OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Incurred-Cost Audit of Grants Awarded to the Indiana Commission for Community Service and Volunteerism

Audit Report No. 03-03
November 18, 2002

Financial Schedules and
Independent Auditors' Report
For the Period
October 1, 1997 to September 30, 2001

Prepared by:

COTTON & COMPANY LLP
333 North Fairfax Street, Suite 401
Alexandria, Virginia 22314

This report was issued to Corporation management on March 27, 2003. Under laws and regulations governing audit follow-up, the Corporation must make final management decisions on report findings and recommendations no later than September 29, 2003, and complete its corrective actions by March 27, 2004. Consequently, the reported findings do not necessarily represent the final resolution of issues presented.

CORPORATION
FOR NATIONAL
SERVICE

Office of Inspector General
Corporation for National and Community Service
Audit Report 03-03

Audit of Corporation for National and Community Service Grants Awarded to the Indiana Commission for Community Service and Volunteerism

Introduction

The Corporation for National and Community Service, pursuant to the authority of the National and Community Service Act, as amended, 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, under 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) retained Cotton and Company to audit Corporation grants to the Indiana Commission for AmeriCorps, Learn and Serve, Program Development and Training, Promise Fellows, Disability, Education, America Reads and Administrative costs from October 1, 1997 through September 30, 2001. The audit's objectives were to determine whether: (1) the Commission's financial reports presented fairly the financial results of the awards; (2) the internal controls adequately safeguarded Federal funds; (3) the Commission and its subgrantees had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions; (4) costs were documented and allowable under the awards' terms and conditions; and (5) the Commission had established adequate financial and program management oversight of its subrecipients.

The Commission had total claimed costs of $14,107,062, of which the auditors questioned $330,400 for allowability and $689,726 for support, which is approximately seven (7) percent of the total claimed costs. Costs questioned for allowability represent amounts for which documentation shows that recorded costs were expended in violation of regulations, or specific award conditions, or costs that require interpretation of allowability. Costs questioned for support require additional documentation to substantiate that the cost was incurred and is allowable. The auditors concluded that the Schedules of Award Costs present fairly the costs claimed by the Commission, except for the questioned and unsupported costs identified in the report, and the effects of any adjustments.

Effective in July 2000, responsibility for fiscal management and oversight of Federal funds allocated to the Commission was assumed by the Indiana State Department of Workforce Development. At this time, as noted throughout the audit report, extensive changes were made to the monitoring processes. As a result, many of the questioned costs identified during the audit occurred prior to the change in responsibility for oversight.

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

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

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

OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
INCURRED COST AUDIT OF GRANTS AWARDED TO THE
INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM

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AUDIT SCOPE

At your request, Cotton & Company LLP performed an incurred-cost audit of costs claimed by the Indiana Commission for Community Service and Volunteerism (the Commission) and its subrecipients for the period October 1, 1997 through September 30, 2001. Effective in July 2000, the Indiana State Department of Workforce Development (DWD) assumed responsibility for fiscal management and oversight of Federal funds allocated to the Commission. Our audit covered financial transactions, compliance, and internal control testing of the following program awards funded by the Corporation for National and Community Service (the Corporation):

Program	Award No.	Award Period	Audit Period
AmeriCorps	94ASCIN015	08/01/97-12/31/00	10/01/97-12/31/00
Administrative	94SCSIN015	12/21/93-12/31/00	10/01/97-12/31/00
Program Development Assistance and Training	95PDSIN015	01/01/95-12/31/01	10/01/97-09/30/01
Learn and Serve	95LCSIN005	10/01/95-12/31/98	10/01/97-12/31/98
State Disability Funds	97DSCIN016	02/01/97-12/31/99	10/01/97-12/31/99
Education Awards	97EDSIN017	05/01/97-12/31/99	10/01/97-12/31/99
Learn and Serve	98LCSIN015	12/01/98-11/30/01	12/01/98-09/30/01
America Reads	98ARCIN011	08/01/98-12/31/00	08/01/98-12/31/00
Promise Fellows	98APSIN015*	11/01/98-06/15/00	11/01/98-06/15/00
Promise Fellows	99APSIN015*	10/21/99-12/31/01	10/21/99-09/30/01
AmeriCorps	00ASCIN015	08/01/00-07/31/03	08/01/00-09/30/01
AmeriCorps	00ASFIN015	09/01/00-08/31/03	09/01/00-09/30/01
Administrative	01SCSIN015	01/01/01-12/31/03	01/01/01-09/30/01

* This grant is a fixed-amount award for which the Commission is not required to submit Financial Status Reports (FSRs). Our audit scope was limited to testing Commission compliance with member eligibility and staffing requirements.

Audit objectives were to determine if:

- The Commission's financial reports presented financial award results fairly.
- Internal controls were adequate to safeguard Federal funds.
- The Commission and its subrecipients had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions.
- Award costs reported to the Corporation were documented and allowable in accordance with award terms and conditions.
- The Commission had established adequate financial and program management oversight of its subrecipients.

SUMMARY OF RESULTS

Audit Report Summary

Our audit report expresses a qualified opinion on the Consolidated Schedule of Award Costs based upon questioned costs detailed below and the following limitations on the audit scope. At the request of the Office of Inspector General (OIG), we did not expand the audit scope as a result of audit findings, as required in accordance with auditing standards generally accepted in the United States of America.

Our report on compliance with laws, regulations, contracts, and grants applicable to the audit of the Consolidated Schedule of Award Costs disclosed seven material instances of noncompliance required to be reported under *Government Auditing Standards*. These findings are as follows: the Commission advanced grant funds to subrecipients exceeding their immediate cash needs; the Commission claimed costs that were either not allowable or for which no support for allowability was provided; financial and progress reports were not submitted in a timely manner; subrecipients did not comply with program requirements; subrecipients did not meet matching requirements; the Commission could not provide evidence of program goal evaluation; and subrecipients did not monitor advances.

Our report on internal control disclosed five reportable conditions, as follows: the Commission's financial monitoring of subrecipients was not adequate; the Commission and its subrecipients did not segregate financial grant management responsibilities; during the subgrant award process, the Commission did not adequately evaluate subrecipient past performance; the Commission did not document its review of member activities; and the Commission did not have procedures to verify member hours reported. We considered the first reportable condition to be a material weakness.

Our report on compliance and the material instances of noncompliance mentioned above appear on pages 33 through 43, and our report on internal control and the reportable conditions mentioned above appear on pages 44 through 48. Those findings of material instances of noncompliance and reportable conditions should be read in detail for discussion of any corrective actions that have already been implemented, including those recommended and put into action by DWD subsequent to their involvement in July, 2000.

Costs Claimed

The Commission claimed total costs of $14,107,062 for its Corporation grants from October 1, 1997 through September 30, 2001. Of this amount, we questioned $330,400 for allowability and questioned $689,726 for support, which is approximately seven (7) percent of total claimed costs. These questioned amounts excluded questioned costs for education awards. Costs questioned for allowability are costs for which documentation shows that recorded costs were expended in violation of laws, regulations, or specific award conditions or costs that require interpretation of allowability by the Corporation. Costs questioned for support require additional documentation to substantiate that the cost was incurred and is allowable.

Grant participants who successfully complete terms of service under the AmeriCorps and Promise Fellow awards are eligible for education awards from the National Service Trust. These award amounts are not funded by Corporation grants and are thus not included in claimed costs. As part of our audit, however, we determined the effect of all member eligibility issues on these awards. Using the same criteria described above, we questioned education awards of $103,791 for allowability and $64,999 for support.

We questioned costs and education awards for the following reasons:

Questioned for Allowability	Costs	Education Awards
Funds Invested in Endowment Accounts	$185,882	
Unallocable Expenditures	1,392	
Interest and Finance Costs	363	
Costs Exceeding Financial Status Report (FSR)	545	
Stipends Claimed for Third-Term Member	7,791	
Member Did Not Complete Required Term of Service		$ 1,028
Subtotal	$195,973	$ 1,028
Members Did Not Have Sufficient Hours*	134,427	102,763
Total	$330,400	$103,791

* The Commission reimbursed the Corporation for these amounts in March 2000; however the Commission did not revise its FSR, accordingly these costs have been questioned.

Questioned for Support	Costs	Education Awards
Missing Member Eligibility Documentation	$ 63,498	$61,849
Lack of Compelling Personal Circumstances		3,150
Missing Cost Documentation	86,495	
Unreconciled Differences	528,076	
Missing Member Timesheets	10,537	
Unsupported Allocated Costs	1,120	
Total	$689,726	$64,999

Details related to these costs and education awards appear in the Independent Auditors' Report. Cost and education award exceptions are summarized by award as follows:

Grant No.	Costs Claimed	Costs Questioned for Allowability	Costs Questioned for Support	Education Awards Questioned for Allowability	Education Awards Questioned for Support	Exhibit
94ASCIN015	$ 8,011,525	$135,497	$492,605	$102,763	$64,999	A
94SCSIN015	815,119					
95PDSIN015	331,958					
95LCSIN005	109,190		2,091			B
97DSCIN016	17,374					
97EDSIN017	96,935					
98LCSIN015	285,084	186,427	2,365			C
98ARCIN011	1,062,231			1,028		D
00ASCIN015	1,849,923	685	189,896			E
00ASFIN015	1,396,181	7,791	2,769			F
01SCSIN015	131,542					
	$14,107,062	$330,400	$689,726	$103,791	$64,999	

Exit Conference

We held an exit conference with Commission representatives on November 18, 2002. In addition, we provided a draft copy of this report to the Commission and the Corporation for comment on December 18, 2002. Their responses, dated January 31, 2003, and January 30, 2003, respectively, are included as appendices A and B to this report. The Commission provided specific comments on the compliance and internal control report findings. The Corporation stated that it will respond to all findings and recommendations when the audit report is issued, and it has reviewed the findings in detail.

Follow-Up on Prior Audit Findings

Our audit scope included a preaudit survey. To the extent that the survey identified internal control weaknesses and compliance findings during our audit period, these are included in this report, along with an assessment of the adequacy of the Commission's corrective actions, if any.

COTTON & COMPANY LLP

auditors • advisors

DAVID L. COTTON, CPA, CFE, CGFM • CHARLES HAYWARD, CPA, CFE, CISA • MICHAEL W. GILLESPIE, CPA, CFE • CATHERINE L. NOCERA, CPA
MATTHEW H. JOHNSON, CPA, CGFM • SAM HADLEY, CPA, CGFM • COLETTE Y. WILSON, CPA • ALAN ROSENTHAL, CPA

November 18, 2002

Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT

We have audited costs claimed by the Indiana Commission for Community Service and Volunteerism (the Commission) for the awards listed below. These costs, as presented in the Consolidated Schedule of Award costs and the grant-specific Schedules of Award Costs (Exhibits A through F), are the responsibility of Commission management. Our responsibility is to express an opinion on the consolidated Schedule of Award Costs and Exhibits A through F based on our audit.

Program	Award No.	Award Period	Audit Period*
AmeriCorps	94ASCIN015	08/01/97-12/31/00	10/01/97-12/31/00
Administrative	94SCSIN015	12/21/93-12/31/00	10/01/97-12/31/00
Program Development Assistance and Training (PDAT)	95PDSIN015	01/01/95-12/31/01	10/01/97-09/30/01
Learn and Serve	95LCSIN005	10/01/95-12/31/98	10/01/97-12/31/98
State Disability Funds	97DSCIN016	02/01/97-12/31/99	10/01/97-12/31/99
Education Award	97EDSIN017	05/01/97-12/31/99	10/01/97-12/31/99
Learn and Serve	98LCSIN015	12/01/98-11/30/01	12/01/98-06/30/01
America Reads	98ARCIN011	08/01/98-12/31/00	08/01/98-12/31/00
Promise Fellows	98APSIN015**	11/01/98-06/15/00	11/01/98-06/15/00
Promise Fellows	99APSIN015**	10/21/99-12/31/01	10/21/99-09/30/01
AmeriCorps	00ASCIN015	08/01/00-07/31/03	08/01/00-09/30/01
AmeriCorps	00ASFIN015	09/01/00-08/31/03	09/01/00-09/30/01
Administrative	01SCSIN015	01/01/01-12/31/03	01/01/01-09/30/01

* The end of our audit period is the earlier of either the grant expiration date or the date the last Financial Status Report (FSR) was submitted by the Commission (either June 30, or September 30, 2001).

** This grant is a fixed-amount award for which the Commission is not required to submit FSRs. Our audit scope was limited to testing compliance with member eligibility and staffing requirements.

established 1981

333 NORTH FAIRFAX STREET • SUITE 401 • ALEXANDRIA, VIRGINIA 22314
703/836-6701 • FAX 703/836-0941 • WWW.COTTONCPA.COM • DCOTTON@COTTONCPA.COM

Except as described below, we conducted our audit in accordance with audit standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial schedules. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion on costs claimed.

The scope of our audit procedures was based on the audit-planning memorandum submitted to and approved by the Office of Inspector General (OIG). At the request of the OIG, we have not projected questioned costs to the remainder of the population beyond the samples selected, and we have not expanded items tested based upon results of our procedures, as required by auditing standards generally accepted in the United States of America. Accordingly, we are not able to determine the effect on the Consolidated Schedule of Award Costs, if any, had additional procedures been performed.

The Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs are intended to present allowable costs incurred under the awards in accordance with Office of Management and Budget (OMB) Circular A-87, other applicable OMB circulars, and award terms and conditions. Therefore, these are not intended to be complete presentations of the Commission's revenues and expenses.

The Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs identify certain questioned education awards. These awards are not funded by Corporation grants and are thus not included in claimed costs. As part of our audit, however, we determined the effect of all member eligibility issues on these awards.

In our opinion, except for questioned costs in the Consolidated Schedule of Award Costs and except for the effects of such adjustments, if any, that might have been determined to be necessary had we been able to expand our testing related to the audit scope limitation discussed above, the financial schedules referred to above present fairly, in all material respects, costs claimed by the Commission for the period October 1, 1997 to September 30, 2001, in conformity with OMB Circular A-87, other applicable OMB circulars, and award terms and conditions.

In accordance with *Government Auditing Standards*, we have also issued reports dated November 18, 2002, on our consideration of the Commission's internal control and on its compliance with laws and regulations. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering audit results.

This report is intended solely for the information and use of the OIG, Corporation management, the Commission, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

By: _____
Alan Rosenthal, CPA
Partner

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
CONSOLIDATED SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS

Award No.	Program	Approved Budget	Claimed Costs	Costs Questioned for Allowability	Costs Questioned for Support	Education Awards Questioned for Allowability	Education Awards Questioned for Support	Exhibit
94ASCIN015	AmeriCorps	$ 9,241,940	$ 8,011,525	$135,497	$492,605	$102,763	$64,999	A
94SCSIN015	Administrative	1,075,937	815,119					
95PDSIN015	PDAT	748,920	331,958					
95LCSIN005	Learn and Serve	169,470	109,190		2,091			B
97DSCIN016	State Disability Funds	18,564	17,374					
97EDSIN017	Education Award	126,400	96,935					
98LCSIN015	Learn and Serve	560,000	285,084	186,427	2,365			C
98ARCIN011	America Reads	1,591,609	1,062,231			1,028		D
00ASCIN015	AmeriCorps	2,196,759	1,849,923	685	189,896			E
00ASFIN015	AmeriCorps	1,894,548	1,396,181	7,791	2,769			F
01SCSIN015	Administrative	272,368	131,542					
		$17,896,515	$14,107,062	$330,400	$689,726	$103,791	$64,999	

EXHIBIT A

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AMERICORPS
AWARD NO. 94ASCIN015
OCTOBER 1, 1997 TO DECEMBER 31, 2000

	Claimed Costs	Questioned for Allowability	Questioned for Support	Reference/ Note
Center for Youth as Resources	$ 605,574		$ 72,527	Schedule A-1
City of Elkhart	472,259			
Community Centers of Indianapolis	1,334,807	$ 707	396,301	Schedule A-2
Family Services	235,174			
Fort Wayne Schools	209,925			
Gleaners Food Bank	156,927			
Indiana Department of Environmental Management	70,230			
Indiana University, Campus Compact	417,562			
Lake County Public Library	318,225			
Life Treatment Center	434,467			
Marion County Family Advocacy	736,236	363	10,784	Schedule A-3
Martin University	87,771			
Middle Way House	217,518			
Mount Vernon Schools	285,245			
Peace Learning Center	465,492			
State Student Assistance Commission	1,322,953	134,427	12,993	Schedule A-4
Tree of Life	160,846			
Timing Difference	480,314			
Total	$8,011,525	$135,497	$492,605	
Approved Budget	$9,241,940			
Education Awards		$102,763	$ 64,999	Note 1

1. We questioned education awards as described in Schedules A-1 through A-4, as follows:

	Questioned for Allowability	Questioned for Support	Schedule
Center for Youth as Resources		$14,965	A-1
Community Centers of Indianapolis		16,117	A-2
Marion County Family Advocacy Center		19,742	A-3
State Student Assistance Commission	$102,763	14,175	A-4
Total	$102,763	$64,999	

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCIN015
OCTOBER 1, 1997 TO DECEMBER 31, 2000

Center for Youth as Resources (CYAR)			Note
Approved Budget (Federal Funds)		$667,108	
Claimed Costs		$605,574	
Questioned for Support			
Missing Eligibility Documentation	$16,965		1
Missing Documentation for Payroll, Member Stipends, and Advances	55,562		2
Total Questioned for Support		$72,527	
Questioned for Support Education Awards			
Missing Eligibility Documentation	$9,452		1
Lack of Compelling Personal Circumstances	5,513		3
Total Questioned for Support		$14,965	

1. We tested 21 CYAR member files for eligibility. Files did not contain sufficient documentation to support the eligibility for 5 of the 21. We were unable to ascertain from these files either that the member was a U.S. citizen at least 17 years of age, or that the member received a high school diploma (or its equivalent). We were thus unable to verify that the five members were eligible in accordance with 45 *Code of Federal Regulations* (CFR) Section 2522.200. We questioned for support $16,965 of stipends paid to these members and $9,452 of education awards, as follows:

Program Year	Number of Members	Reason	Stipends	Education Awards
1997-1998	2*	Citizenship	$ 6,786	$4,726
1998-1999	1	Citizenship	3,393	2,363
1998-1999	2	Diploma	6,786	2,363
Total			$16,965	$9,452

* Files were also missing high school diplomas.

2. CYAR was unable to provide supporting documentation, such as timesheets, personnel listings, or vendor invoices, for $28,388 of staff salaries and member stipends charged to the grant. CYAR also did not have expenditure reports or FSRs to support $27,174 advances to host sites. We questioned for support $55,562 in accordance with OMB Circular A-122, Attachment A, paragraph A.2, Factors Affecting Allowability of Costs. Unsupported costs are as follows:

Date	Description	Amount
12/31/97	Salaries and Benefits	$ 2,325
04/27/98	Salaries and Benefits	5,643
11/18/98	Subrecipient Advance	1,876
02/12/98	Subrecipient Advance	9,106
04/27/98	Subrecipient Advance	1,476
11/18/97	Subrecipient Advance	150
02/12/98	Subrecipient Advance	400
11/18/97	Subrecipient Advance	400
01/14/99	Subrecipient Advance	1,876
02/09/99	Subrecipient Advance	1,545
08/13/99	Subrecipient Advance	1,876
06/10/99	Subrecipient Advance	497
12/18/98	Subrecipient Advance	1,133
12/14/99	Subrecipient Advance	6,073
12/14/99	Subrecipient Advance	766
03/11/99	Member Stipends	996
06/15/99	Member Stipends	5,643
08/13/99	Member Stipends	2,513
98/99	Member Stipends	258
02/07/00	Salaries and Benefits	7,500
04/18/00	Salaries and Benefits	3,075
03/12/00	Member Stipends	145
03/15/00	Member Stipends	145
06/30/00	Member Stipends	145
Total		$55,562

3. CYAR allowed three members to earn partial education awards totaling $5,513, but did not document the "compelling personal circumstances" needed to merit the awards. Circumstances under which a member may leave the program early and earn an award are detailed in 45 CFR Section 2422.230; this provision also requires the program to document these circumstances. We were unable to verify that these members were eligible to earn partial education awards. We questioned $5,513 for lack of support.

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCIN015
OCTOBER 1, 1997 TO DECEMBER 31, 2000

Community Centers of Indianapolis (CCI)			Notes
Approved Budget (Federal Funds)		$1,367,821	
Claimed Costs		$1,334,807	
Questioned for Allowability, Unallocable Expenditures		$707	1
Questioned for Support			
Missing Eligibility Documentation	$ 30,946		2
Missing Cost Documentation	26,634		3
Unreconciled Differences	338,721		4
Total Questioned for Support		$396,301	
Questioned for Support Education Awards			
Missing Eligibility Documentation		$16,117	2

1. CCI claimed $652 in Program Year (PY) 1999-2000 for security and network systems. CCI split these costs among funding sources without assessing the allocability of these costs to each. In addition, CCI claimed $55 for credit card membership fees in PY 1998 for a membership that was subsequently canceled. OMB Circular A-122, Attachment A, paragraph A.4, states that costs are allocable in accordance with the relative benefits received. We questioned $707 ($652 + $55).

2. We tested 21 CCI PY 1997-2000 member files for eligibility. Files did not contain sufficient documentation to support the eligibility for 8 of the 21. We were unable to ascertain from these files that the members received high school diplomas (or its equivalent). In addition, all of these files were missing the member's birth certificate. We were thus unable to verify that the eight members were eligible in accordance with 45 CFR Section 2522.200. We questioned for support $30,946 of stipends paid to these members and $16,117 of education awards.

3. CCI was unable to provide supporting documentation, such as vendor invoices or timesheets, for $26,634 of costs charged to the grant. Payroll and staff charges were based on budget estimates and not actual hours worked. We questioned for support $26,634 in accordance with OMB Circular A-122, Attachment A, paragraph A.2. and Attachment B, paragraph 7.m. Unsupported costs are as follows:

Date	Description	Amount
10/17/97	Payroll	$ 3,120
03/20/98	Life Insurance	4
06/10/98	Food and Beverages	216
06/10/98	General Program Support	456
06/22/98	Admission Fees	228
10/02/98	Payroll	831
12/31/98	Payroll	747
11/30/98	Coding Error	5,612
12/07/98	Health Insurance	2,079
06/30/99	Administrative Charge	11,225
04/01/99	Payroll	831
03/31/99	State Unemployment	153
07/09/99	Clerical	520
04/12/00	Staff Wages	588
04/26/00	Staff Benefits	24
Total		$26,634

4. CCI could not reconcile its accounting system to costs claimed on its FSRs for PY 1997-2000. We noted a $484,600 difference between costs claimed on its FSRs and its accounting detail totals. We questioned the Federal share of $338,721 for support in accordance with OMB Circular A-122, Attachment A, paragraph A.2. as follows:

Program Year	Difference	Federal Share*
1997-1998	$191,519	$138,099
1998-1999	230,713	159,218
1999-2000	62,368	41,404
	$484,600	$338,721

* Federal share is based on Federal percentage of reported costs per FSRs for this period.

SCHEDULE A-3

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCIN015
OCTOBER 1, 1997 TO DECEMBER 31, 2000

Marion County Family Advocacy Center (FAC)			Notes
Approved Budget (Federal Funds)		$803,414	
Claimed Costs		$736,236	
Questioned for Allowability, Interest/Finance Costs		$363	1
Questioned for Support			
Missing Member Timesheets	$10,537		2
Missing Direct Cost Documentation	247		3
Total Questioned for Support		$10,784	
Questioned for Support Education Awards			
Missing Member Timesheets	$ 3,201		2
Missing Eligibility Records	16,541		4
Total Questioned for Support		$19,742	

1. FAC claimed interest expense of $323 in PY 1997-1998 and unallocable fees of $40 in April 1999. These costs are unallowable in accordance with OMB Circular A-122, Attachment B, paragraph 23. We questioned $363 for allowability.

2. FAC did not retain member timesheets for three members in PY 1997-2000, as required by 45 CFR Section 2543.53. We were thus unable to verify that these members were eligible for the stipends and education awards they earned. We questioned $10,537 of stipends claimed and $3,201 of education awards paid to these members as unsupported.

3. FAC was unable to provide supporting documentation, such as vendor invoices or receipts, for $247 of costs charged to the grant. We questioned $247 in accordance with OMB Circular A-122, Attachment A, paragraph A.2. Unsupported costs are as follows:

Date	Description	Amount
01/11/99	Postage	$ 75
08/20/99	Liability Insurance	132
1999-2000	Parking Fee	40
Total		$247

4. FAC could not provide enrollment or exit forms for seven members in PY 1997-1999, as required by AmeriCorps Special Provisions, Member Records and Confidentiality. We were thus unable to verify that these members successfully completed their program terms. We questioned education awards of $16,541 as unsupported.

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCIN015
OCTOBER 1, 1997 TO DECEMBER 31, 2000

State Student Assistance Commission (SSAC)			Notes
Approved Budget (Federal Funds)		$1,744,742	
Claimed Costs		$1,322,953	
Questioned for Allowability			
Stipends Paid to Members with Insufficient Hours		$134,427	1
Questioned for Support			
Missing Direct Cost Documentation	$ 175		2
Missing Eligibility Documentation	12,818		3
Total Questioned for Support		$12,993	
Questioned for Allowability Education Awards			
Awards to Members with Insufficient Hours		$102,763	1
Questioned for Support Education Awards			
Missing Eligibility Documentation		$14,175	3

1. Ivy Tech State College was an SSAC subrecipient under this award. The Indiana State Board of Accounts performed an audit of Ivy Tech's 21ST Century AmeriCorps program from July 1, 1997 to June 30, 1999, and questioned $134,427 of stipends and $102,763 of education awards to members for whom timesheets did not document the program hours required. Pursuant to a March 13, 2000, agreement with the Corporation, the Commission reimbursed these amounts to the Corporation. Because SSAC did not revise its FSRs to eliminate the reimbursed amounts, however, we questioned stipends of $134,427 and education awards of $102,763 for allowability.

2. SSAC was unable to provide supporting documentation for two member stipends totaling $175 paid in PY 1997-1999. We questioned for support $175 in accordance with OMB Circular A-87, Attachment A, Section C.1, Factors Affecting Allowability of Costs.

3. We tested 21 SSAC member files for eligibility. Files did not contain sufficient documentation to support the eligibility for 4 of the 21. SSAC could not provide high school diplomas or proof of citizenship for these members. We were thus unable to verify that the members were eligible in accordance with 45 CFR Section 2522.200. We questioned for support $12,818 of stipends paid to these members and $14,175 of education awards, as follows:

Program Year	Number of Members	Reason	Stipends	Education Awards
1997-1998	1	High School Diploma	$ 5,544	$ 4,725
1998-1999	3*	High School Diploma	7,274	9,450
Total			$12,818	$14,175

* These member files were also missing proof of citizenship.

EXHIBIT B

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
LEARN AND SERVE
AWARD NO. 95LCSIN005
OCTOBER 1, 1997 TO DECEMBER 31, 2000

	Claimed Costs	Questioned for Support	Reference/Note
American Cabaret Theater	$ 4,000		
Area Youth Ministry Inc.	1,500	$ 469	Note 1
Boys & Girls Club of Northwest Indiana	3,204		
Clark County Youth Shelter	9,315	207	Note 1
Community Partnership with Youth	3,000		
Crawford County 4-H	12,500		
Future Choices	4,000		
Gateway Woods	4,867		
Greater Lafayette Volunteer Bureau	2,015		
Indiana Department of Education	46,500		
Indianapolis Urban League	2,555		
Indy Youth Ministry	4,760	4,080	Note 1, Schedule B-1
LaPorte County Leadership	2,277		
Leadership of Fort Wayne	5,000		
Commission, Other Costs	6,526		
Minority Health Coalition	4,189		
Muncie Family YMCA	13,280	4,000	Note 1
New Albany Deanery Catholic Youth Ministry	4,500		
North View High School	4,500		
North Central Community Action Agency	2,000		
Putnam County Youth Development Commission	4,000		
Shoals Junior/Senior High School	2,500		
Sullivan County Soil and Water Conservation District	8,000	971	Schedule B-2
Terre Haute Track Club	1,550		
Tri County Health Coalition	600	600	Note 1
Womack Memorial Colored Methodist Episcopalian (CME) Church	1,000	1,000	Note 1
Youth as Resources of Southwestern Indiana	7,000		
Family & Youth Service Bureau of Porter County	6,403		
Timing Difference	(62,351)	(9,236)	Note 1
Total	$109,190	$ 2,091	
Approved Budget	$169,470		

1. The Commission gave its subrecipients advance payments, but included on its FSR only those amounts reported by the subrecipients, resulting in a $(62,351) difference between funds advanced and amounts reported as of June 30, 2001. Several of the subrecipients reported total expenses on their FSRs that were less than amounts advanced. The Commission is recovering these amounts from the subrecipients, as follows:

Area Youth Ministry Inc.	$ 469
Clark County Youth Shelter	207
Indy Youth Ministry	2,960
Muncie Family YMCA	4,000
Tri County Health Coalition	600
Womack Memorial CME Church	1,000
Total	$ 9,236

We questioned these costs by subrecipient, but offset these amounts by the net timing difference, because the Commission did not claim these costs on its FSR.

SCHEDULE B-1

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 95LCSIN005
OCTOBER 1, 1997 TO DECEMBER 31, 2000

Indy Youth Ministry (IYM)		**Notes**
Approved Budget (Federal Funds)	$3,800	
Claimed Costs	$1,800	1
Questioned for Support, Unsupported Allocability	$1,120	2

1. IYM received an advance of $4,760, but reported expenditures of only $1,800 on this grant. This $4,760 advance exceeded the subgrant ceiling by $960. The agreement was never amended to increase the ceiling, as required by paragraph V.C.11. of the subgrant. We questioned the $2,960 advance exceeding the FSR (including $960 paid in excess of the subgrant ceiling) for support in Note 1 to Exhibit B.

2. IYM provided receipts to support costs claimed on its FSR. We noted, however, that receipts provided supported $1,120 for bulk fruit and vegetable purchases. IYM did not explain how these expenditures related to the grant project (taking gift packs to and performing a singing presentation for orphans at a group home). We were thus unable to verify that these expenses were allowable in accordance with subgrant paragraph B.3, which states that funds are not to be expended for other than the stated purpose in the grant application. We questioned $1,120 for support.

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 95LCSIN005
OCTOBER 1, 1997 TO DECEMBER 31, 2000

Sullivan County Soil and Water Conservation District (SCSWCD)			**Notes**
Approved Budget (Federal Funds)		$8,000	
Claimed Costs		$8,000	
Questioned for Support			
Missing Cost Documentation	$362		1
Unreconciled Difference	609		2
Total Questioned for Support		$971	

1. SCSWCD gave a service learning site a $1,814 advance, but could only provide receipts for $1,752 and could not explain the $62 difference between the advance and total receipts. In addition, SCSWCD could not provide supporting documentation for $300 in administrative fees paid to its extension educator. We questioned $362 for support in accordance with OMB Circular A-87, Attachment A, Section C.1.

2. SCSWCD claimed total expenditures of $8,000 on its final FSR dated June 14, 1998. Its accounting records, however, support only $7,391 expended on this subgrant. SCSWCD could not explain the $609 difference. We questioned $609 for support.

EXHIBIT C

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
LEARN AND SERVE
AWARD NO. 98LCSIN015
DECEMBER 1, 1998 TO JUNE 30, 2001

	Claimed Costs	Questioned for Allowability	Questioned for Support	Reference
Bishop Dwenger Habitat for Humanity	$ 2,500			
Boone Grove High School	4,500			
Center for Youth as Resources	185,882	$185,882		Schedule C-1
Clifford Pierce Middle School	1,100			
Community Youth Leadership Council	3,000			
Crawford County 4-H	8,600			
Crisis Center	2,188			
Commission, Other Costs	45,720			
Jennings County Schools	497			
Johnson County Youth Services	238			
Kappa Alpha Public Library	750			
Lake County Public Library	643			
Laporte County Leadership	750			
Lebanon Community Schools	750			
Lincoln Hills Development Corporation	2,000			
Minority Health Coalition	1,324			
Muncie Family YMCA	1,500			
Neutral Zone of Laporte	2,365		$2,365	Schedule C-2
New Albany Deanery	3,000			
New Albany High School	544			
Shoals High School Special Education	1,210			
South IN Centers/Wilson Education	5,600			
The Cello Cries On	2,000	545		Schedule C-3
The Counseling Center	4,413			
Youth Services Bureau of Porter	2,010			
YWCA Family Intervention	2,000			
Total Costs	$285,084	$186,427	$2,365	
Approved Budget	$560,000			

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 98LCSIN015
DECEMBER 1, 1998 TO JUNE 30, 2001

Center for Youth as Resources (CYAR)		**Note**
Approved Budget (Federal Funds)	$211,500	
Claimed Costs	$185,882	
Questioned for Allowability – Payments to Endowment Funds	$185,882	1

1. CYAR acts as a pass-through agency and advanced the Learn & Serve grant funds to its subrecipients (host sites). CYAR claimed these advances as grant expenditures on its FSRs. According to a June 2002 Commission monitoring report, the host sites placed both grant funds and matching funds in endowment accounts. The interest from these endowment accounts was used for operating funds, and the principal was not used. Because the costs claimed were not used for grant purposes, we questioned $185,882 for allowability in accordance with OMB Circular A-122, Attachment A, paragraph A.2.

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 98LCSIN015
DECEMBER 1, 1998 TO JUNE 30, 2001

Neutral Zone of Laporte (NZL)		Note
Approved Budget (Federal Funds)	$2,365	
Claimed Costs	$2,365	
Questioned for Support, Missing Cost Documentation	$2,365	1

1. NZL could not provide documentation, such as timesheets, vendor invoices, or receipts, to support $4,730 ($2,365 Federal and $2,365 matching) claimed on this grant. We were unable to determine the allowability of these costs in accordance with OMB Circular A-122, Attachment A, paragraph A.2. We questioned $2,365 for support.

SCHEDULE C-3

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 98LCSIN015
DECEMBER 1, 1998 TO JUNE 30, 2001

The Cello Cries On		Note
Approved Budget (Federal Funds)	$2,000	
Claimed Costs	$2,000	
Questioned for Allowability, Costs Exceeding FSR	$545	1

1. The Commission advanced this subrecipient the entire $2,000 subgrant amount and claimed this amount for Federal reimbursement. The final FSR for The Cello Cries On, however, reported expenditures of only $1,455. The Cello Cries On refunded the $545 to the Commission in May, 2002. Because the Commission did not reduce costs claimed on its own FSR, however, we questioned the $545 difference between costs claimed and costs incurred on this subgrant in accordance with OMB Circular A-122, Attachment A, paragraph A.2.

EXHIBIT D

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AMERICA READS
AWARD NO. 98ARCIN011
AUGUST 1, 1998 TO DECEMBER 31, 2000

	Claimed Costs	Questioned for Allowability	Reference
Indiana University, Reading Corps	$ 528,180		
Valparaiso Community Schools (VCS)	534,051		
Total Costs	$1,062,231		
Education Award		$1,028	Note 1
Approved Budget	$1,591,609		

1. VCS approved a partial education award for a PY 1998-1999 member who left for personal compelling reasons. This member's timesheets, however, support only 149 service hours-less than 15 percent of the 1,700-hour full-time requirement. According to 45 CFR Section 2522.230, a member must complete at least 15 percent of the originally approved term of service to be eligible for a pro-rated education award. We questioned the $1,028 education award for allowability.

EXHIBIT E

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AMERICORPS
AWARD NO. 00ASCIN015
SEPTEMBER 1, 2000 TO SEPTEMBER 30, 2001

	Claimed Costs	Questioned for Allowability	Questioned for Support	Reference
City of Elkhart	$ 146,404			
Community Centers of Indianapolis	540,144	$685	$189,896	Schedule E-1
Indiana University, Campus Compac	349,659			
Indiana University, Mentor Corps	175,051			
Mount Vernon Schools	82,952			
Peace Learning Center	555,713			
Total	$1,849,923	$685	$189,896	
Approved Budget	$2,196,759			

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 00ASCIN015
SEPTEMBER 1, 2000 TO SEPTEMBER 30, 2001

Community Centers of Indianapolis (CCI)			Notes
Approved Budget (Federal Funds)		$577,107	
Claimed Costs		$540,144	
Questioned for Allowability, Unallocable Expenditures		$685	1
Questioned for Support			
Missing Cost Documentation	$ 1,150		2
Unreconciled Amounts	188,746		3
Total Questioned for Support		$189,896	

1. CCI claimed $685 in PY 2000-2001 for security and network systems. CCI split these costs among funding sources without assessing the allocability of these costs to each. OMB Circular A-122, Attachment A, paragraph A.4., states that costs are allocable in accordance with the relative benefits received. We questioned $685.

2. CCI was unable to provide supporting documentation, such as vendor invoices or timesheets, for $1,150 of costs charged to the grant. We questioned for support $1,150 in accordance with OMB Circular A-122, Attachment A, paragraph A.2. Unsupported costs are as follows:

Date	Description	Amount
03/30/01	Payroll	$ 831
12/31/01	Allocation 0530	319
Total		$1,150

3. CCI could not reconcile its accounting system to costs claimed on its FSRs for PY 2000-2001. We noted a $309,420 difference between $885,659 claimed on its FSRs and costs of $576,239 per its accounting detail. We questioned for support the $188,746 Federal share of unreconciled costs (based on the percentage of Federal costs claimed to total costs) in accordance with OMB Circular A-122, Attachment A, paragraph A.2.

EXHIBIT F

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AMERICORPS
AWARD NO. 00ASFIN015
SEPTEMBER 1, 2000 TO SEPTEMBER 30, 2001

	Claimed Costs	Questioned for Allowability	Questioned for Support	Reference
Evansville Respect	$ 175,998			
Family Services	81,589			
Horizon House	79,188			
Holy Cross Associates	283,955			
Legal Services Organization of Indiana	150,160			
Valparaiso Community Schools	211,581			
Marion County Family Advocacy Center	163,307	$7,791		Schedule F-1
State Student Assistance Commission	250,403		$2,769	Schedule F-2
Total	$1,396,181	$7,791	$2,769	
Approved Budget	$1,894,548			

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 00ASFIN015
SEPTEMBER 1, 2000 TO SEPTEMBER 31, 2001

Marion County Family Advocacy Center (FAC)		Note
Approved Budget (Federal Funds)	$217,877	
Claimed Costs	$163,307	
Questioned for Allowability, Stipend to Third-Term Member	$ 7,791	1

1. FAC claimed stipends of $7,791 for a third-term AmeriCorps member. According to 45 CFR Section 2522.200, AmeriCorps participants may only receive benefits for the first two successfully completed terms of service. The member served in PY 1995-1996 as a full-time member and in PY 1997-1998 as a part-time member. She did not, however, count her second term when she enrolled for the PY 2000-2001 service term, and FAC did not notice this until her third term of service was completed. We questioned $7,791 for allowability.

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 00ASFIN015
SEPTEMBER 1, 2000 TO SEPTEMBER 30, 2001

State Student Assistance Commission (SSAC)		Notes
Approved Budget (Federal Funds)	$406,776	
Claimed Costs	$250,403	
Questioned for Support, Missing Eligibility Documentation	$2,769	1

1. We tested seven SSAC member files for eligibility. One file did not contain proof of the member's citizenship. We were thus unable to verify that the member was eligible in accordance with 45 CFR Section 2522.200. We questioned for support $2,769 of stipends claimed for this member.

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
NOTES TO SCHEDULES OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 from accounting principles generally accepted in the Unites 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 expense reflected in the Schedules of Award Costs includes the cost of equipment purchased during the period rather than a provision for depreciation. The Commission owns equipment acquired while used in the program for which it was purchased or in other future authorized programs. The Corporation has, however, reversionary interest in the equipment. Its disposition, as well as ownership of any proceeds therefore, is subject to Federal regulations.

Inventory

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

INDIANA COMMISSION FOR COMMUNITY SERVICE AND VOLUNTEERISM
SCHEDULE OF QUESTIONED COSTS BY SUBRECIPIENT
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
ALL AWARDS
OCTOBER 1, 1997 TO SEPTEMBER 30, 2001

	CYAR	CCI	FAC	SSAC	SCSWCD	Indy Youth Ministry	Neutral Zone	Cello Cries On	Total
Questioned Costs for Allowability									
Funds Invested in Endowment Accounts	$185,882								$185,882
Unallocable Expenditures		$1,392							1,392
Interest and Finance Costs			$ 363						363
Costs Exceeding FSR								$545	545
Members with Insufficient Hours				$134,427					134,427
Stipend for Third-Term Member			7,791						7,791
Total	$185,882	$1,392	$8,154	$134,427				$545	$330,400
Questioned Costs for Support									
Missing Eligibility Documentation	$16,965	$ 30,946		$15,587					$ 63,498
Missing Cost Documentation	55,562	27,784	$ 247	175	$362		$2,365		86,495
Unreconciled Differences		527,467			609				528,076
Missing Member Timesheets			10,537						10,537
Unsupported Allocated Costs						$1,120			1,120
Total	$72,527	$586,197	$10,784	$15,762	$971	$1,120	$2,365		$689,726

COTTON & COMPANY LLP

auditors ◆ advisors

DAVID L. COTTON, CPA, CFE, CGFM ◆ CHARLES HAYWARD, CPA, CFE, CISA ◆ MICHAEL W. GILLESPIE, CPA, CFE ◆ CATHERINE L. NOCERA, CPA
MATTHEW H. JOHNSON, CPA, CGFM ◆ SAM HADLEY, CPA, CGFM ◆ COLETTE Y. WILSON, CPA ◆ ALAN ROSENTHAL, CPA

November 18, 2002

Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

We have audited costs claimed by the Indiana Commission for Community Service and Volunteerism (the Commission) to the Corporation for National and Community Service (the Corporation) for the following awards and have issued our report thereon dated November 18, 2002, which report was qualified for the matters discussed therein:

Program	Award No.	Award Period	Audit Period*
AmeriCorps	94ASCIN015	08/01/97-12/31/00	10/01/97-12/31/00
Administrative	94SCSIN015	12/21/93-12/31/00	10/01/97-12/31/00
Program Development Assistance and Training	95PDSIN015	01/01/95-12/31/01	10/01/97-09/30/01
Learn and Serve	95LCSIN005	10/01/95-12/31/98	10/01/97-12/31/98
State Disability Funds	97DSCIN016	02/01/97-12/31/99	10/01/97-12/31/99
Education Awards	97EDSIN017	05/01/97-12/31/99	10/01/97-12/31/99
Learn and Serve	98LCSIN015	12/01/98-11/30/01	12/01/98-06/30/01
America Reads	98ARCIN011	08/01/98-12/31/00	08/01/98-12/31/00
Promise Fellows	98APSIN015	11/01/98-06/15/00	11/01/98-06/15/00
Promise Fellows	99APSIN015	10/21/99-12/31/01	10/21/99-09/30/01
AmeriCorps	00ASCIN015	08/01/00-07/31/03	08/01/00-09/30/01
AmeriCorps	00ASFIN015	09/01/00-08/31/03	09/01/00-09/30/01
Administrative	01SCSIN015	01/01/01-12/31/03	01/01/01-09/30/01

Except as discussed in the third paragraph in our Independent Auditors' Report, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Compliance with applicable laws and regulations related to the awards is the responsibility of Commission management. As part of obtaining reasonable assurance that costs are free of material misstatements, we performed tests of compliance with certain provisions of laws and regulations related to the awards, noncompliance with which could have a direct and material effect on the determination of amounts claimed in the Schedule of Award Costs. Our objective was not, however, to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

established 1981

333 NORTH FAIRFAX STREET ◆ SUITE 401 ◆ ALEXANDRIA, VIRGINIA 22314
703/836-6701 ◆ FAX 703/836-0941 ◆ WWW.COTTONCPA.COM ◆ DCOTTON@COTTONCPA.COM

The results of our tests of compliance disclosed the following instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*.

1. The Commission Advanced Funds in Excess of Cash Needs

Prior to PY 2001, the Commission advanced funds to its subrecipients. AmeriCorps subrecipients received advances in four equal installments and Learn and Serve recipients received the full amount of the grant award. The Commission did not have procedures to ensure that AmeriCorps subrecipients requesting grant funds had expended prior advances.

As a result of advancing funds in this manner, some Learn and Serve grant recipients received advances of Corporation funds that exceeded the amounts these subrecipients incurred and reported as grant expenditures. The Commission did not reconcile advances with reported subrecipient expenditures until grant close out. At June 30, 2001, payments in excess of the reported expenditures for Grant No. 95LCSIN005 totaled $62,350. Of this amount, the Commission later identified $9,236 as funds to be returned, because subrecipients did not spend the entire advance. Additionally, the Commission reported $2,545 of advances on Grant No. 98LCSIN015 that were not supported by subrecipient FSRs. Because significant time has elapsed since the subrecipients received the advances, amounts may be difficult to recover.

According to 45 CFR Section 2541.200 (b)(7), procedures must be followed to minimize the time elapsing between fund transfer from the U.S. Treasury and disbursement by the grantee and subgrantee whenever advance payments are made. Additionally, OMB Circular A-102, paragraph 2.a., states that agencies should minimize the time elapsing between transfer of funds to recipients and recipient needs for the funds.

Recommendation: We noted that the Commission ceased advancing funds to AmeriCorps subrecipients subsequent to PY 2000, and accordingly, no further corrective action is necessary. However, we recommend that for future Learn and Serve grants, the Commission should closely monitor funds to ensure that advanced monies are used in a timely and appropriate manner, with excess amounts returned promptly to the Commission.

2. The Commission Claimed Questioned and Unsupported Costs

The notes to Exhibits A through F describe questioned costs for allowability of $330,400 and questioned education awards of $103,791, that are summarized in the table on page 3. These questioned amounts consist of costs claimed or amounts awarded by the Commission for which documentation shows that recorded costs were expended in violation of laws, regulations, or specific award conditions or were costs that require interpretation of allowability by the Corporation.

In addition, the notes to Exhibits A through F describe unsupported costs of $689,726 and unsupported education awards of $64,999; these amounts consist of costs claimed or amounts awarded by the Commission that require additional documentation to support allowability. These unsupported amounts are also summarized in the table on page 3.

The Commission's monitoring also found that subrecipients did not consistently maintain adequate documentation to support expenditures and awards. According to 45 CFR Section 2543.21, grantees must maintain accounting records supported by source documentation. Instances noted in Commission monitoring reports included:

- Seven of ten expenditures tested at Horizon House in PY 2000-2001 were not adequately documented, and eight of these did not have evidence that the expense was approved before payment.

- Training, personal services costs, and member reimbursements charged to AmeriCorps did not have proper supporting documentation at Peace Learning Center in PY 2000-2001. In addition, salary costs were allocated using the previous year's allocation plan, and other costs were not being categorized properly. Payments did not consistently show evidence of the executive director's approval.

- Two of five disbursements tested at Valparaiso Community Schools for PY 2000-2001 did not have appropriate supporting documentation.

- Reimbursement payments and payroll had no evidence of executive director approval at Respect Inc. for PY 2000-2001.

- Payments for travel, meals, personal services, and salaries at Holy Cross Associates for PY 2000-2001 were not properly supported. In addition, the Commission identified a payment for a Sam's Club membership, which is not considered an allowable membership.

- IU Mentor Corps was not tracking members' time in PY 2000-2001. Two members were granted prorated education awards, but the subrecipient could not provide documentation that the members served enough hours required for a partial award. In addition, one member received a living allowance for a third term.

Recommendation: We recommend that the Corporation follow up with the Commission to determine if questioned and unsupported amounts should be disallowed and recovered.

3. The Commission and its Subrecipients Did Not Submit Financial Status and Progress Reports in a Timely Manner

The Commission did not submit its FSRs in a timely manner. According to 45 CFR Section 2541.410(b)(4), reports are to be submitted on a quarterly or semiannual basis and are due 30 days after the reporting period ends, and final reports are due 90 days after the expiration or termination of grant support. Of the 82 FSRs submitted by the Commission to the Corporation for PY 1997-2001, 36 were either late or undated, which precluded our assessment of the timeliness of submittal.

In addition, our testing revealed that several of the Commission's subrecipients filed late FSRs, closeout, or progress reports, as follows:

- FAC filed three FSRs more than 30 days after the end of the reporting period, and it filed closeout forms for PY 1997-1999 more than 1 year after the due date. The filing dates for PY 1997-1999 progress reports were not documented.

- VCS could not provide a progress report for the quarter ending June 30, 2000. In addition, it submitted closeout forms for PY 1998-1999 one year after the due date.

- CYAR could not provide three FSRs for PY 1997-2000 and one progress report for PY 1997-1998. In addition, one FSR for this period was not dated, and therefore no evidence existed that the report was submitted on time.

- Indy Youth Ministries did not submit quarterly FSRs for the period April 1998-September 1998. In addition, it did not submit its final FSR for the grant period ending September 1998 to the Commission until September 2002.

- IU East Volunteer Action Center submitted its final FSR, progress reports, and closeout form for PY 1998-1999 late. Also, it had not submitted an Annual Accomplishment Report for that year as required by Promise Fellows Special Provisions, Reporting Requirements.

- Junior Achievement only submitted annual, undated, progress reports for PY 1998-2000. In addition, it did not submit Annual Accomplishment Reports.

As of February 8, 2002, the Commission had not submitted its grant closeout form for Grant No. 94ASCIN0015 (AmeriCorps), which expired December 31, 2000.

Recommendation: We recommend that the Commission implement procedures to ensure timely submission of all FSRs and grant closeout documents.

4. Subrecipients Did Not Comply with Program Requirements

As part of its monitoring requirements, the Commission is responsible for ensuring that subrecipients are adequately trained in programmatic requirements, including those for document retention. Our testing of subrecipient member files disclosed that some subrecipients were not complying with program requirements as follows:

- Member files at nine subrecipients were missing documentation on mid-term and/or final evaluations. Grantees are required to conduct at least mid-term and end-of-term evaluations on each member's performance. AmeriCorps Special Provisions, Member Records and Confidentiality, stipulates that evaluations are to be performed to document that the member has:

  - Completed the required number of hours.
  - Satisfactorily completed assignments.
  - Met other performance criteria that were clearly communicated at the beginning of the service term.

The following subrecipient files were missing these evaluations:

		Number of Files	
Subrecipient	**Period**	**Tested**	**Missing Evaluations**
FAC	1997-2000	23	18
CYAR	1997-2000	21	20
SSAC	1997-1999	28	11
CCI	1997-1999	28	14
IU Mentor Corps	2000-2001	33	2
Peace Learning Center	1999-2000	11	3
Holy Cross Associates	2000-2001	UTD*	3
VCS	2000-2001	UTD	4
Junior Achievement	1998-2000	2	1

* Testing done by Commission during monitoring. The monitoring workpapers do not indicate the sample size. Accordingly, we have labeled as unable to determine (UTD).

- Member files at nine subrecipients did not always include high school diplomas or equivalent records. If a member does not have a high school diploma or equivalent at enrollment time, the grantee must obtain a record of the elementary or high school drop-out date and the member's written agreement to obtain a high school diploma or equivalent before using the education award (AmeriCorps Special Provisions, Member Records and Confidentiality). Failure to obtain this information could result in education awards to ineligible individuals. Member files were missing high school diplomas or equivalent information, as follows:

		Number of Files	
Subrecipient	**Period**	**Tested**	**Missing Information**
FAC	1997-2000	23	11
CYAR	1997-2000	21	10
SSAC	1997-1999	28	9
VCS	1999-2000	14	1
IU Mentor Corps	2000-2001	33	18
Peace Learning Center	1999-2000	11	4
Holy Cross Associates	2000-2001	UTD	2
Horizon House	2000-2001	14	10
Respect, Inc.	2000-2001	UTD	1

- Several subrecipient files were missing complete member agreements, as follows:

		Number of Files	
Subrecipient	**Period**	**Tested**	**Missing Agreements**
FAC	1997-2000	23	13
CCI	1997-2000	28	13
Peace Learning Center	1999-2000	11	1

- Member agreements were missing the signature of the program director or certifying officer, as follows:

		Number of Files	
Subrecipient	**Period**	**Tested**	**Missing Signatures on Agreements**
CYAR	1997-2000	21	12
SSAC	1998-1999	28	1
IU Mentor Corps	2000-2001	33	8
Holy Cross Associates	2000-2001	UTD	1

- Six subrecipient contracts did not include all required provisions. Grantees must ensure members sign contracts stipulating the following (AmeriCorps Special Provisions, Living Allowances, Member Contracts):

  - Minimum number of service hours needed to be eligible for the education award.
  - Acceptable conduct.

- Prohibited activities.
- Requirements under the Drug Free Workplace Act.
- Suspension and termination rule.
- Specific circumstances under which a member may be terminated.
- Position description.
- Grievance procedures.
- Other requirements as established by the program.

More specifically:

- Horizon House PY 2000-2001 member contracts did not include suspension and termination rules, as well as situations in which members would be released for cause. Additionally, these contracts were not dated.

- IU Mentor Corps PY 2000-2001 member contracts did not include a list of prohibited activities or Drug Free Workplace Requirements. Additionally, eight member files at IU Mentor Corps did not have copies of signed member contracts.

- Peace Learning Center PY 1999-2000 member contracts did not include the nature and location of the member's service activities. The PY 2000-2001 contracts did not contain a list of prohibited activities. Also, a member contract for one PY 2000-2001 member did not exist.

- Valparaiso PY 1999-2000 member contracts lacked the necessary arbitration clause.

- Holy Cross Associates PY 2000-2001 member contracts did not include rules for acceptable conduct, list of prohibited activities, requirements under the Drug Free Workplace Act, and a position description. Additionally, termination and suspension procedures as well as the amount of stipend to be received were not outlined. In addition, one contract was missing a member signature.

- CYAR PY 1997-2000 member contracts did not stipulate Drug Free Workplace Requirements. In PY 1999-2000, the contracts also lacked a position description.

- Seven subrecipient files did not contain evidence that background checks were performed on members working with children, as follows:

		Number of Files	
Subrecipient	**Period**	**Tested**	**No Background Checks**
FAC	1997-2000	23	12
CYAR	1997-2000	21	11
SSAC	1997-2000	28	13
CCI	1997-2000	28	6
IU Mentor Corps	2000-2001	33	31
Peace Learning Center	1999-2000	11	11
Holy Cross Associates	2000-2001	UTD	4

Programs whose members have substantial direct contact with children must conduct criminal record checks on these members and maintain related documentation in member files (AmeriCorps Special Provisions, Member Eligibility, Recruitment and Selection). Failure to perform these background checks could result in children being exposed to members with histories of criminal violations.

- Member files at four subrecipients lacked sufficient information to document member enrollments, change of status, and exits. Member enrollment forms must be submitted to the Corporation no later than 30 days after a member is enrolled, change of status forms within 30 days of status change, and member exit/end-of-term-of-service forms no later than 15 days after a member exits the program (AmeriCorps Special Provisions, Reporting Requirements). Subrecipient failure to obtain and submit this information promptly results in inaccurate Corporation member enrollment records. The sites with files missing or with incomplete enrollment, change of status, or exit forms are as follows:

		Number of Files	
Subrecipient	**Period**	**Tested**	**Missing Forms**
FAC	1997-2001	23	1
SSAC	1997-2001	28	7
CCI	1997-2001	28	12
IU East	1998-1999	1	1

In addition, we noted that enrollment and end-of-term-of-service forms were not submitted within the required period, as follows:

		Number of Files	
Subrecipient	**Period**	**Tested**	**Submitted Late**
FAC	1997-2001	23	19
IU East	1998-1999	1	1
VCS	1998-2000	14	4
Holy Cross Associates	2000-2001	UTD	2
Junior Achievement	1998-2000	2	2

- Seven subrecipients could not provide sufficient information to support member citizenship status. This information is necessary to ensure that members are eligible to participate in the program. According to 45 CFR Section 2522.200, to be eligible, an individual must be a citizen, national, or lawful permanent resident alien of the United States. Member files did not include adequate citizenship status documentation as follows:

Subrecipient	Period	Number of Files	
		Tested	Missing Information
FAC	1997-2000	23	10
CYAR	1997-2000	21	10
SSAC	1997-1999	28	10
CCI	1997-1999	28	8
IU Mentor Corps	2000-2001	33	9
Peace Learning Center	1999-2000	11	4
Horizon House	2000-2001	14	9

- Member files at five subrecipients did not have copies of required tax filing documentation. AmeriCorps Special Provisions, Living Allowances, In-Service Benefits and Taxes, states that grantees must withhold personal income taxes from member living allowances, require each member to complete a W-4 form at the beginning of the term of service, and provide a W-2 form at the close of the tax year. The following sites did not have W-2s and/or W-4s available for our review:

Subrecipient	Period	Number of Files	
		Tested	Missing Information
Marion County FAC	1997-2000	23	4
CYAR	1997-2000	21	14
SSAC	1997-1999	28	15
Peace Learning Center	1999-2000	11	11
Holy Cross	2000-2001	UTD	2

- Two subrecipients were missing training documentation for some of their members, and one did not provide all required member training. AmeriCorps Special Provisions, Member Training, Supervision, and Support, state that the grantee must provide members with the training necessary to perform tasks required for assigned project positions, and require that each member attend an orientation. VCS could not provide documentation to support training attendance for five individuals. FAC was not able to support training attendance for seven individuals. During a monitoring visit, the Commission interviewed a member at Holy Cross Associates who did not attend an orientation.

- The Commission's monitoring also found that some Holy Cross Associates member positions may be unallowable, because they replace paid positions or include prohibited activities. For example, one member was assigned to perform only clerical duties, and several others performed duties for which the subrecipient would have had to hire a worker if the member was not present.

- Two subrecipient member contracts stipulated fines that were either excessive or improperly imposed. AmeriCorps Special Provisions, Minor Disciplinary Actions, state that subrecipients may impose a reasonable fine on members, but these fines may not be deducted from stipends. VCS member contracts stated that fines for tardiness or unauthorized absences would be deducted from member stipend payments. In PY 1999-2000, these fines ranged from $30 to $300 depending on the number of incidences. This does not appear reasonable given that the average PY 1999-2000 full-time stipend was $347.50 per 2-week period. The Commission's monitoring also found that Horizon

House assessed two members $50 fines as a disciplinary action. The Commission directed the subrecipient to repay the members.

- The Commission's monitoring found that two subrecipients were treating members as employees. IU Mentor Corps was paying its PY 2000-2001 members in hourly increments. AmeriCorps Special Provisions, Living Allowances, In-Service Benefits and Taxes, stipulate that programs must not pay a living allowance on an hourly basis. Peace Learning Center's policies and procedures manuals referred to members as employees. According to 45 CFR Section 2510.20, a participant may not be considered a program employee.

- CCI did not have evidence of proper parental consent for one member under the age of 18, as required by the AmeriCorps Special Provisions, Member Eligibility, Recruitment and Selection.

- Three subrecipients did not have evidence that health care coverage was offered to full-time members. Four FAC files and two VCS files were missing either coverage or waiver information. IU Mentor Corps had no evidence that coverage was offered to one member. AmeriCorps Special Provisions, Living Allowances, Other In-Service Benefits and Taxes, state that grantees must provide a health care policy to full-time members not otherwise covered at program enrollment and to those who lose coverage during their service term as a result of program participation or through deliberate act of the member.

- Several subrecipients did not maintain documentation that members served the hours reported to the National Service Trust. AmeriCorps Special Provisions, Member Records and Confidentiality, Record-keeping, require that the grantee maintain verifiable records that document service hours per week for each member, location of service activities, and project assignment. Records must be sufficient to establish that the individual successfully completed program requirements with a minimum of 1,700 hours of participation as a full-time member or 900 hours as a part-time member. We noted, however, that:

  - Timesheets were missing from three member files at FAC.

  - Four member files were missing timesheets at CYAR and five at SSAC in PY 1997-1998.

  - At IU Mentor Corps, 24 member files were missing timesheets. Timesheets for five members were missing either member or supervisor signatures. In PY 2000-2001, time served by members was not being tracked to determine progress toward completing service.

  - Timesheets in 4 of 14 member files for PY 2000-2001 at Horizon House were not signed by the member.

  - Several PY 1999-2000 Peace Learning Center timesheets were missing member signatures. Timesheets for two PY 2000-2001 members were missing member or supervisor signatures. Additionally, two files did not include all timesheets (files were not current).

- The Commission's monitoring found a number of time reporting issues at Holy Cross Associates in PY 2000-2001, including a file with no timesheets, others that were missing some periods, eight with mathematical errors, and one timesheet not signed. A few members had timesheets that evidenced more than the allowable amount of hours within a set period.

Recommendation: While monitoring efforts have been improving since July 2000, noncompliance with grant requirements continues to occur. Additionally, for subrecipients receiving funding only in the two most recent years [those in which we relied on Department of Workforce Development (DWD) monitoring efforts for audit coverage], similar issues existed. Therefore, it appears that the Commission needs to strengthen its training efforts and support to subrecipients for the following grant requirements:

- Member participation eligibility documentation verification and retention.
- Member performance evaluations.
- Necessary and appropriate provisions in member contracts.
- Obtaining and maintaining background checks on members serving vulnerable populations.
- Timely filing of member forms.
- Timely submission of programmatic and financial reports.
- Maintaining sufficient information to support member service and award eligibility.
- Overall document retention.

5. Subrecipients Did Not Meet Matching Requirements

The subgrant agreements between the Commission and AmeriCorps subrecipients require each subrecipients to match a certain percentage of costs. Two subrecipients could not provide support for claimed AmeriCorps matching, as follows:

- CCI could not provide supporting documentation for $28,209 in claimed matching contributions, as follows:

Program Year	Amount
1997-1998	$14,494
1998-1999	2,572
1999-2000	702
2000-2001	10,441

- FAC could not provide supporting documentation for $187,671 in claimed matching contributions, as follows:

Program Year	Amount
1997-1998	$174,026
1998-1999	10,815
1999-2000	2,830

According to 45 CFR Section 2543.23, all matching contributions must be verifiable from recipient records. We did not question these AmeriCorps matching amounts, because the Commission met statutory matching requirements for this program.

Recommendation: We recommend that the Commission monitor matching on a regular basis to ensure that both the Commission and its subrecipients are meeting all grant matching requirements.

6. The Commission Could Not Provide Evidence of Program Goal Evaluation

The Commission either did not assess subrecipient accomplishment of program goals during PY 1997-1999 or did not document its evaluation. While the Commission's files included most subrecipient progress reports for this period, no evidence existed to show that these reports were reviewed. According to 45 CFR Section 2541.400, "grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved." The Commission currently documents its review of subrecipient reports with a Progress Report Review form.

Recommendation: No recommendation is currently necessary since the Commission has already implemented corrective action.

7. Subrecipients Did Not Monitor Advances to Host Sites

Some subrecipients did not monitor advances to their subrecipients (host sites). For example, CYAR awarded advances in the amount of the full award to host sites, but did not reconcile these to actual expenditures. It reported only the advances on its FSRs; thus, it may have misreported actual grant costs. In June 2002, the Commission discovered that CYAR's host sites had deposited grant funds in endowment accounts. According to 45 CFR Section 2543.21, subrecipient financial management systems must maintain effective controls over accountability for all funds, and cash advances must be limited to minimum amounts needed and timed in accordance with actual, immediate cash requirements. Additionally, both CYAR and SSAC did not monitor program sites to ensure that claimed expenditures and match were supported and in compliance with the subgrants. Grantees are required to monitor programs to ensure compliance with grant conditions (45 CFR Section 2541.400).

Recommendation: We recommend that the Commission require CYAR to provide reconciliations of all host site program expenditures with advances and to limit future advances to immediate cash needs of host sites. We further recommend that the Commission conduct additional training to ensure that its subrecipients are aware of their responsibilities for managing funds provided by the Commission.

This report is intended solely for the information and use of the OIG, the Corporation management, the Commission, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

By: _____
Alan Rosenthal, CPA
Partner

COTTON & COMPANY LLP

auditors ◆ advisors

DAVID L. COTTON, CPA, CFE, CGFM ◆ CHARLES HAYWARD, CPA, CFE, CISA ◆ MICHAEL W. GILLESPIE, CPA, CFE ◆ CATHERINE L. NOCERA, CPA
MATTHEW H. JOHNSON, CPA, CGFM ◆ SAM HADLEY, CPA, CGFM ◆ COLETTE Y. WILSON, CPA ◆ ALAN ROSENTHAL, CPA

November 18, 2002

Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

We have audited costs claimed by the Indiana Commission for Community Service and Volunteerism (the Commission) to the Corporation for National and Community Service (the Corporation) for the following awards and have issued our report thereon dated November 18, 2002, which report was qualified for the matters discussed therein.

Program	Award No.	Award Period	Audit Period*
AmeriCorps	94ASCIN015	08/01/97-12/31/00	10/01/97-12/31/00
Administrative	94SCSIN015	12/21/93-12/31/00	10/01/97-12/31/00
Program Development Assistance and Training	95PDSIN015	01/01/95-12/31/01	10/01/97-09/30/01
Learn and Serve	95LCSIN005	10/01/95-12/31/98	10/01/97-12/31/98
State Disability Funds	97DSCIN016	02/01/97-12/31/99	10/01/97-12/31/99
Education Awards	97EDSIN017	05/01/97-12/31/99	10/01/97-12/31/99
Learn and Serve	98LCSIN015	12/01/98-11/30/01	12/01/98-06/30/01
America Reads	98ARCIN011	08/01/98-12/31/00	08/01/98-12/31/00
Promise Fellows	98APSIN015	11/01/98-06/15/00	11/01/98-06/15/00
Promise Fellows	99APSIN015	10/21/99-12/31/01	10/21/99-09/30/01
AmeriCorps	00ASCIN015	08/01/00-07/31/03	08/01/00-09/30/01
AmeriCorps	00ASFIN015	09/01/00-08/31/03	09/01/00-09/30/01
Administrative	01SCSIN015	01/01/01-12/31/03	01/01/01-09/30/01

Except as discussed in the third paragraph in our Independent Auditors' Report, we conducted our audit in accordance with generally accepted auditing standards accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance that costs in financial schedules are free of material misstatement.

Commission management is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded

established 1981

333 NORTH FAIRFAX STREET ◆ SUITE 401 ◆ ALEXANDRIA, VIRGINIA 22314
703/836-6701 ◆ FAX 703/836-0941 ◆ WWW.COTTONCPA.COM ◆ DCOTTON@COTTONCPA.COM

against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial schedules in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit, we considered the Commission's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

We noted five matters involving internal control and its operations that we consider reportable conditions under standards established by the American Institute of Certified Public Accountants (AICPA). Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with management assertions in the financial schedules. These matters are discussed below.

1. Subrecipient Financial Monitoring was Not Adequate

Prior to July 2000, the Commission did not consistently monitor subrecipient financial performance. In July 2000, the Commission reorganized and assigned many financial management functions, including periodic monitoring, for Corporation awards to the Department of Workforce Development (DWD). As a result of this reorganization, the Commission made a number of improvements to its financial monitoring activities. We found that:

- The Commission had monitoring tools for site visits; forms were not, however, consistently completed, specific items reviewed were not documented, and reviews did not test all relevant compliance terms. In addition, the Commission had no review process to monitor its Learn and Serve subrecipients. (Because these are smaller subgrants, the Commission deemed them to be relatively low risk.)

  According to 45 CFR Section 2541.400, however, grantees must monitor subgrant support activities to ensure compliance with applicable Federal requirements. The Commission has incorporated monitoring guides and review worksheets for its AmeriCorps grants to correct these deficiencies.

- The Commission did not verify amounts reported by subrecipients on FSRs to accounting detail to verify the accuracy and allowability of reported costs. The Commission also did not verify that subrecipients were reporting required match amounts. As a result, unallowable and unallocable amounts may have been claimed for reimbursement, and subrecipients may not have complied with grant matching requirements.

  The Commission's current monitoring includes comparing accounting detail for a given period to the most-recent-periodic expense report and FSR. Instances continued, however, where subrecipient FSRs were not supported by accounting detail. Several subrecipients could not reconcile their accounting records with their FSRs.

AmeriCorps Financial Management Provisions require that grantee's financial management systems include a clear audit trail and are capable of distinguishing expenditures attributable to the grant. We noted that:

- Marion County Family Advocacy Center and Community Centers of Indianapolis could not reconcile accounting records to FSRs for PY 1997-2001.

- Sullivan County Soil could not reconcile its accounting detail with claimed expenditures on its final FSR.

- Valparaiso Community Schools could not provide cash-match accounting detail for PYs 1998-2000 and could not reconcile its periodic expense reports to its financial records for PY 1999-2001.

- Neutral Zone of Laporte (NZL) revised its total costs claimed on Grant No. 98LCSIN015 several times by submitting three FSRs. It appears that NZL's financial system did not generate records meeting requirements of 45 CFR Section 2543.21 (Standards for Financial Management Systems).

- The Commission did not have procedures to require reporting and resolving deficiencies noted in subrecipient site visits. According to 45 CFR Section 2541.400, grantees are responsible for managing daily operations of grant and subgrant supported activities. Grantees must monitor these activities to assure compliance with applicable Federal requirements. The Commission did not send site visit reports to subrecipients, require action plans, or perform follow up to ensure that weaknesses were corrected. The Commission does, however, maintain an audit resolution staff that tracks corrective action for deficiencies noted in each site visit.

- The Commission did not have procedures to ensure that subrecipient OMB Circular A-133 audits were performed when necessary, or that the Commission received these reports on a timely basis. We noted that Commission files did not include required A-133 reports for five subrecipients from 1996 through 1998, and we found no evidence that these were requested. According to 45 CFR Section 2541.260, the Commission is required determine if state or local subrecipients have met A-133 audit requirements. The Commission has subsequently established a policy requiring subrecipients to submit audit reports.

- The Commission did not reconcile amounts reported on subrecipient A-133 reports to expenditures per Commission records. Also, unless the subgrant was audited as a major program, the Commission did not review A-133 reports for findings that could impact subgrantee funds. According to 45 CFR Sections 2541.260 and 2541.400, grantees are required to monitor these reports and ensure that subrecipients are complying with applicable Federal requirements.

Recommendation: We recommend that the Commission continue its efforts to ensure adequate financial monitoring of subrecipients and prompt followup and resolution of monitoring issues. We recommend that for future Learn and Serve grants, the Commission implement review procedures to ensure that subrecipients are complying with grant requirements. For example, these subrecipients can be reviewed using more cost-effective means, such as a risk-based desk reviews. We also recommend that the Commission use the checklist it has recently created to consistently review A-133 audit reports, and that it reconcile amounts reported to payments made to subrecipients.

2. Financial Grant Management Duties Were Not Adequately Segregated

The Commission did not adequately segregate financial grant management duties until July 2000 when it assigned these responsibilities to DWD. A March 1999 Indiana State Board of Accounts audit found that the grant manager was responsible for writing checks, signing checks, posting transactions, and preparing reconciliations. According to 45 CFR Section 2541.200, grantees are required to maintain effective controls for all grant cash, property, and other assets. The Commission has subsequently segregated these responsibilities.

We noted that smaller subrecipients had similar segregation-of-duties issues. For example, NZL did not adequately segregate duties for accounts payable and for payroll. Sullivan County Soil also did not adequately segregate accounts-payable duties. The same individuals process invoices, sign checks, and reconcile bank statements. Additionally the Commission's monitoring found that Peace Learning Center did not have adequate segregation of accounting responsibilities: one individual received and opened mail, recorded cash receipts, prepared bank deposits, and recorded these in the accounting records. Also, the subrecipient was not preparing bank reconciliations on a timely basis, and cash receipts were not deposited on the day received. According to 45 CFR Section 2543.21, subrecipients are required to maintain financial management systems that provide effective control and accountability for all funds.

Recommendation: We recommend that the Commission continue to review subrecipient financial processes to ensure that proper segregation of duties exists, and that smaller organizations have proper mitigating controls if segregation of duties is not feasible to ensure that Corporation funds are properly controlled.

3. Past Performance Was Not Formally Considered During Funding Decisions

The Commission has not formally reviewed subrecipient financial systems, prior A-133 reports, or prior site monitoring results during the subgrant renewal process. While Commission management is aware of major A-133 report and monitoring issues, this information is not consistently documented for consideration in the renewal process.

According to 45 CFR Section 2541.430: "If a subgrantee materially fails to comply with any term of an award, the awarding agency may...wholly or partly suspend the current award or withhold further awards for the program." Failure to consistently evaluate experience and consider subrecipient capability to comply with financial requirements of an award could result in awards to subrecipients that are unable to satisfactorily carry out program goals. Commission management stated that they have revised their renewal review sheet for PY 2002-2003 to include formal consideration of performance in the decision process.

Recommendation: We recommend that the Commission document subrecipient performance so that this information can be used consistently in funding decisions.

4. Review of Member Activities Was Not Documented

Prior to July 2000, the Commission did not document its review of member activities to ensure that members were complying with provisions related to prohibited activities. The Commission reviewed program applications to ensure that expected activities were allowable and proper, but we found no evidence of subsequent member activity reviews to ensure that stated descriptions were accurate. AmeriCorps Special Provisions, Prohibited Program Activities, detailed a number of activities in which members are not allowed to participate. Failure to properly monitor program performance could result in

grant funds being expended on prohibited activities. The Commission's current site-monitoring visits include documented procedures to verify the appropriateness of member activities.

Recommendation: No recommendation is necessary since the Commission has already implemented corrective action.

5. Procedures to Verify Member Hours Reported Did Not Exist

Prior to July 2000, the Commission did not have procedures to ensure that member hours reported to the National Service Trust were accurate and proper. AmeriCorps Special Provisions, Post-Service Educational Awards, require that grantees certify to the National Service Trust that members are eligible to receive education benefits. The Commission did not review service hours reported by subrecipients to ensure that they were supported by member timesheets. Failure to verify reported hours could result in the award of education benefits to ineligible members. The Commission's current monitoring procedures include verifying that hours reported to the National Service Trust are reconciled to member timesheets.

Recommendation: No recommendation is necessary since the Commission has already implemented corrective action.

A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the schedules of award costs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider inadequate subrecipient financial monitoring (the first matter listed above involving internal control and its operation) to be a material weakness.

This report is intended solely for the information and use of the OIG, Corporation management, the Commission, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

By: _____
Alan Rosenthal, CPA
Partner

APPENDIX A

COMMISSION'S RESPONSE TO DRAFT AUDIT REPORT

INDIANA Volunteers
Indiana Commission on Community Service and Volunteerism

Frank O'Bannon, *Governor*
Lynn Coleman, *Chair*

Judy O'Bannon, *Honorary Chair*
Joseph L. Smith, *Executive Director*

Phone: 317.233.4273
Toll Free: 888.335.9490

Fax: 317.233.5660
Web Site: www.IN.gov/iccsv

302 West Washington Street, Room E220 • Indianapolis, Indiana 46204

January 31, 2003

Mr. Terry E. Bathen
Deputy Inspector General for Audits and Policy
Corporation for National and Community Service
Office of Inspector General
1201 New York Avenue, NW
Washington, DC 20525

Dear Mr. Bathen:

Please find enclosed our response to the draft audit report of the Indiana Commission on Community Service and Volunteerism (ICCSV) for the period from October 1, 1997 through September 30, 2001. Since ICCSV's partnership with the Indiana Department of Workforce Development (DWD) began in July 2000, many improvements have been made to our financial and administrative processes that allay the draft findings in the report.

It is our commitment to work cooperatively and with due diligence to ensure that federal and state funds received by ICCSV remain fully accountable. The ICCSV looks forward to a continuing and prospering relationship with the Corporation for National and Community Service for the programs that it administers on its behalf.

Thank you for the opportunity for us to respond to the draft audit findings. If you have any questions, please cont act Amber Roos, Deputy Director of the ICCSV at (317) 233-0900 or Clay Jackson, Chief of Analysis and Reconciliations for DWD at (317) 232-7366.

Sincerely,

Joseph L. Smith, Sr.
Executive Director
ICCSV

Craig E. Hartzer
Commissioner
DWD

Response to Draft Findings from the Corporation for National and Community Service Office of Inspector General Indiana Commission on Community Service and Volunteerism Audit

Executive Summary

The Indiana Commission on Community Service and Volunteerism (ICCSV) appreciates the opportunity to comment on the careful and comprehensive review of its national and community service programs conducted on behalf of the Corporation for National and Community Service (CNCS), Office of the Inspector General (OIG) for the period October 1, 1997 through September 30, 2001. Since July 1, 2000, the ICCSV has made significant improvements to its operations. On this date, the ICCSV entered into a partnership agreement with the Indiana Department of Workforce Development (DWD). The Department assumed responsibility for the management of all financial and administrative functions of the ICCSV's state and federal funds, including monitoring programs for compliance.

The ICCSV is confident that it has taken corrective action on the underlying issues outlined in the OIG's Audit Report. The ICCSV's certainty is rooted in the actions taken to date to rectify the findings and to prevent similar issues from reoccurring in the future. Actions that have been taken to correct findings include the following:

1. Since July 2000, the ICCSV policy is that payments made to subrecipients are made on a cost reimbursement basis.
2. Annual programmatic and financial monitoring and follow up of any findings of all AmeriCorps subrecipients will continue to take place as it has since the 1999/00 grant year.
3. There has been significant improvement with the ICCSV and its subrecipients submitting required reports on a timely basis.
4. Since June 2001, match verification procedures have been in place for the AmeriCorps subrecipients.
5. The ICCSV utilizes a standard form (tool) to evaluate the progress of subrecipients' accomplishments and outcomes of program objectives.
6. Financial grant management duties were adequately segregated through the alignment with the DWD on July 1, 2000.
7. The ICCSV uses a Renewal Review Sheet to assess subrecipients' past performance in making funding decisions.

The ICCSV is continuing its efforts to address issues associated with the Report's findings that include the following:

1. Closing out the 95LCSIN005, 98LCSIN015, and 94ASCIN015 grants with the CNCS.
2. Resolving the endowment issue with the Center for Youth as Resources (CYAR) in cooperation with the CNCS.

3. Evaluating the cost-benefit relationship of instituting the A-133 expenditure reconciliations with the ICCSV's payment records as recommended by the auditors.
4. Finalizing a monitoring plan for any future Learn and Serve subrecipients.
5. Obtaining supporting documentation from the subrecipients to address any of the outstanding findings.

In October 2002, CNCS staff and consultants visited the Commission to review Indiana's State Administrative Standards. The review rated Indiana's standards as exceptional. The CNCS' reviewers noted that the financial and administrative systems used by DWD were among the best in the nation and provided for strong oversight and management of fiscal funds as well as timely disbursements.

The ICCSV takes seriously its responsibility for managing state and federal programs and funds in a fully accountable manner. The ICCSV will continue to make improvements, where necessary, to ensure that state and federal funds are managed efficiently and effectively and within the parameters of state and federal regulations.

Response to Draft Findings from the Corporation for National and Community Service Office of Inspector General Indiana Commission on Community Service and Volunteerism Audit

Introduction

The Indiana Commission on Community Service and Volunteerism (ICCSV) appreciates the opportunity to comment on the careful and comprehensive review of its national and community service programs conducted on behalf of the Corporation for National and Community Service (CNCS), Office of the Inspector General (OIG). This review was a cost-incurred audit of the grants awarded to the ICCSV for the period October 1, 1997 through September 30, 2001. The ICCSV in partnership with the Indiana Department of Workforce Development (DWD), the agency responsible for the fiscal management and oversight of federal funds allocated to the ICCSV since July 2000, have worked aggressively to correct all administrative errors and deficiencies.

The ICCSV challenges the citizens of Indiana to strengthen their communities by engaging in community service and volunteer activities. The ICCSV identifies and mobilizes resources, promotes an ethic of service, and develops in communities the capacity to solve problems and improve the quality of life for individuals and families residing in those communities. One of the primary means of meeting the goals of this mission is through the administration of federal funds allocated through the ICCSV by the Corporation for National and Community Service. The ICCSV is able to implement the goals of its Unified State Plan for Service by directing federal funds to local and statewide activities that will focus on the goals contained in Indiana's State Plan.

Since July of 2000, the ICCSV has worked with the DWD to ensure that quality systems are in place for the oversight and management of all federal and state funds. As a result of this partnership, the ICCSV has realized improvements in the oversight of the AmeriCorps subrecipients through the DWD's monitoring efforts, increased efficiency in the disbursement of funds, accountability for these funds, and improved systems for managing federal accounts. The DWD was not responsible for the financial management and oversight for the period included in the scope of the audit that is prior to July 2000.

It is important to acknowledge that during the State Administrative Standards review conducted by the CNCS in September 2000 and during a return visit in October 2002, it was noted that the systems through the DWD were among the best in the nation and provided for strong oversight and management of fiscal funds as well as timely disbursements.

The firm conducting the audit of the ICCSV on behalf of the OIG relied on monitoring reports completed by the DWD's Oversight Division as the basis for reporting their findings on the 1999/2000 (94ASCIN015) and 2000/2001 (00ASCIN015 and 00ASFIN015) AmeriCorps grants. In the Summary of Tentative Findings presented at the November 18, 2002 exit conference, the auditors noted that the DWD ensured that subsequent corrective actions were taken for the findings from the monitoring reports. In

addition, the Summary of Tentative Findings observed that the DWD's monitoring process was a good example of where efficient and effective oversight was performed on behalf of the ICCSV. This demonstrates the high level of controls used by the ICCSV in managing its national and community service programs.

As you will note throughout this response, the ICCSV and the DWD have taken corrective action to address all administrative errors and deficiencies as noted in the draft OIG Audit Report. The ICCSV and the DWD will continue to work diligently to correct all matters pertaining to the audit and have strong procedures and policies in place for ensuring the highest level of integrity and quality of fiscal oversight and management with respect to all federal funds. The ICCSV and the DWD look forward to continuing to provide resolution to all findings in cooperation with the Corporation for National and Community Service.

Draft OIG Compliance Finding 1
The Commission Advanced Funds in Excess of Cash Needs

Draft OIG Findings:

- Prior to July 2000, the Commission advanced funds to its subrecipients
- The Commission did not have procedures to ensure that AmeriCorps subrecipients requesting grant funds had expended prior advances
- The Commission did not reconcile advances with reported subrecipient expenditures until grant closeout
- At June 30, 2001, payments in excess of the reported expenditures for Grant 95LCSIN005 totaled $62,350 and of this amount $9,236 was identified as to be returned by subrecipients who did not spend their entire advance
- The Commission reported $2,545 of advances on Grant 98LCSIN015 that were not supported by subrecipient FSRs

Resolution is proposed because:

- It became the policy of the ICCSV in July 2000 to make payments to its subrecipients on a cost reimbursement basis.
- The ICCSV will follow the guidance from the CNCS when it is received to close out Grant 95LCSIN005.
- One of the two subrecipients involved with the $2,545 of advances under Grant 98LCSIN015 submitted a closeout FSR reporting $2,000 of expenses and the other subrecipient refunded $545.

Statement of Facts:

- The ICCSV concurs that advances were made to its subrecipients prior to July 2000 and that it needed to formalize its subrecipient payment processes.
- The ICCSV notes that effective July 2000 and coinciding with the beginning of its association with the DWD that its policy became to make payments to its subrecipients on a cost reimbursement basis. Small organizations that are subrecipients receiving mini grant awards can request exception to this policy if it places an undue burden on their ability to manage the program.
- The ICCSV submitted a tentative closeout to the CNCS on December 28, 2001 for Grant 95LCSIN005.
- The ICCSV submitted a letter to the CNCS dated January 27, 2003 requesting guidance on how to close out Grant 95LCSIN005 as many of the subrecipients received the awards more than four years ago and it is not likely the remaining close outs are easily attainable (See Attachment A).
- The two subrecipients involved in the $2,545 of advances reported on Grant 98LCSIN015 submitted FSRs to the ICCSV subsequent to the audit end date of September 30, 2001. YWCA Family Intervention reported $2,000 of expenses on its closeout FSR submitted to the ICCSV on September 23, 2002. The Cello Cries On reported $1,455.17 of expenses on its closeout dated May 22, 2002. The Cello Cries On refunded $544.83 to the ICCSV on May 24, 2002.
- The CNCS provided the ICCSV with an extension to Grant 98LCSIN015 through August 31, 2002
- The ICCSV submitted a tentative closeout to the CNCS on November 26, 2002 for Grant 98LCSIN015.

ICCSV Action:

- It has been the ICCSV policy since July 2000 that all subrecipient payments are to be made on a cost reimbursement basis. Small organizations that are subrecipients receiving mini grant awards can request exception to this policy if it places an undue burden on their ability to manage the program.
- ICCSV's AmeriCorps grant subrecipients have been monitored every grant year since 1999/00 by DWD. Monitoring procedures include a review of to ensure that subrecipients do not have excess cash on hand.
- ICCSV will take appropriate action to close out Grant 95LCSIN005 upon receipt of the CNCS' response to the request for guidance.
- CNCS granted the ICCSV an extension until February 28, 2003 to submit a final closeout for Grant 98LCSIN015.

Draft OIG Compliance Finding 2
The Commission Claimed Questioned and Unsupported Costs

Summary:
It is the ICCSV's opinion that supporting documentation has been provided by subrecipients to satisfy $469,946 of the questioned costs identified in the draft audit report. The ICCSV will send the supporting documentation that has been received to date for these questioned costs under separate cover. The ICCSV is continuing efforts to obtain the additional supporting documentation from subrecipients to satisfy the remaining questioned costs.

The draft audit report notes that the ICCSV's monitoring efforts also found that subrecipients did not consistently maintain adequate documentation to support expenditures and awards. The audit report ***should have*** noted that the DWD on behalf of the ICCSV had ensured that appropriate corrective actions were taken to correct all such monitoring deficiencies. This was stated in the Summary of Tentative Findings presented to the ICCSV and the DWD at the November 18, 2002 exit conference.

Draft OIG Findings:
- The auditors have questioned costs for allowability of $351,095 and questioned education awards of $103,791
- The auditors have questioned costs for support of $702,012 and unsupported education awards of $64,999
- ICCSV monitoring also found that subrecipients did not consistently maintain adequate documentation to support expenditures and awards

Statement of Facts:
- The ICCSV believes it has the supporting documentation to satisfy $469,946 of questioned costs identified in the draft audit report.
- The ICCSV and the DWD have conducted financial training sessions with subrecipients that inform them of grant management requirements such as determining the allowability of costs in accordance with the applicable federal cost principles and of what constitutes adequate supporting documentation for claimed costs.
- The ICCSV submitted a letter to the CNCS dated January 27, 2003 requesting guidance on how to close out Grant 95LCSIN005 as many of the subrecipients received the awards more than four years ago and it is not likely the remaining close outs are easily attainable (See Attachment A).
- The DWD on behalf of the ICCSV has conducted annual programmatic and financial monitoring including resolution for the ICCSV's AmeriCorps subrecipients since the 1999/00 grant year.

ICCSV Action:
- The DWD on behalf of the ICCSV will continue to conduct annual programmatic and financial monitoring and resolution for AmeriCorps subrecipients. One of the

financial verification procedures conducted through this process is of the allowability and support for costs claimed on subrecipient submitted financial reports.

- The ICCSV will continue its practice of reviewing past performance and financial oversight on behalf of subrecipients prior to awarding renewal funds.
- The ICCSV will continue to conduct periodic financial training sessions with its subrecipients to advise them of their financial grant management requirements.

Draft OIG Compliance Finding 3
The Commission and its Subrecipients Did Not Submit Financial Status and Progress Reports in a Timely Manner

Draft OIG Findings:

- The Commission did not submit its FSRs in a timely manner
- The auditors found that 36 of 82 FSRs submitted by the Commission from PY 1997-01 were either late or undated, which precluded their assessment of the timeliness of submittal
- Several of the Commission's subrecipients filed late FSRs, closeout, or progress reports
- As of February 8, 2002, the Commission had not closed out Grant 94ASCIN0015 which expired December 31, 2000

Resolution is proposed because:

- The ICCSV now uses the DWD's formalized systems for ensuring that its FSRs and closeouts are submitted timely.
- The ICCSV implemented procedures for ensuring that its subrecipients submit their financial and progress reports timely.
- Community Centers of Indianapolis is the lone of 22 subrecipient closeouts that has not been received and that prevents the ICCSV from submitting a final closeout to CNCS for Grant 94ASCIN015.

Statement of Facts:

- Prior to July 1, 2000, the ICCSV concurs that its processes and those for its subrecipients for ensuring timely submittal of required financial and progress reports was in need of formal documentation.
- Effective July 1, 2000, the ICCSV began using new systems including those of its partner agency, the DWD, that are formalized and have aided efforts to ensure that financial and progress reports are submitted on time.
- In the past, the ICCSV has received extensions for submitting reports beyond the set deadlines from the CNCS that may not have been noted in the auditors' review of the timeliness of reporting for the ICCSV or its subrecipients.

ICCSV Action:

- Effective July 2000, the ICCSV began using the DWD's Financial Accounting and Reporting System that produces monthly financial reports that are used to ensure timely submittal of FSRs on behalf of the ICCSV to the CNCS.
- The ICCSV has been following formalized procedures including those of the DWD since July 2000 for ensuring that its subrecipients submit financial and progress reports by required due dates. The ICCSV has a policy addressing the completion of the Financial Status Report for AmeriCorps (See Attachment B).
- Monthly and quarterly financial reports are due to the ICCSV from its subrecipients by the tenth calendar day of the month following the previous month or quarter end and corrective action is taken if subrecipients fail to meet this deadline.
- The ICCSV submitted a tentative closeout to the CNCS on April 19, 2002 for Grant 94ASCIN015. As of January 31, 2003, the ICCSV still has not completed closeout of one of twenty-two subrecipients awarded subgrants under this grant, which precludes it from submitting a final closeout at this time.

- The ICCSV continues to work with the Community Centers of Indianapolis (CCI) to resolve outstanding issues that will lead to the final submission of the closeout to the CNCS for Grant 94ASCIN015. The ICCSV expects to complete the closeout for the remaining subrecipients by May 31, 2003, and the possible submission date of the final closeout to the CNCS will be June 30, 2003.

Draft OIG Compliance Finding 4
Subrecipients Did Not Comply with Program Requirements

Draft OIG Findings:

- Member files at eight subrecipients were missing documentation on mid-term and/or final evaluations
- Member files at nine subrecipients did not always include high school diplomas or equivalent records
- Several subrecipients were missing complete member agreements
- Several subrecipients' member agreements were missing the signature of the program director or certifying officer
- Six subrecipient contracts did not include all required provisions
- Seven subrecipient files did not contain evidence that background checks were performed on members working with children
- Member files at four subrecipients lacked sufficient information to document member enrollments, change of status, and exits
- Seven subrecipients could not provide sufficient information to support member citizenship status
- Member files at five subrecipients did not have copies of required tax filing documentation
- Two subrecipients were missing training documentation for some of their members, and one did not provide all required member training
- ICCSV monitoring found that some Holy Cross member positions may be unallowable because they replace paid positions or include prohibited activities
- Two subrecipient member contracts stipulated fines that were either excessive or improperly imposed
- ICCSV monitoring found that two subrecipients were treating members as employees
- CCI did not have evidence of proper parental consent for one member under the age of 18
- Three subrecipients did not have evidence that health care coverage was offered to full-time members
- Several subrecipients did not maintain documentation that members served the hours reported to the National Service Trust

Resolution is proposed because:

- The ICCSV through the DWD has conducted annual monitoring of its AmeriCorps subrecipients from the 1999/00 grant year forward and will continue to do so.
- Effective July 2000, the DWD on behalf of the ICCSV follows up on any subrecipient findings and ensures that corrective actions are taken.
- Effective July 2000, the DWD on behalf of the ICCSV established written financial and programmatic monitoring guides.
- The ICCSV staff reviews progress reports submitted on the Web Based Reporting System (WBRS) for issues and discusses them with subrecipients as necessary.
- The ICCSV will continue to conduct periodic training sessions with its subrecipients to ensure that they are aware of the many grant management requirement.

Statement of Facts:

- The ICCSV concurs that its monitoring procedures to ensure subrecipients' compliance with program requirements needed to be formalized and/or updated for its monitoring efforts prior to July 1, 2000.

- Since July 1, 2000, the ICCSV's monitoring efforts have significantly improved through its use of DWD's Oversight Division. It was noted for the comments originating from DWD's monitoring on behalf of the ICCSV in the Summary of Tentative Findings discussed at the November 18, 2002 exit conference that this was an example where efficient and effective monitoring was performed on behalf of the ICCSV by the DWD.
- As noted in the Summary of Tentative Findings presented at the November 18, 2002 exit conference, the auditors noted the DWD had ensured that corrective actions had been taken by the ICCSV's subrecipients to correct deficiencies found in the 1999/00 and 2000/01 AmeriCorps grant years monitored.
- The ICCSV has intensified its training efforts with subrecipients to include coverage of the myriad of grant requirements since July 2000. The ICCSV staff conduct training and technical assistance visits to provide one-on-one training in areas of deficiency for programs ensuring compliance with grant requirements.

ICCSV Action:

- The ICCSV will continue to conduct periodic and regular training sessions and meetings with its subrecipients that address grant requirements for managing AmeriCorps.
- The ICCSV through its partnership with the DWD will continue to conduct annual monitoring of the ICCSV's AmeriCorps subrecipients that it started in July 2000 with the 1999/00 grant year.
- The ICCSV uses the comprehensive financial and programmatic monitoring guides developed by the DWD for verifying AmeriCorps subrecipients' adherence to the myriad of financial and programmatic requirements.
- The ICCSV through its partnership with the DWD will continue to conduct the follow-up process with the ICCSV's subrecipients to ensure that corrective actions are taken to correct monitoring report deficiencies.
- The ICCSV will continue to review subrecipient progress reports three times a year and will communicate any concerns.
- The ICCSV staff will continue to make training and technical assistance site visits to each AmeriCorps subrecipient to ensure weaknesses are addressed.
- The ICCSV will continue its practice of reviewing past performance and financial oversight on behalf of subrecipients prior to awarding renewal funds.

Draft OIG Compliance Finding 5
The Commission and Its subrecipients Did Not Meet Matching Requirements

Draft OIG Findings:

- The Commission did not meet matching requirements of Grant 98ARCIN011
- CCI and Marion County Family Advocacy Center (MCFAC) could not provide support for $28,209 and $187,671 of claimed matching contributions

Resolution is proposed because:

- Annual monitoring of AmeriCorps subrecipients started with the 1999/00 grant year and it includes procedures for verifying match claimed on FSRs to accounting records.
- The ICCSV received the member support accounting detail that addresses the matching shortfall of $20,695 on Grant 98ARCIN011 from Valparaiso Community Schools (VCS) on October 21, 2002.
- In June 2001, the ICCSV and the DWD implemented match reporting standards that are checked with every payment request made.

Statement of Facts:

- The ICCSV concurs that it did not meet matching requirements for Grant 98ARCIN011 because one of its subrecipients, Valparaiso Community Schools (VCS), which was unable to provide match accounting detail to the auditors in time for them to review prior to issuance of the draft audit report.
- VCS provided the match accounting detail to support the recipient share of member support costs to the ICCSV on October 21, 2002. At the time that it was submitted to the auditors for review, it was too late to be included in the final draft.

ICCSV Action:

- The ICCSV implemented matching standards (Attachment C) in June 2001 for its AmeriCorps grantees that are applied each time a subrecipient submits a payment request. Payments are withheld if subrecipients are not at match standards until a satisfactory explanation is not provided including an indication of when the subrecipient will be on track toward meeting budgeted match levels.
- The ICCSV has implemented annual on-site monitoring of its AmeriCorps subrecipients since the 1999/00 grant year. This monitoring includes checks of match for levels reported in Periodic Expense Reports (PER) on a monthly basis against the organization's accounting system records.

Draft OIG Compliance Finding 6
The Commission Could Not Provide Evidence of Program Goal Evaluation

Draft OIG Findings:

- ICCSV either did not assess subrecipient accomplishment of program goals during PY 1997-99 or did not document its evaluation

Resolution is proposed because:

- The ICCSV implemented the Progress Report Review Form to document its reviews of subrecipients' progress reports.
- The ICCSV provides feedback to subrecipients on its reviews within 30 days of receiving the reports.

Statement of Facts:

- The ICCSV concurs with this finding and implemented corrective action by documenting its reviews of subrecipient progress reports through the use of its Progress Report Review form.

ICCSV Action:

- The ICCSV uses a Progress Report Review form (Attachment D) to document the review of subrecipients' progress reports that are submitted three times a year. The review is provided within 30 days of receiving the report.

Draft OIG Compliance Finding 7
Subrecipients Did Not Monitor Advances to Host Sites

Draft OIG Findings:

- CYAR awarded advances in the amount of the full award to host sites and did not reconcile these to actual expenditures
- CYAR reported only the advances on its FSRs and therefore, it may have misreported actual grant costs
- In June 2002, the ICCSV discovered that CYAR's host sites deposited grant funds in endowment accounts
- State Student Assistance Commission of Indiana (SSACI) and CYAR did not monitor program sites to ensure that claimed expenditures and match were supported and in compliance with the subgrants

Resolution is proposed because:

- The ICCSV is working with the Center for Youth as Resources (CYAR) and CNCS to resolve the issue of whether host sites placed grant funds in endowments.
- The ICCSV implemented annual monitoring of its AmeriCorps subrecipients with the 1999/00 grant year and one of the verification procedures performed is of any monitoring the ICCSV's subrecipients are doing with their subrecipients.
- The ICCSV will continue to conduct periodic financial training for its subrecipients.
- The ICCSV is currently in the process of documenting monitoring procedures for Learn and Serve subrecipients for use in the future.

Statement of Facts:

- Since the issuance of the monitoring report in June 2002, the ICCSV has requested that the CYAR provide reconciliations of all host site program expenditures with advances for its Learn and Serve funds. The ICCSV has given the CYAR until January 31, 2003 to provide revised FSRs and supporting documentation that reflect the reconciliations of advances to expenditures.
- The ICCSV discovered in June 2002 (prior to the visit by the auditors) that the CYAR's host sites might have deposited Learn and Serve grant funds in endowment accounts. The ICCSV has been working with the CYAR and the CNCS to resolve this matter since June 2002.
- Since the start of its partnership with the DWD in July 2000, the ICCSV has conducted annual monitoring of its AmeriCorps subrecipients beginning with the 1999/00 grant year and one of the verifications performed is of any monitoring that the ICCSV's subrecipients are doing with their subrecipients.
- The ICCSV had not monitored any Learn and Serve subrecipients prior to the DWD's monitoring of CYAR's 1998 Learn and Serve grants in June 2002. This was primarily because most of the 1998 Learn and Serve subgrants were of relatively small dollar amounts.

ICCSV Action:

- The ICCSV is working with the CYAR and the CNCS to resolve the issue of whether the CYAR's host sites placed grant funds in endowments.
- The CNCS has granted the ICCSV an extension until February 28, 2003 to resolve the CYAR endowment issue and to close out Grant 98LCSIN015.

- The ICCSV conducts annual monitoring of its AmeriCorps subrecipients that began with the 1999/00 grant year and one of the verifications performed is of any monitoring that the ICCSV's subrecipients are doing with their subrecipients.
- Since July 2000, the ICCSV and the DWD have conducted approximately four financial training conference call sessions for subrecipients and four training sessions including most recently in December 2001, a session by Walker and Company (a national training provider). ICCSV will continue to conduct periodic financial training for subrecipients to ensure they are well informed of their financial management responsibilities.
- The ICCSV is currently in the process of documenting monitoring procedures for Learn and Serve subrecipients for use in the future.

Draft OIG Internal Control Finding 1
Subrecipient Financial Monitoring was Not Adequate

Draft OIG Findings:

- Prior to July 2000, the ICCSV did not consistently monitor subrecipient financial performance
- ICCSV had monitoring tools for site visits; however, forms were not consistently completed, specific items reviewed were not documented, and reviews did not test all relevant compliance terms
- ICCSV had no review process to monitor its Learn and Serve subrecipients
- ICCSV did not verify amounts reported by subrecipients on FSRs to accounting detail to verify the accuracy and allowability of reported costs
- ICCSV did not verify that subrecipients were reporting required match amounts
- MCFAC and CCI could not reconcile accounting records to FSRs for PY's 1997-01
- Sullivan County Soil could not reconcile its accounting detail with claimed expenditures on its final FSR
- VCS could not provide cash match accounting detail for PY's 1998-2000 and could not reconcile its periodic expense reports to its financial records for PY's 1999-01
- Neutral Zone of LaPorte (NZL) revised its claimed costs under Grant 98LCNIN015 three times and it appears that its financial system did not meet the requirements of 45 CFR Section 2543.21 (Standards for Financial Management)
- ICCSV did not have procedures to require reporting and resolving deficiencies noted in subrecipient site visits
- ICCSV did not have procedures to ensure that subrecipient A-133 audits were performed when necessary or that it received these reports on a timely basis
- ICCSV did not have and did not request A-133 audits for five subrecipients from 1996 through 1998
- ICCSV did not reconcile amounts reported in A-133 reports to its expenditure records

Resolution is proposed because:

- Since the 1999/00 grant year, the ICCSV has conducted annual programmatic and financial monitoring of its AmeriCorps subrecipients.
- Since the 1999/00 grant year monitoring, the ICCSV has followed up on all findings and ensures that corrective actions are taken.
- Prospective and renewal AmeriCorps subrecipients are required to submit their most recent audit reports with their new or renewal applications each year.
- The ICCSV is currently in the process of documenting monitoring procedures for Learn and Serve subrecipients for use in the future.
- Since June 2001, the ICCSV compares match reported on subrecipient PERs to matching standards with each AmeriCorps payment request.
- CCI provided to the ICCSV its reconciliation of 2000/01 on November 7, 2002 and they are working to reconcile the other three years.

Statement of Facts:

- Since July 2000, the DWD on behalf of the ICCSV has conducted financial and programmatic monitoring of AmeriCorps subrecipients starting with the 1999/00 grant year.
- Since July 2000, the DWD on behalf of the ICCSV has conducted follow-up of all subrecipient monitoring findings and ensured that appropriate corrective actions for

findings were taken as was noted in the Summary of Tentative OIG Findings presented at the November 18, 2002 exit conference.

- The DWD on behalf of the ICCSV has incorporated monitoring guides and review worksheets for its AmeriCorps subrecipients that corrects the monitoring deficiencies noted.
- The ICCSV uses the DWD's procedures to ensure that its subrecipients submit audit reports including A-133 reports as applicable and the DWD reviews and follows up on all subrecipient audit reports received.
- Since June 2001, the ICCSV has been using match checking procedures to verify match reported by subrecipients against established standards with each payment request (See Attachment C).
- The CCI provided to the ICCSV on November 7, 2002 its reconciliation for the 2000-01 AmeriCorps grant year and they are working with consultants they have hired to provide the remaining reconciliations for PY's 1997-98 through 1999/00.
- There are no questioned costs for Grant 94ASCIN015 at the ICCSV level as the overall statutory matching requirements were met for this award.
- The VCS provided to the ICCSV its cash match accounting detail for PY's 1998-2000 member support costs on October 21, 2002. The ICCSV is in the opinion that this resolves the questioned costs of $20,695 for the ICCSV not attaining the required statutory minimum of 15% match for member support costs under the America Reads Grant 98ARCIN011.

ICCSV Action:

- The DWD on behalf of the ICCSV continues to conduct comprehensive annual financial and programmatic monitoring and resolution for AmeriCorps subrecipients as it has done since the 1999/00 grant year.
- The ICCSV continues to use the DWD's procedures to ensure that its subrecipients submit audit reports including A-133 reports as applicable.
- The ICCSV requires that its prospective or renewal AmeriCorps subrecipients submit their most recent audit reports including an A-133 report as applicable with their new or renewal applications.
- The ICCSV is currently in the process of documenting monitoring procedures for Learn and Serve subrecipients for use in the future.
- The ICCSV implemented matching standards (Attachment C) in June 2001 for its AmeriCorps grantees that are applied each time a subrecipient submits a payment request. Payments are withheld if subrecipients are not at match standards until a satisfactory explanation is provided including an indication of when the subrecipient will be on track toward meeting budgeted match levels.
- The DWD on behalf of the ICCSV is currently in the process of evaluating the cost-benefit relationship of implementing the A-133 expenses to the ICCSV payment records reconciliation as recommended by the auditors.
- The ICCSV has been working with the CCI to obtain the remaining reconciliations of their accounting records to FSRs for PY's 1997-2000 since the initial audit site visit exit conference held with the auditors on July 26, 2002.

Draft OIG Internal Control Finding 2
Financial Grant Management Responsibilities Were Not Adequately Segregated

Draft OIG Findings:

- ICCSV did not adequately segregate financial grant management duties until its partnership with DWD began in July 2000
- A March 1999 Indiana State Board of Accounts audit found that the grant manager was responsible for writing checks, signing checks, posting transactions, and preparing reconciliations
- Smaller subrecipients of the ICCSV such as NZL and Sullivan County Soil had similar segregation of duties issues
- ICCSV's own monitoring report of one of its subrecipients, Peace Learning Center, found that it did not have adequate segregation of accounting responsibilities, that bank reconciliations were not performed on a timely basis, and that cash receipts were not deposited on the same day received

Resolution is proposed because:

- Since July 2000, the ICCSV has used the DWD's financial and administrative processes which are adequately segregated.
- ICCSV's May 2002 state compliance audit by the Indiana State Board of Accounts had no findings
- ICCSV currently has no smaller Learn and Serve subrecipients and is developing monitoring procedures for future Learn and Serve funding.
- The DWD on behalf of the ICCSV ensures during monitoring follow-up that corrective actions are taken for subrecipient findings.

Statement of Facts:

- Effective July 2000, the ICCSV through its partnership with the DWD ceased to have segregation of duties issues.
- The May 2002 Indiana State Board of Accounts state compliance audit of the ICCSV noted no findings for the audit period from March 1, 1999 through February 28, 2002.
- The DWD on behalf of the ICCSV ensured during monitoring follow-up that appropriate corrective actions were taken to resolve the Peace Learning Center findings as had been noted by the auditors in the Summary of Tentative OIG audit findings presented at the November 18, 2002 exit conference.

ICCSV Action:

- Effective July 2000, the ICCSV began using the DWD's financial and administrative processes that resolved its segregation of duties issues
- The ICCSV is currently in the process of documenting monitoring procedures for Learn and Serve subrecipients for use in the future.
- The DWD on behalf of the ICCSV ensures during monitoring follow-up that corrective actions are taken to resolve any subrecipient findings.
- The DWD on behalf of the ICCSV instituted monitoring of AmeriCorps subrecipients starting with the 1999/00 grant year and one of its current monitoring procedures is to verify that adequate segregation of duties exists with subrecipients or that proper mitigating controls are in place for adequate segregation of duties.

Draft OIG Internal Control Finding 3
Past Performance Was Not Formally Considered During Funding Decisions

Draft OIG Findings:

- ICCSV has not formally reviewed subrecipient financial systems, prior A-133 reports, or prior site monitoring results during the subrecipient renewal process

Resolution is proposed because:

- ICCSV is using a revised renewal review sheet that incorporates evaluating past performance in making funding decisions.
- ICCSV uses prior monitoring and A-133 reports in evaluating past subrecipient performance prior to making funding decisions.
- Pre-award surveys are conducted by the DWD on behalf of ICCSV of any possible new subrecipient when a current audit is not provided, when a current audit is provided and there are significant internal control, compliance, and financial findings, or if an applicant has never managed federal funds. Pre-award surveys are conducted prior to officially awarding a subgrant to a new subrecipient.

Statement of Facts:

- The ICCSV concurs that it needed to formally document subrecipient past performance so that this information could be used consistently in evaluating subrecipient renewal applications
- The ICCSV has used A-133 audit and monitoring report issues in considering subrecipients' past performance before making funding decisions since the PY 2001/02 AmeriCorps grant award process. ICCSV adapted a formal process for this review beginning with the 2002/2003 AmeriCorps grant award process.
- Since July 2000, the DWD on behalf of the ICCSV has conducted three pre-award surveys on the financial grant management capacity of prospective AmeriCorps subrecipients prior to awarding a grant to a subrecipient.

ICCSV Action:

- The ICCSV has revised their renewal review sheet (Attachment F) to incorporate evaluating past performance of its subrecipients during the renewal process. This form was used during the 2002/2003 process. Attachment E was used during the 2003/2004 review process.
- Pre-award surveys are conducted by the DWD on behalf of ICCSV of any possible new subrecipient when a current audit is not provided, when a current audit is provided and there are significant internal control, compliance, and financial findings, or if an applicant has never managed federal funds. Pre-award surveys are conducted prior to officially awarding a subgrant to a new subrecipient.

Draft OIG Internal Control Finding 4

Review of Member Activities Was Not Documented

Draft OIG Findings:

- Prior to July 2000, the ICCSV did not document its review of member activities to ensure that members were complying with provisions related to prohibited activities

Resolution is proposed because:

- The DWD's current monitoring procedures performed on behalf of the ICCSV includes verifying the appropriateness of member activities.
- The ICCSV ensures that any findings and observations discovered during monitoring visits are subsequently resolved through the follow-up procedures employed by the DWD.

Statement of Facts:

- The ICCSV concurs with this finding and has implemented corrective action through its current monitoring procedures. The ICCSV conducts annual monitoring of its AmeriCorps subrecipients beginning with the 1999/00 grant year and one of the verifications performed is of the appropriateness of member activities.
- The ICCSV has ensured that corrective actions have been taken by its subrecipients for any monitoring findings and observations noted for grant years 1999/00 through 2001/02. The auditors noted in the Tentative Summary of Findings presented at the November 18, 2002 exit conference that the DWD had ensured that appropriate corrective actions were taken to resolve deficiencies discovered with 1999/00 through 2000/01 monitoring.

ICCSV Action:

- The ICCSV through the partnership with the DWD has instituted annual monitoring of its AmeriCorps subrecipients starting with the 1999/00 grant year.
- The ICCSV through the partnership with the DWD ensures that any findings and observations discovered during monitoring visits are subsequently resolved through the follow-up procedures that are employed by the DWD Oversight Division

Draft OIG Internal Control Finding 5
Procedures to Verify Member Hours Reported Did Not Exist

Draft OIG Findings:

- Prior to July 2000, the ICCSV did not have procedures to ensure that member hours reported to the National Service Trust were accurate and proper
- ICCSV did not review service hours reported by subrecipients to ensure that they were supported by member timesheets

Resolution is proposed because:

- The DWD's current monitoring procedures performed on behalf of the ICCSV includes verifying the member hours reported to the National Service Trust with member timesheets.
- The ICCSV ensures that any findings and observations discovered during monitoring visits are subsequently resolved through the follow-up procedures employed by the DWD.

Statement of Facts:

- The ICCSV concurs with this finding and implemented corrective action through its current monitoring procedures. ICCSV conducts annual monitoring of its AmeriCorps subrecipients beginning with the 1999/00 grant year and one of the verifications performed is of the member hours reported to the National Service Trust with member timesheets.
- The ICCSV has ensured that corrective actions have been taken by its subrecipients for any monitoring findings and observations noted for grant years 1999/00 through 2001/02. The auditors noted in the Tentative Summary of Findings presented at the November 18, 2002 exit conference that the DWD had ensured that appropriate corrective actions were taken to resolve deficiencies discovered with 1999/00 through 2000/01 monitoring.

ICCSV Action:

- The ICCSV through the partnership with the DWD has instituted annual monitoring of its AmeriCorps subrecipients starting with the 1999/00 grant year.
- The ICCSV through the partnership with the DWD ensures that any findings and observations discovered during monitoring visits are subsequently resolved through the follow-up procedures that are employed by the DWD Oversight Division

Response to Draft Findings from the Corporation for National and Community Service Office of Inspector General Indiana Commission on Community Service and Volunteerism Audit

Conclusion

The Indiana Commission on Community Service and Volunteerism is diligently working to resolve all draft findings outlined in the Corporation for National and Community Service, Office of Inspector General's Audit Report. The ICCSV will continue its efforts in working to resolve all findings in partnership with the Corporation for National and Community Service. As the Report notes, the ICCSV has made tremendous strides in improving its financial and administrative processes since its partnership with the Indiana Department of Workforce Development began in July 2000.

The ICCSV and its partner agency, the DWD, are conscientious about the oversight and leadership role provided to all subrecipients of funding through the ICCSV. The annual monitoring of AmeriCorps subrecipients that began during the 1999/00 grant year is an example of the effort that is being made to ensure that Indiana's programs remain accountable to both federal and state requirements.

The ICCSV has made every effort to address the issues identified and will be taking additional actions as necessary to address any remaining findings. The consideration of this response and the final resolution of the audit by the CNCS is appreciated.

Response to Draft Findings from the Corporation for National and Community Service Office of Inspector General
Indiana Commission on Community Service and Volunteerism Audit

Appendix

Attachment A:	**January 27, 2003 Letter to CNCS requesting guidance for the close out of Grant 95LCSIN015**
Attachment B:	**Policy on Review of Financial Status Reports**
Attachment C:	**Internal Policy for ICCSV's Matching Standards for payment approval**
Attachment D:	**ICCSV Progress Report Review Form**
Attachment E:	**2003/2004 Staff Review Form completed for all potential applicants that have received funding through the ICCSV in the past.**
Attachment F:	**2002/2003 Renewal Review Form**

ATTACHMENT A

Frank O'Bannon, *Governor*
Lynn Coleman, *Chair*

Judy O'Bannon, *Honorary Chair*
Joseph L. Smith, *Executive Director*

Phone: 317.233.4273
Toll Free: 888.335.9490

Fax: 317.233.5660
Web Site: www.IN.gov/iccsv

302 West Washington Street, Room E220 • Indianapolis, Indiana 46204

January 27, 2003

Mr. Rey Tejada, Sr. Grants Officer/Closeout
Office of Grants Management, Room 9715-A
Corporation for National Service
1201 New York Avenue, NW
Washington, DC 20525

Dear Rey:

We submitted a tentative closeout for grant number 95LCSIN005 on December 28, 2001 as originally requested by CNS on August 31, 2001. The total awarded for this grant was $468,970 and the grant period was from October 1, 1995 through June 30, 1999.

There were 109 subgrants awarded by ICCSV under this grant. As of December 28, 2001, we had received closeouts for only 19 of these subgrants. As of the date of this letter, we have received 64 subgrantee closeouts and have final FSRs for 36 of the 45 subgrants where we have not received a closeout. We have been diligently working to obtain the needed subgrantee closeouts, but it is unlikely that we will be able to receive any more because of these subgrants having ended four, five and even six years ago.

A status chart for this grant showing where we were at December 28, 2001 versus where we are now is attached. We are presently at a standstill with being able to close out this grant with CNS. It is for this reason, I request guidance from you on how you would like for us to proceed with closing out grant number 95LCSIN005 with CNS.

I appreciate your consideration of this request and look forward to your response. If you have any questions, please call Amber Roos, Deputy Director, at (317) 233-0900.

Sincerely,

Joseph L. Smith, Sr.
Executive Director

cc: Amber Roos, ICCSV
Clay Jackson, DWD

Enclosure

The Indiana Commission on Community Service and Volunteerism challenges the people of Indiana to strengthen their communities through service and volunteerism. We identify and mobilize resources, promote an ethic of service, and develop in communities the capacity to solve problems and improve the quality of life for all individuals and families.

ATTACHMENT B

Indiana Commission on Community Service and Volunteerism
Policy on Review of Financial Status Reports

The Indiana Commission on Community Service and Volunteerism (ICCSV) delegates the responsibility for the review of the grantee's Financial Status Reports (FSRs) to the Department of Workforce Development (DWD).

The Deputy Director in the ICCSV is responsible for ensuring that all reports are submitted within the specified timeframe and notifying the appropriate personnel in the DWD that the reports have been submitted and are ready for review. The Supervisor of Grant Accounting in the Finance Division of the DWD is responsible for the review of the Financial Status Reports and final submission of the aggregate FSR in the Web Based Reporting System (WBRS) for the AmeriCorps State Competitive and the AmeriCorps State Formula grant awards. These reports are submitted twice a year as designated by the Corporation for National and Community Service (CNCS).

The review of the FSRs includes the following steps:

- The Deputy Director verifies that each grantee submitted the requested FSR within the required timeframe, typically, 15 days prior to the deadline set by the CNCS. Follow up is completed by the Deputy Director if the report is not received in a timely manner.
- The Supervisor of Grant Accounting compares the final totals (both grantee share and the Corporation share) on the FSR submitted by each grantee to the information provided in the most recent Periodic Expense Report
- The grantee match as reported in the Periodic Expense Report is also reviewed to ensure that the grantee is meeting the budgeted level for each category. If the grantee is not on track toward meeting the budgeted level, feedback is provided to the grantee and it addressed prior to future disbursements being made to the grantee.
- The Supervisor of Grant Accounting after reviewing each FSR submits the aggregate FSR in the WBRS.
- The Supervisor of Grant Accounting notifies the Deputy Director that the report has been completed in the WBRS.
- The Deputy Director prepares the hard copy for final submission to the CNCS Grants Office by obtaining the Executive Director's signature and mailing the hard copy to the CNCS Grants Office.

This process takes place over a period of approximately 7-10 days, ensuring the report is submitted in advance of the deadline set by the CNCS. The deadline is typically 30 days following the end of the period for which the report is required. The ICCSV requires that the FSRs for the grantees be submitted on or before the 10th calendar day following the end of each quarter.

Indiana Commission on Community Service and Volunteerism Policy on Tracking Match Level of AmeriCorps State Grantees Through Periodic Expense Report

The Indiana Commission on Community Service and Volunteerism (ICCSV) has established a process with the Contracts and Grants division of the Department of Workforce Development (DWD) to ensure that AmeriCorps State grantees meet the required match levels by the end of the grant year.

When an AmeriCorps State grantee submits a request for funds, the ICCSV Deputy Director reviews the request and the most recently submitted Periodic Expense Report to determine the level of match being reported by the grantee. A determination is then made based on the level of match reported as to whether or not the request for funds will be granted or if additional information will be requested.

If the level of match does not reach the standards set by the ICCSV and DWD internally to monitor the match activity, an electronic message is sent to the Program Director of the grantee and they are notified that the match is not being adequately met. The Program Director is then given an opportunity to respond to the Deputy Director to provide explanation for not reporting match on the PER at the required level. If the explanation is determined to be satisfactory, based on such criteria as the grantee is not in receipt of match from subgrantees, the general ledger does not reflect match that has been received and therefore cannot be reported to the PER, etc., then the Deputy Director will approve the payment, attaching the explanation for review by the DWD Grants and Contracts Grant Specialists.

The Grant Specialist then make their review of the request for payment, noting the appropriate account, year, and purchase order for the funds to be drawn from, and again verifying that match is adequately being met based on the internal standards and reviewing the explanation if it is not being met. The Grant Specialist then sends it to a DWD authorized signatory for approval of the payment to be made. The DWD authorized signatory then reviews the PER and determines if the explanation provided in instances when match is not being met is satisfactory, if so, the payment request is approved and processed. If not, the DWD authorized signatory contacts the Deputy Director to further investigate the issue. The Deputy Director will follow up with the Program Director to request additional documentation and discuss the request for payment with the DWD authorized signatory and the Controller of DWD, when necessary, to make a final decision regarding the approval of funds for the grantee.

In some instances, pays are not made immediately and delayed if the grantee is not at a standard and the explanation provided is unsatisfactory. Pay request will be reconsidered upon the grantee reporting additional match to bring them up to standard or upon receipt of a satisfactory explanation.

It is required that all grantees will have reached 100% of the required match level by the end of the grant period. Through the tracking process, the level of match reported is monitored closely to prevent grantees from receiving funds for program expenses for which they are not incurring a cost.

PROGRESS REPORT REVIEW SHEET

1. Grantee/Director:

2. Date of Progress Report:

3. Report submitted on time: _____ Yes _____ No, date submitted:

4. Top Section of Report, Questions #1-9 answered accurately _____ Yes _____ No
   Comments/Concerns:

5. Numbers of Members information provided in question #10 _____ Yes _____ No
   Comments/Concerns:

6. Member Service Hours provided in question #11 _____ Yes _____ No
   Comments/Concerns:

7. Volunteer Generation information provided in question #12(A)_____ Yes _____ No
   Comments/Concerns:

8. Examples of service activities for non-AmeriCorps member

   Volunteers provided in question #12(B) _____ Yes _____ No
   Comments/Concerns:

9. PROGRESS TOWARDS OBJECTIVES (question #13)

   Getting Things Done Objectives

   A. Objectives on track to meet or exceed this objective? _____ Yes _____ No
      Comments/Concerns:

   B. Appropriate service activities? _____ Yes _____ No
      Comments/Concerns:

   C. Accomplishment data is complete? _____ Yes _____ No
      Comments/Concerns:

   D. Outcomes information is complete? _____ Yes _____ No
      Comments/Concerns:

   E. Description of next steps to meet objective is completed?_____ Yes _____ No
      Comments/Concerns:

   Member Development Objectives

A. Objectives on track to meet or exceed this objective? _____ Yes _____ No
Comments/Concerns:

B. Appropriate service activities? _____ Yes _____ No
Comments/Concerns:

C. Accomplishment data is complete? _____ Yes _____ No
Comments/Concerns:

D. Outcomes information is complete? _____ Yes _____ No
Comments/Concerns:

E. Description of next steps to meet objective is completed?_____ Yes _____ No
Comments/Concerns:

Community Strengthening Objectives

A. Objectives on track to meet or exceed this objective? _____ Yes _____ No
Comments/Concerns:

B. Appropriate service activities? _____ Yes _____ No
Comments/Concerns:

C. Accomplishment data is complete? _____ Yes _____ No
Comments/Concerns:

D. Outcomes information is complete? _____ Yes _____ No
Comments/Concerns:

E. Description of next steps to meet objective is completed?_____ Yes _____ No
Comments/Concerns:

10. Other Accomplishments This Reporting Period completed? _____ Yes _____ No
Comments/Concerns:

11. Unique Success or "Great Stories" completed? _____ Yes _____ No
Comments/Concerns:

12. Challenges encountered this quarter and action taken to resolve them was completed? _____ Yes _____ No
Comments/Concerns:

13. Significant program changes this reporting period were completed (if needed)? _____ Yes _____ No
Comments/Concerns:

2003 – 2004 Indiana AmeriCorps State Staff Review and Summary of Past Performance

Timely Reporting during 2002/2003 Grant Period:
Refer to Reporting Chart for 2002/2003 for ALL Programs

Progress Report – Status of Meeting Objectives

- The program demonstrates adequate progress toward meeting its goals under each objective and has established strong systems for tracking this success – if not, the program provides explanation such as enrollment pause;
- The program adequately documents its accomplishments and clearly states challenges and issues encountered;
- The program is meeting its required match;
- Program is making good progress in selecting and training staff to operate the program and supervise ACMs;
- Program is developing good working relationships with service placement sites and preparing them to work with ACMs;
- Program is connecting ACMs to national service network through training opportunities and attending events;
- The program has demonstrated an ability to recruit and manage volunteers;
- The program is meeting the needs of the community as identified in their proposal.

Sustainability Plan – note whether or not the plan has changed since last year's submission. Has the program identified the need for improvements and submitted a strong strategy for sustainability?

- ❑ key stakeholders in the community (Advisory Council) willing and able to champion the AmeriCorps program in that community
- ❑ a mission statement on sustainability
- ❑ goals, objectives, and strategies for making their AmeriCorps program sustainable
- ❑ ability to leverage resources within (and outside) the community
- ❑ ability to organize for effective public relations
- ❑ the program has become an integral part of the host organization (not just viewed as a funding stream for the agency)

Challenges Noted in Past Monitoring Visits (both 2001/2002 and 2002/2003):

- ❑ Did the compliance findings include member file documentation
- ❑ Were there recurring findings from past visits?
- ❑ Did the program act appropriately to correct the problems?
- ❑ Was it resolved in a timely manner?
- ❑ Is the program following all programmatic and financial guidelines and policies?

Overall Appraisal (Provide comments with respect to general performance as a program in the past year including improvements that have been clear, compliance concerns or issues)

2002 – 2003 Indiana AmeriCorps State Renewal Application
Renewal Review Form

Each renewal application proposal should contain the following:

- Title Page – SF-424 Facesheet
- Sustainability Plan and score sheet from Miami University of Ohio
- Next Year's Plan: including program design, organizational capacity, justification for expansions, strategy for program monitoring and prohibited activities
- Executive Summary and Summary of Program Impact
- Objective Forms (if objectives will change)
- Budget Form and Narrative
- Certification and Assurances Form
- Copy of A-133 or other independent audit report
- Budget Analysis Worksheet

In addition, the applicant's submission of the following reports for the 2001 – 2002 program year will be tracked by ICCSV staff (total of five points based on reporting (each item receives score of ½ point):

Date of Report Submission	Deadline for Report	Type of Report
	October 10th	**Periodic Expense Report for Period Ending September 30th**
	November 10th	**Periodic Expense Report for Period Ending October 31st**
	December 10th	**Periodic Expense Report for Period Ending November 30th**
	January 10th	**Financial Status Report for Period from October 1st through December 31st (PER for December will have to be completed to do the FSR)**
	February 15th	**Progress Report for Period from Start Date (August 1st or September 1st) through December 31st – Complete in WBRS using APR**
	February 10th	**Periodic Expense Report for Period Ending January 30th**
	March 10th	**Periodic Expense Report for Period Ending February 28th**
	April 10th	**Financial Status Report for Period of January 1 through March 31st (PER for March must be completed to do FSR)**

Total Points: _____ /4

The review form is based on each category in the renewal application. Please assign a score between one and five for each bullet point (1 = poor, 5 = excellent):

Next Year's Plan: 2 – 3 narrative pages covering changes to previous year's program activities and program objectives.

Program Design: The grantee should clearly describe additions and changes to be made that build upon the strengths and challenges encountered in the previous year (each of the issues below is worth 4 points):

- Strategies for recruiting and training ACMs and volunteers;
- Plans and improvements in systems to address program needs;
- Any new program partners and new roles and involvement for the community in planning and implementation;
- Specific actions to be taken to ensure ACMs do not engage in prohibited activities;
- Plans for linking to other existing efforts to solve community problems including other local Corporation-funded programs – support of small community-based and faith based organizations; reference to efforts to address issues of homeland security

Total Score: _____ /20

Organizational Capacity: The program should clearly describe the following (total of five points for each element):

- Plans to continue operations and any changes in structure or staffing that will be made
- Plans for building local support and sustaining the program;
- Plans for meeting the match requirements.

Total Score: _____ /15

Justification for Expansion: The program should explain any request for an expansion.

Total Score: _____ /5

Program Monitoring/Compliance: Program should have system for the monitoring of member service hours and activities and ensuring adequate member eligibility documentation:

Total Score: _____ /5

Objective Forms: Objective Worksheets or Summary Form should be included in application submission:

The objectives should include clearly stated, well thought out objectives in all three categories of Getting Things Done, Strengthening Communities, and Participant Development. These objectives should describe the following (total score of five points for each element):

- the objectives to be accomplished;
- the expected results;
- methods for measuring impact/quality;
- standards by which success will be measured;
- number of individuals that will benefit from the service activity;
- how/if the objectives vary from the previous year (applicant not required to submit objectives if they are not changing from the prior year).

Total Score: _____ / 30

Budget Form and Budget Narrative: The Budget Analysis Worksheet will be completed to assess this portion of the application.

Automated Progress Report: The applicant is required to submit two progress reports during the period of the grant review process, the following elements will be considered in the review of these reports and noted in the application review process (three total points for each element):

- The program is making adequate progress toward meeting its goals under each objective and has established strong systems for tracking this success;
- The program adequately documents its accomplishments and clearly states challenges and issues encountered;
- The program is meeting its required match;
- The program is at 75% of full enrollment for the program year within the first four months of the program's operations;
- Program is making good progress in selecting and training staff to operate the program and supervise ACMs;
- Program is developing good working relationships with service placement sites and preparing them to work with ACMs;
- Program is connecting ACMs to national service network through training opportunities and attending events.

Total Score: _____ /21

TOTAL POINTS FOR RENEWAL REVIEW _____ /100

Overall Appraisal (Provide comments with respect to general performance as a program in the past year including improvements that have been clear, compliance concerns or issues)

Sustainability Plan – note whether or not recommended changes and additions to the sustainability plan were made as guided by Miami University of Ohio faculty

- key stakeholders in the community (Advisory Council) willing and able to champion the AmeriCorps program in that community
- a mission statement on sustainability
- goals, objectives, and strategies for making their AmeriCorps program sustainable
- ability to leverage resources within (and outside) the community
- ability to organize for effective public relations

Recommendation for Renewal of Funding

_____ **Fund at requested level**

_____ **Fund with reduced funding level or reduced FTEs**

_____ **Fund with provision of performance improving during 2001 – 2002 program year**

APPENDIX B

CORPORATION'S RESPONSE TO DRAFT AUDIT REPORT

Corporation for
NATIONAL &
COMMUNITY
SERVICE

To: Russell George, Inspector General

Through: Michelle Guillermin, Chief Financial Officer

From: Peg Rosenberry, Director of Grants Management
John Foster-Bey, Director, AmeriCorps State/National

Date: January 30, 2003

Subj: Response to OIG Draft Audit Report 03-03: Incurred Cost Audit of Grants Awarded to the Indiana Commission for Community Service and Volunteerism

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We have reviewed the draft audit report of the grants to the Indiana Commission for Community Service and Volunteerism. Due to the limited timeframe for response, we have not analyzed documentation provided by the Indiana Commission supporting the questioned costs nor reviewed the audit work papers. We will respond to all findings and recommendations when the audit is issued and we have reviewed the findings in detail. The Indiana Commission has also provided an extensive response and is workingons corrective action as necessary.

We do want to note that the auditors questioned costs for AmeriCorps member living allowances if the member file did not show that the individual had a high school diploma or agreed to get one before using the education award. Members are eligible to serve and receive a living allowance if they do not have a high school diploma. They must just earn a diploma or GED before they can access the education award. Therefore, we will allow any costs that were questioned based solely on the lack of evidence of a diploma.

Our preliminary review indicates that a substantial amount of the unsupported costs ($534,969) were unreconciled differences between financial status reports and the general ledgers at several of the subgrantees. The commission recognizes the need for a reconciliation and is working with the subgrantees to reconcile the two systems as they close out the grants with the Corporation. When that reconciliation process is completed, the costs will be resolved.

Finally, as noted in the audit, the Commission made extensive changes to their monitoring processes in 2000 when they established a partnership with the Indiana Department of Workforce Development which is now responsible for the fiscal management and oversight of federal funds. Most of the costs questioned in the audit were related to costs claimed in years before Workforce Development became responsible for fiscal management and began working with the Commission to strengthen monitoring and fiscal oversight of subgrantees.