considered necessary as the grant expired after the 98/99 program year and the AmeriCorps program no longer exists at this subgrantee.

RESPONSE: Please see the attached response from Birmingham Cultural and Heritage Foundation. Also, see our above response as this finding relates to all subgrantees in the cited ***Grants and Program Management*** findings.

FINDING: Cooper Green Hospital (CGH) does not have a procedure to account for in-kind contributions, including a donor-signed voucher for the goods and services provided.

RECOMMENDATION: We recommend that CGH implement procedures to require donor certificates at the time the donation is made. A sample of an in-kind donation form was provided to the program director for their use. Additionally, we recommend that CGH review and record in-kind donations on a periodic basis.

RESPONSE: Please see the attached response from CGH and our above response as this finding relates to all subgrantees in the cited ***Grants and Program Management*** findings.

FINDING: Cooper Green Hospital used healthcare benefits estimates to claim costs from the Corporation rather than actual healthcare costs incurred.

RECOMMENDATION: We recommend that CGH implement procedures to review and monitor the costs that are being claimed against the AmeriCorps grant.

We also recommend that the Commission in conjunction with the Corporation review the condition and determine whether collection of the amounts identified as questioned costs is necessary.

RESPONSE: Please see the attached response from CGH and our above response as this finding relates to all subgrantees in the cited ***Grants and Program Management*** findings.

FINDING: Birmingham Aids Outreach lacked adequate segregation of duties.

RECOMMENDATION: Ensure that current subgrantees establish procedures to adequately segregate financial duties, to ensure that expenses incurred are accurately reported to the Commission, and vouchers are cancelled timely.

RESPONSE: Please see our above response as this finding relates to all subgrantees in the cited ***Grants and Program Management*** findings.

FINDING: The University of Alabama at Birmingham (UAB) failed to stamp invoices as paid upon payment in order to prevent their resubmission.

RECOMMENDATION: Ensure that current subgrantees establish procedures to adequately segregate financial duties, to ensure that expenses incurred are accurately reported to the Commission, and vouchers are cancelled timely.

RESPONSE: Please see the attached response from UAB and our above response as this finding relates to all subgrantees in the cited ***Grants and Program Management*** findings.

Financial Management and Reporting

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

However, the following conditions continue to exist and require corrective action.

- Untimely receipt of subgrantee Financial Status Report (FSRs) and Progress Reports.
- Lack of review of FSR's submitted by the subgrantees for accuracy or agreement with the subgrantees' accounting system.
- Lack of review of Commission-level FSRs by the Commission's program office prior to their transmittal to the Corporation.

Further, during the incurred cost audit, we found that the Commission lacked procedures to perform comparisons of budget to actual expenditures on a regular basis.

RECOMMENDATION:
We recommend that the Commission continue to place emphasize on the implementation of its recently developed set of policies and procedures for all Corporation grants.

RESPONSE:

- Beginning with the 2001-2002 Program Year, the State Commission began requiring subgrantees to use WBRS for the submission of quarterly Financial Status Reports and mid-year Progress Reports. Effective October 1, 2002, the Commission will include within the Commission's Internal Policies and Procedures Manual a policy (Attachment No.4) to notify the subgrantees when Financial Status Reports and Progress Reports are due. This policy also provides for notification by State Commission to subgrantees of non-compliance if the subgrantees fail to meet the designated deadlines.
- Beginning with the 2001-2002 Program Year, the Commission began verifying the accuracy of the grantees PER Report on WBRS (PER Report generates subgrantee FSR). The Commission uses the subgrantee's approved drawdown report to determine if the expenditures recorded in PER are reported correctly. The drawdown report reflects by line item, approved budget, cumulative expenditure, and comparison of budget to actual. As part of the approval process of drawdown reports, subgrantees must submit supporting documentation (copies of subgrantee ledgers or reports generated from subgrantee ledgers, paid invoices, cancelled checks, in-kind forms, etc.) Due to lack of staff, the Commission has not been able to perform financial on-site monitoring of the accounting records of the subgrantees. The Commission has requested that ADECA staff perform on-site financial audits of subgrantees. Due to staff limitations, ADECA cannot perform financial monitoring at this time. When additional staff is hired and trained, ADECA will include GONCS subgrantees in the ADECA Audit Plan. The audit plan includes a sample of subgrantees from all administered federal programs. The ADECA audit staff will review single audit reports submitted by GONCS subgrantees and will coordinate resolution of any audit findings.

- The Commission currently has scheduled on its internal calendar the submission of an Actual vs Budget Report for all Commission-level awards.

The accounting staff submits these reports to the Executive Director 15 days prior to the due date of Commission-level FSRs. The program office coordinates with accounting staff on any needed changes. The reports provide detail of expenditure classification, allowing the Executive Director final approval of Commission-level FSRs. Effective October 1, 2002, this procedure will be included as a written policy (Attachment No. 4).

Administrative and Program Development and Training (PDAT) Grants

C. Compliance Findings Resulting in Questioned Costs

FINDING:

1. Inadequate documentation to support compensation for personnel services.
2. Matching contributions claimed were not properly supported.

RECOMMENDATION:

1. No recommendation is considered necessary since the Commission began completing and submitting signed and approved timesheets each pay period since October 2001.
2. No recommendation is considered necessary, as the lack of support appears to be an isolated case.

RESPONSE:

1. Reported compensation for personnel services was for staff appointed by the Governor to serve in specified positions within the Governor's Office on National and Community Service (GONCS). GONCS was established to provide necessary administrative and staff support services to the State Commission on National and Community Service (Commission). The Commission was established to encourage community service and volunteer participation as a means of community and state problem-solving; to promote and support voluntary citizen involvement in government and private programs throughout the state; to develop a comprehensive vision and strategic plan for community service initiatives in Alabama; and to serve as the state's liaison between national and other state organizations in concert with the Alabama strategic plan. (Attachment No. 5)
2. The Commission has prepared and submitted to the Corporation a revised FSR which omits this undocumented in-kind cost. The revised FSR meets match percentage requirements. (Attachment No. 6)

D. Other Compliance Findings

FINDING:

3. Lack of prior approvals for budget modifications.
4. Lack of comparisons of budget to actual expenditures.
5. Noncompliance with reporting requirements.
6. Inadequate subgrantee monitoring procedures

RECOMMENDATION:

3. We recommend that the Commission develop and implement policies and procedures to ensure that prior written approval is obtained from the Corporation for deviations from the approved budget when required.
4. We recommend that the Commission implement policies and procedures to perform comparisons of actual expenses to budgeted amounts on a regular basis, at least biannually.
5. We recommend that the Commission implement policies and procedures to ensure that FSRs are submitted on a timely basis.
6. We recommend that the Commission improve its monitoring of subgrantees. The measures should include procedures in the site visit tool to determine that (a) living allowances are being paid in accordance with established guidelines and (b) prohibited activities are being discussed or reviewed with members.

RESPONSE:

3. The Commission has developed and implemented a procedure to obtain written approval from the Corporation for deviations from the approved budget (Attachment No. 4).
4. The Commission has developed and implemented policies and procedures to prepare a report providing comparison of actual expenses to budgeted amounts at the end of the 6th, 9th, and 12th month of the budget period (Attachment No. 4).
5. The Commission has implemented policies and procedures to ensure the timely submittal of FSRs to the Corporation (Attachment No. 4).
6. Effective March 2002, the Commission established a site visit schedule for monitoring of all subgrantees. All sites were monitored as scheduled. The Program Officer conducted all the visits and used the revised site visit tool. This revised site tool resulted from recommendations from the pre-audit survey to include verification that living allowances are being paid in accordance with established guidelines and that member are informed of prohibited activities. (Attachment 3).

We would like to ask the Corporation for National and Community Service for consideration in our proposed corrective action and guidance as needed. It is the intention and commitment of GONCS to remain in compliance with our grant and require appropriate oversight and guidance to our subgrantees. We appreciate the staff of KPMG and their efforts to identify our weaknesses and provide recommended corrective actions. GONCS assures the Corporation for National and Community Service that they will commit every effort to corrective action as recommended and required by their guidance and direction.

APPENDIX B

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE RESPONSE

CORPORATION
FOR NATIONAL
AND
COMMUNITY
SERVICE

To: Russell George, Inspector General

Through: William Anderson, Deputy Chief Financial Officer

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

Date: September 12, 2002

Subj: Response to OIG Draft Audit Report 02-21: Incurred Cost Audit of Grants Awarded to the Alabama Governor's Office on National and Community Service Commission

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We have reviewed the draft audit report of the Alabama Community Service Commission grants. Due to the limited timeframe for response, we have not yet conducted a comprehensive review nor analyzed documentation from the Commission supporting the questioned costs. We will respond to all findings and recommendations when the audit is issued. The Alabama Commission has provided an extensive response and begun corrective action as needed.

As noted in the audit report, one of the major areas of questioned costs related to eligibility requirements for AmeriCorps members. The auditors state that over $300,000 "represents amounts related to failure to meet citizenship eligibility requirements." This could imply that the participants were not eligible to serve in AmeriCorps because they were not citizens or permanent resident aliens. However, in most cases, we expect that the members are citizens, but the programs could not provide the appropriate documentation to confirm citizenship. During the audit resolution process, we will work with the commission to secure the appropriate documentation.

NATIONAL SERVICE: GETTING THINGS DONE
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