OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Incurred-Cost Audit of Grants Awarded to the Wisconsin National and Community Service Board

Audit Report No. 03-04
January 31, 2003

Financial Schedules and
Independent Auditors' Report
For the Period
September 1, 1997, through March 31, 2002

Prepared by:

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

This report was issued to Corporation management on July 25, 2003. Under laws and regulations governing audit follow-up, the Corporation must make final management decisions on report findings and recommendations no later than January 25, 2004 and complete its corrective actions by July 25, 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 03-04

Incurred-Cost Audit of Grants Awarded to the Wisconsin National and Community Service Board

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 three-fourths 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, LLP to audit Corporation grants to the Wisconsin National and Community Service Board for AmeriCorps, Learn and Serve, Program Development and Training, Promise Fellows, Disability, Education, Make a Difference Day, America Reads and Administrative costs from September 1, 1997, through March 31, 2002. The audit's objectives were to determine whether: (1) the Board's financial reports presented fairly the financial results of the awards; (2) the internal controls adequately safeguarded Federal funds; (3) the Board 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 Board had established adequate financial and program management oversight of its subrecipients.

The Board had total claimed costs of $7,391,825, of which the auditors questioned $43,008 for allowability and $565,202 for lack of supporting documentation, the total questioned costs amount to approximately eight (8) 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 Claimed and Questioned Costs present fairly the costs claimed by the Board, except for the questioned and unsupported costs identified in the report, and the effects of any adjustments.

At the conclusion of field work the auditors originally identified $207,564 of questioned costs because of allowability. At the exit conference, which was conducted on May 20, 2003, the Board provided additional information. This enabled the auditors to reduce the questioned costs for allowability to $43,008, a reduction of $164,556.

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

The Office of Inspector General has reviewed the report and the work papers supporting the auditors' conclusions.

Our office also provided the Board and the Corporation with a draft of this report for their review and comment. Their responses are included in their entirety as Appendices A and B, respectively. The response provided by the Corporation reaffirmed its decision to review additional documentation provided by the Board related to the unsupported match on the Administrative grant during the audit resolution process. Contingent on results of this review, some of the questioned costs may be allowed.

OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
INCURRED-COST AUDIT OF GRANTS AWARDED TO THE
WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD

Contents

Section	Page
Audit Scope	1
Summary of Results	3
Independent Auditors' Report	6
Consolidated Schedule of Claimed and Questioned Costs	8
Schedule A: Schedule of Claimed and Questioned Costs for Award No. 94SCSWI048	9
Schedule B: Schedule of Claimed and Questioned Costs for Award No. 01SCSWI048	10
Schedule C: Schedule of Claimed and Questioned Costs for Award No. 99ARCWI051	11
Schedule D: Schedule of Claimed and Questioned Costs for Award No. 00ASCWI051	13
Schedule E: Schedule of Claimed and Questioned Costs for Award No. 99EDSWI051	15
Schedule F: Schedule of Claimed and Questioned Costs for Award No. 94ASCWI051	16
Schedule F-1: Schedule of Claimed and Questioned Costs, Milwaukee Community Service Corps, Inc.	17
Schedule F-2: Schedule of Claimed and Questioned Costs, Housing Authority of the City of Milwaukee	18
Schedule F-3: Schedule of Claimed and Questioned Costs, Workforce Connections	20
Schedule G: Schedule of Claimed and Questioned Costs for Award No. 99ASHWI051	21
Schedule G-1: Schedule of Claimed and Questioned Costs, Ashland County Housing Authority	22
Schedule G-2: Schedule of Claimed and Questioned Costs, Harambee Ombudsman Project, Inc.	23
Schedule G-3: Schedule of Claimed and Questioned Costs, Indianhead Community Action Agency, Inc.	25
Schedule G-4: Schedule of Claimed and Questioned Costs, Renewal Unlimited, Inc.	26
Schedule H: Schedule of Claimed and Questioned Costs for Award No. 97LCSWI017	27
Summary of Significant Accounting Policies	28
Independent Auditors' Report on Compliance and Internal Control	29

Section **Page**

Attachment

A: Status of Findings from the Pre-audit Survey 41

Appendixes

A: Board's Response to Draft Audit Report
B: Corporation's Response to Draft Audit Report

AUDIT SCOPE

At your request, Cotton & Company, LLP performed an incurred-cost audit of costs claimed by the Wisconsin National and Community Service Board (the Board) and its subrecipients (listed on the following page) for Program Years 1998-1999, 1999-2000, and 2000-2001. Costs were incurred for these program years from January 1, 1998, through March 31, 2002. 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
Administrative	94SCSWI048	02/01/94-12/31/00	01/01/99-03/31/01
Administrative	01SCSWI048	01/01/01-12/31/03	01/01/01-03/31/02
Program Development Assistance and Training (PDAT)	95PDSWI048	01/01/95-12/31/01	01/01/99-03/31/02
Make a Difference Day	99MDDWI028	01/01/99-12/31/99	01/01/99-03/31/00
AmeriCorps AmericaReads	99ARCWI051	08/01/99-07/31/02	08/01/99-12/31/01
AmeriCorps Competitive	00ASCWI051	08/01/00-07/31/01	08/01/00-03/31/02
AmeriCorps Education Award	99EDSWI051	04/01/99-07/31/02	04/01/99-03/31/02
AmeriCorps Formula	94ASCWI051	08/01/94-12/31/00	09/01/98-03/31/01
AmeriCorps Formula	00ASFWI051	09/01/00-08/31/01	09/01/00-03/31/02
AmeriCorps Governor's Initiative	99ASHWI051	01/01/00-12/31/02	01/01/00-01/31/02
AmeriCorps Promise Fellows	98APSWI051	01/01/99-12/31/99	01/01/99-12/31/00
AmeriCorps Promise Fellows	99APSWI051	09/01/99-12/13/01	01/01/00-03/31/02
Disability	97DSCWI048	01/01/00-12/31/00	01/01/00-12/31/00
Learn and Serve	97LCSWI017	09/01/97-03/31/02	01/01/98-03/31/02

Audit objectives were to determine if:

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

We used the following subrecipient abbreviations in this report:

Full Name	Abbreviated Name
Advocacy Community Action Program, Inc.	ADVOCAP
Ashland County Housing Authority	Ashland
Cooperative Educational Service Agency	CESA
Harambee Ombudsman Project, Inc.	Harambee
Housing Authority of the City of Milwaukee	HACM
Indianhead Community Action Agency, Inc.	Indianhead
Milwaukee Community Service Corps, Inc.	MCSC
Milwaukee Teacher Education Center	MTEC
North Central Community Action Program, Inc.	North Central CAP
Operation Fresh Start, Inc.	Operation Fresh Start
Public Allies, Inc.	Public Allies
Renewal Unlimited, Inc.	Renewal Unlimited
Volunteer Center of Brown County	VCBC
Wausau Hmong Mutual Association	Wausau
Western Dairyland Economic Opportunity Council, Inc.	Dairyland
Workforce Connections (formerly Western Wisconsin Private Industry Council, Inc.)	Workforce
Wisconsin Association for Runaway Services	WARS
Wisconsin Department of Administration	DOA
Wisconsin Department of Public Instruction	DPI
Wisconsin Positive Youth Initiative	WPYI
YMCA of the Fox Cities (formerly Appleton Family YMCA)	Fox Cities

SUMMARY OF RESULTS

Our audit report expresses a qualified opinion on the Consolidated Schedule of Claimed and Questioned Costs based upon questioned costs detailed below and the following audit-scope limitations. At the request of the Office of Inspector General, 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. Compliance and internal control and cost findings are summarized below.

COMPLIANCE AND INTERNAL CONTROL FINDINGS

Our report on compliance with and internal controls over laws, regulations, contracts, and grants applicable to the audit of the Consolidated Schedule of Claimed and Questioned Costs disclosed findings required to be reported under *Government Auditing Standards.* These findings are as follows:

1. The Board claimed unallowable costs and costs for which no documentation was provided to support allowability.

2. Certain subrecipients did not submit Financial Status Reports, progress reports, and member enrollment and exit forms in a timely manner.

3. Certain subrecipients did not comply with program requirements.

4. The Board and its subrecipients did not meet matching requirements.

5. Certain subrecipients did not ensure that member eligibility requirements were met.

6. The Board should improve financial monitoring of subrecipients.

7. The Board staff did not include sufficient financial information on some subrecipients for the Board members during the subgrant award process.

8. Certain subrecipients did not comply with record-retention policies.

9. The Board should improve internal controls over those requirements passed on to other State agencies.

COST FINDINGS

The Board claimed $7,391,825 for its Corporation grants for Program Years 1998-1999, 1999-2000, and 2000-2001. Of this amount, we questioned claimed costs of $43,008 for allowability and $565,202 for lack of support. 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 lack of 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 Learn and Serve awards are eligible for education awards from the National Service Trust. These award amounts are not funded by Corporation grants and thus are not included in claimed costs. As part of our audit, however, we determined the effect of the audit on the eligibility of these awards. Using the same criteria described above, we questioned education awards of $6,293 for allowability and $109,213 for lack of support.

Questioned costs and education awards are summarized below.

Questioned for Allowability	Costs	Education Awards
Consulting Fees Exceeding the Daily Maximum	$ 286	
Stipend Payments Exceeding the Maximum	33,708	
Unnecessary Costs	7,241	
Members Awarded Excess Education Awards		$6,293
Recalculated Administrative Costs	1,773	
Total	$43,008	$6,293

Questioned for Support	Costs	Education Awards
Unmet Matching Costs*	$305,157	
Missing Member Eligibility Documentation	15,134	$ 67,262
Missing Cost Documentation	6,000	
Unreconciled Differences	500	
Improper Timesheets	142,693	41,951
Unacceptable Cost Allocation Method	93,596	
Recalculated Administrative Costs	2,122	
Total	$565,202	$109,213

* Pending a review of activity eligibility by the Corporation, see Schedules A and B

Details of questioned costs and questioned education awards appear in the Independent Auditors' Report. Schedules A through H detail cost and education exceptions by award, and are summarized below:

	Costs Questioned		Education Awards Questioned		
Grant No.	**Allowability**	**Support**	**Allowability**	**Support**	**Schedule**
94SCSWI048		$179,659			A
01SCSWI048		125,498			B
99ARCWI051	$ 4,973			$ 30,714	C
00ASCWI051	286	32,459			D
99EDSWI051		500		4,725	E
94ASCWI051	35,481	186,721	$6,293	64,438	F
99ASHWI051	2,268	34,365		9,336	G
97LCSWI017		6,000			H
Total	$43,008	$565,202	$6,293	$109,213	

Exit Conference

We held an exit conference with Board and Corporation representatives on May 20, 2003.

Follow-Up on Prior Audit Findings

The Corporation's Office of Inspector General performed a Pre-Audit Survey of the Board in Fiscal Year 2000 and issued Office of Inspector General Report No. 00-29, dated December 8, 1999. Our audit followed up on the status of findings and recommendations from that report (see Attachment A).

COTTON & COMPANY LLP
auditors • advisors

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

January 31, 2003

Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT

We have audited costs claimed by the Wisconsin National and Community Service Board for Program Years 1998-1999, 1999-2000, and 2000-2001 for the awards listed below. These costs, as presented in the Consolidated Schedule of Claimed and Questioned Costs and grant-specific Schedules of Claimed and Questioned Costs (Schedules A through H), are the responsibility of Board management. Our responsibility is to express an opinion on the consolidated and grant-specific schedules based on our audit.

Program	Award No.	Award Period	Audit Period
Administrative	94SCSWI048	02/01/94-12/31/00	01/01/99-03/31/01
Administrative	01SCSWI048	01/01/01-12/31/03	01/01/01-03/31/02
PDAT	95PDSWI048	01/01/95-12/31/01	01/01/99-03/31/02
Make a Difference Day	99MDDWI028	01/01/99-12/31/99	01/01/99-03/31/00
AmeriCorps AmericaReads	99ARCWI051	08/01/99-07/31/02	08/01/99-12/31/01
AmeriCorps Competitive	00ASCWI051	08/01/00-07/31/01	08/01/00-03/31/02
AmeriCorps Education Award	99EDSWI051	04/01/99-07/31/02	04/01/99-03/31/02
AmeriCorps Formula	94ASCWI051	08/01/94-12/31/00	09/01/98-03/31/01
AmeriCorps Formula	00ASFWI051	09/01/00-08/31/01	09/01/00-03/31/02
AmeriCorps Governor's Initiative	99ASHWI051	01/01/00-12/31/02	01/01/00-01/31/02
AmeriCorps Promise Fellows	98APSWI051	01/01/99-12/31/99	01/01/99-12/31/00
AmeriCorps Promise Fellows	99APSWI051	09/01/99-12/13/01	01/01/00-03/31/02
Disability	97DSCWI048	01/01/00-12/31/00	01/01/00-12/31/00
Learn and Serve	97LCSWI017	09/01/97-03/31/02	01/01/98-03/31/02

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.

We based the scope of our audit procedures on the audit-planning memorandum submitted to and approved by the Office of Inspector General. At the request of the Office of Inspector General, 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 Claimed and Questioned Costs, if any, had additional procedures been performed.

The Consolidated Schedule of Claimed and Questioned Costs and grant-specific Schedules of Claimed and Questioned Costs are intended to present allowable costs incurred under the awards in accordance with Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, other applicable OMB circulars, and award terms and conditions. Therefore, these are not intended to be complete presentations of the Board's revenues and expenses. These schedules also identify certain questioned education awards. These awards are not funded by Corporation grants and thus are 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 Claimed and Questioned 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 Board for the period September 1, 1997, through March 31, 2002, 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 a report, dated January 31, 2003, on our consideration of the Board's internal control and compliance with laws and regulations. This report is 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 Office of Inspector General, Corporation Management, the Board, 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: SHadley

Sam A. Hadley, CPA, CGFM
Partner

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS

				Costs Questioned		Education Awards Questioned		
Award No.	Program	Approved Budget	Claimed Costs	Allowability	Support	Allowability	Support	Schedule
94SCSWI048	Administrative	$ 485,109	$ 359,319		$179,659			A
01SCSWI048	Administrative	268,643	250,997		125,498			B
95PDSWI048	PDAT	315,925	295,715					
99MDDWI028	Make a Difference Day	2,000	1,995					
99ARCWI051	AmericaReads	457,412	338,500	$ 4,973			$ 30,714	C
00ASCWI051	AmeriCorps, Competitive	1,229,106	951,857	286	32,459			D
99EDSWI051	AmeriCorps, Ed Award	72,000	66,000		500		4,725	E
94ASCWI051	AmeriCorps Formula	3,559,369	2,949,773	35,481	186,721	$6,293	64,438	F
00ASFWI051	AmeriCorps Formula	820,525	745,650					
99ASHWI051	AmeriCorps Governor's Initiative	1,000,000	900,084	2,268	34,365		9,336	G
98APSWI051	AmeriCorps Promise Fellows	39,000	36,682					
99APSWI051	AmeriCorps Promise Fellows	66,500	66,500					
97DSCWI049	Disability	87,245	60,259					
97LCSWI017	Learn and Serve	481,500	368,494		6,000			H
	Total	$8,884,334	$7,391,825	$43,008	$565,202	$6,293	$109,213	

SCHEDULE A

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94SCSWI048
ADMINISTRATIVE GRANT
JANUARY 1, 1999, TO MARCH 31, 2001

	Approved Budget	Claimed Costs	Questioned Costs
Administrative Grant	$458,109	$359,319	$179,659

Questioned costs represent unmet matching requirements. The Board was required to match 50 percent of all eligible grant costs in accordance with Title 45 of the *Code of Federal Regulations* (CFR), Subpart 2550.110 (b). As discussed in the Independent Auditors' Report on Compliance and Internal Control, the Board did not accumulate or identify matching costs in one account, did not identify federal matching costs separately in its accounting system, claimed unallowable matching costs, and included mathematical errors in its claim. During our review, additional matching costs were identified, however we could not determine if claimed costs were part of the original budget approved by the Corporation. We will classify claimed match costs as unsupported until the Corporation reviews the type of costs claimed and determines the eligibility of each claimed activity. As a result, we classified $179,659 of claimed administrative costs as unsupported, pending that review. We calculated questioned claimed costs as follows:

Claimed Costs		
Federal Costs	$359,319	
Less Questioned Claimed Costs	0	
Total Federal Costs per Audit		$359,319
Claimed Matching Costs	$361,261	
Less Questioned Matching Costs	361,261	
Total Matching Costs per Audit		0
Total Grant Costs per Audit		$359,319
Overclaimed Federal Share		
Federal Costs per Audit		$359,319
Less Maximum Corporation Share (50% of $359,319)		179,660
Overclaimed Federal Share		$179,659

SCHEDULE B

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 01SCSWI048
ADMINISTRATIVE GRANT
JANUARY 1, 2001, TO MARCH 31, 2002

	Approved Budget	Claimed Costs	Questioned Costs
Administrative Grant	$268,643	$250,997	$125,498

Questioned costs represent unmet matching requirements. The Board was required to match 50 percent of all eligible grant costs in accordance with 45 CFR, Subpart 2550.110(b). As discussed in the Independent Auditors' Report on Compliance and Internal Control, the Board did not accumulate or identify matching costs in one account, did not identify federal matching costs separately in its accounting system, claimed unallowable matching costs, and included mathematical errors in its claim. During our review, additional matching costs were identified, however we could not determine if claimed costs were part of the original budget approved by the Corporation. We will classify claimed match costs as unsupported until the Corporation reviews the type of costs claimed and determines the eligibility of each claimed activity. As a result, we classified $125,498 of claimed administrative costs as unsupported, pending that review. We calculated questioned claimed costs as follows:

Claimed Costs		
Federal Costs	$250,997	
Less Questioned Claimed Costs	0	
Total Federal Costs per Audit		$250,997
Claimed Matching Costs	$246,030	
Less Questioned Matching Costs	246,030	
Total Matching Costs per Audit		0
Total Grant Costs per Audit		$250,997
Overclaimed Federal Share		
Federal Costs per Audit		$250,997
Less Maximum Corporation Share (50% of $250,997)		125,499
Overclaimed Federal Share		$125,498

SCHEDULE C

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 99ARCWI051
AMERICORPS AMERICA READS
AUGUST 1, 1999, TO DECEMBER 31, 2001

	Approved Budget	Claimed Costs	Questioned Costs	Questioned Education Awards	Reference
DPI	$457,412	$338,500	$4,973	$30,714	See Below

DPI			Notes
Approved Budget (Federal Funds)		$457,412	
Claimed Costs		$338,500	
Questioned for Allowability			
Ineligible member health care expenses	$3,673		1
VISTA expenses	1,005		2
Duplicative costs	295		3
Total Questioned for Allowability		$4,973	
Education Awards Questioned for Support			
Missing member eligibility documentation			
High school diploma/GED	$30,714		4
Total Questioned for Support		$30,714	

1. During the Board's review of DPI expenses, the Board noted that DPI erroneously continued to pay health insurance costs for members who had exited the program. We questioned excess costs of $3,673 in accordance with OMB Circular A-87 guidelines.

2. DPI incorrectly charged $1,239 to DPI's AmeriCorps program rather than its VISTA program in Program Year (PY) 2000-2001. AmeriCorps and VISTA held joint training sessions, but the costs were not split between the two programs. A portion of the misallocation was identified and corrected in the program year the error occurred. We questioned the remaining $1,005 that was not corrected.

3. During the Board's review of DPI expenses, the Board noted that DPI inadvertently charged an unemployment claim to the AmeriCorps grant twice in PY 1999-2000. We questioned the second charge of $295.

4. Ten of eleven member files tested in PYs 1999-2000 and 2000-2001 did not contain high school diplomas or GED certificates to verify member eligibility. According to 45 CFR, Subpart 2522.200(a)(2), AmeriCorps participants must:

   - Have a high school diploma or its equivalent; or
   - Not have dropped out of elementary or secondary school to enroll as an AmeriCorps participant; and
   - Agree to obtain a high school diploma or its equivalent before using the education award.

   Without evidence of eligibility, we questioned the related education awards of $30,714.

SCHEDULE D

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 00ASCWI051
AMERICORP COMPETITIVE
AUGUST 1, 2000, TO MARCH 31, 2002

	Approved Budget	Claimed Costs	Questioned Costs	Reference
MCSC		$208,276		
Operation Fresh Start		316,299		
Public Allies		203,199	$32,745	See below
Fox Cities		224,083		
Total	$1,229,106	$951,857	$32,745	

Public Allies			Notes
Approved Budget (Federal Funds)		$215,625	
Claimed Costs		$203,199	
Questioned for Allowability			
Consulting fees exceeding the daily maximum		$286	1
Questioned for Support			
Unacceptable cost allocation method	$31,959		2
Unreconciled differences	500		3
Total Questioned for Support		$32,459	

1. Public Allies charged the grant consulting fees that exceeded the allowable daily limit. According to AmeriCorps General Provisions, *Financial Management Provisions*, payments to individuals for consulting services under this grant cannot exceed $443 per day. Public Allies' employees stated that they were unaware that the grant included consultant cost ceilings. Public Allies paid $500 per day for two consultants hired for the mid-year retreat and charged different percentages of each consultant fee to the grant. We questioned claimed costs of $286 that exceeded the $500 daily ceiling.

2. Public Allies did not have adequate documentation for its method of allocating costs charged to the grant. It allocated labor and other costs to the grant based on its annual AmeriCorps grant budget, which identified costs by category and the estimated percentage of that category allocable to the different grant programs, such as AmeriCorps, administration, and fundraising.

   According to OMB Circular A-122, Attachment A, Subparagraph A.4, the allocation of charges to federal awards must be an after-the-fact determination of benefit received. Also, OMB Circular A-122, Attachment B, Subparagraph 7.m(2) requires labor costs to be supported by personnel activity reports that:

   - Reflect an after-the-fact determination of actual activity of each employee. Budget estimates do not qualify as support for charges to awards.
   - Account for total activity for which the employee is compensated.
   - Are signed by the individual employee or a responsible supervisor.
   - Are prepared at least monthly and coincide with one or more pay periods.

   The executive director maintains monthly timesheets that record actual effort expended. These timesheets are not, however, used to allocate labor costs or verify the reasonableness of allocations made. We questioned all claimed labor ($15,000) and fringe costs ($1,500) for the executive director and operating costs of $15,459 that were allocated to the grant without an adequate allocation method.

3. Claimed costs could not be reconciled to accounting reports or other schedules. Public Allies did not prepare Financial Status Reports (FSR) and Periodic Expense Reports (PER) from its accounting system, but rather used ancillary schedules maintained by the executive director that were not designed to support historical financial reports. We questioned the $500 difference between claimed costs and costs per accounting reports and other schedules.

SCHEDULE E

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 99EDSWI051
EDUCATION AWARD
APRIL 1, 1999, TO MARCH 31, 2002

	Approved Budget	Claimed Costs	Questioned Costs	Questioned Education Awards
MTEC	$72,000	$66,000	$500	$4,725

To be eligible for AmeriCorps membership, the member must be a citizen, national, or lawful permanent resident alien. One of ten member files tested for PY 2000-2001 did not have the documentation required by 45 CFR, Subpart 2522.200(b)-(c) for proof of U.S. citizenship or lawful permanent resident alien status. Without this evidence of eligibility, we questioned the program award ($500) and education award ($4,725).

SCHEDULE F

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCWI051
AMERICORPS
SEPTEMBER 1, 1998, TO MARCH 31, 2001

	Approved Budget	Claimed Costs	Questioned Costs	Questioned Education Awards	Reference
MCSC		$ 629,661	$ 35,481	$ 6,293	Schedule F-1
HACM		268,742	186,721	49,537	Schedule F-2
North Central CAP		308,560			
Operation Fresh Start		673,641			
Workforce		412,756		14,901	Schedule F-3
WARS		287,091			
Fox Cities		369,322			
Total	$3,559,369	$2,949,773	$222,202	$70,731	

SCHEDULE F-1

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCWI051
AMERICORPS

MCSC			Notes
Approved Budget (Federal Funds)		$706,370	
Claimed Costs		$629,661	
Questioned for Allowability			
Stipend payments exceeding the maximum	$33,708		1
Recalculated Administrative costs	1,773		2
Total Questioned for Allowability		$35,481	
Questioned for Allowability, Education Award			
Members awarded excess education awards		$6,293	1

1. An investigation by the Corporation's OIG, the Board, and MCSC determined that members were paid $33,708 more than the maximum living allowance limit, and also that members were granted education awards of $6,293 in excess of the amount that should have been granted based on hours worked. Although those exceptions were identified in a prior review, these costs are still included with the Board's claimed grant costs, and must also be questioned in this report.

2. MCSC exceeded its allowable administrative costs in PYs 1998-1999 and 1999-2000 as the result of our questioning claimed costs. AmeriCorps General Provisions, *Administrative Costs,* states that administrative costs cannot exceed 5 percent of total Corporation funds, which also represents 5.26 percent of total Corporation funds excluding administrative costs. We questioned $1,773 of administrative costs, as follows:

Recalculated Administrative Costs	
Claimed Costs Excluding Administrative Costs	$598,196
Less Questioned Costs from Notes Above	33,708
Direct Costs per Audit	$564,488
Administrative Costs Percentage	5.26%
Administrative Costs per Audit	$ 29,692
Administrative Costs Claimed	31,465
Questioned Administrative Costs	$ 1,773

SCHEDULE F-2

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCWI051
AMERICORPS

HACM			**Notes**
Approved Budget (Federal Funds)		$449,999	
Claimed Costs		$268,742	
Questioned for Support			
Missing member eligibility documentation			
Background check	$ 14,634		1
Improper timesheets	142,693		2
Unacceptable cost allocation method	27,272		3
Recalculated Administrative costs	2,122		4
Total Questioned for Support		$186,721	
Questioned for Support, Education Award			
Missing member eligibility documentation			
Background check	$ 7,586		1
Improper timesheets	41,951		2
Total Questioned for Support, Education Award		$49,537	

1. One of five member files tested for PY 1998-99 and all four files tested for PY 1999-2000 lacked evidence of appropriate background checks. AmeriCorps Special Provisions, *Member Eligibility, Recruitment, and Selection*, requires background checks of members or employees with substantial direct contact with children or who perform service in the homes of children or individuals considered vulnerable. Evidence of background checks must be maintained in member files. Without evidence of eligibility, we questioned claimed costs ($14,634) and education awards ($7,586).

2. In PY 1998-99 HACM did not require members to sign their timesheets. AmeriCorps General Provisions, *Financial Management Provisions*, states that the grantee must keep time and attendance records signed by members and individuals with oversight to document eligibility for in-service and post-service benefits. Without evidence of eligibility, we questioned all claimed costs ($151,962) and education awards ($46,124). However, living allowances and the education award for one member have already been questioned in Note 1 above, resulting in net questioned living allowances of $142,693 and education awards of $41,951.

3. HACM did not maintain adequate supporting documentation for employees who charge time to more than one cost objective. OMB Circular A-87, Attachment B, Subsection 11.h requires that labor costs for employees charging time to more than one final cost objective reflect an after-the-fact distribution of actual activity, account for the total activity for which each employee is compensated, be prepared at least monthly, coincide with one or more pay periods, and be signed by the employee. HACM allocated payroll costs using a percentage estimated by the program director. We questioned labor costs of $27,272.

4. HACM exceeded its allowable administrative costs in PY 1998-1999 as the result of our questioning of claimed costs. AmeriCorps General Provisions, *Administrative Costs*, states that administrative costs cannot exceed 5 percent of total Corporation funds, which also represents 5.26 percent of total Corporation funds excluding administrative costs. We questioned $2,122 as follows:

Recalculated Administrative Costs	
Claimed Costs Excluding Administrative Costs	$201,296
Less Questioned Costs from Notes Above	184,599
Direct Costs per Audit	$ 16,697
Administrative Costs Percentage	5.26%
Administrative Costs per Audit	$ 878
Administrative Costs Claimed	3,000
Questioned Administrative Costs	$ 2,122

SCHEDULE F-3

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCWI051
AMERICORPS

Workforce		Notes
Approved Budget (Federal Funds)	$488,000	
Claimed Costs	$412,756	
Questioned for Support, Education Award Missing member eligibility documentation	$14,901	1

1. All six member files tested in PY 1998-1999 did not contain high school diplomas or GED certificates to verify member eligibility. According to 45 CFR, Subpart 2522.200(a)(2), AmeriCorps participants must:

   - Have a high school diploma or its equivalent; or
   - Not have dropped out of elementary or secondary school to enroll as an AmeriCorps participant; and
   - Agree to obtain a high school diploma or its equivalent before using the education award.

   Without evidence of eligibility, we questioned claimed education awards of $14,901.

   Additionally, one of six member files tested did not have the documentation required by 45 CFR, Subpart 2522.200(b)-(c) for proof of U.S. citizenship or lawful permanent resident alien status. To be eligible for AmeriCorps membership, the member must be a citizen, national, or lawful permanent resident alien, We would have questioned the members living allowance of $3,447 had we not already questioned the costs for the member above.

SCHEDULE G

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 99ASHWI051
GOVERNOR'S INITIATIVE
JANUARY 1, 2000, TO JANUARY 31, 2002

	Approved Budget	Claimed Costs	Questioned Costs	Questioned Education Awards	Reference
ADVOCAP		$142,000			
Ashland		62,050	$ 250		Schedule G-1
North Central CAP		92,731			
Harambee		75,000	34,365	$4,725	Schedule G-2
Indianhead		99,521	2,018	2,363	Schedule G-3
MCSC		50,000			
Renewal Unlimited		86,115		2,248	Schedule G-4
Wausau		115,635			
Dairyland		177,032			
Total	$1,000,000	$900,084	$36,633	$9,336	

SCHEDULE G-1

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 99ASHWI051
GOVERNOR'S INITIATIVE

Ashland	
Approved Budget (Federal Funds)	$80,000
Claimed Costs	$62,050
Questioned for Allowability	
Unnecessary costs	$250

Ashland claimed $250 to remove a tattoo observed on the construction site supervisor. Ashland considered the tattoo inappropriate and requested that the site supervisor remove it. This cost is not allowable under the Governor's Initiative grant, in accordance with OMB Circular A-87, Attachment A, Subsection C.2, because it was unnecessary.

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 99ASHWI051
GOVERNOR'S INITIATIVE

Harambee		**Notes**
Approved Budget (Federal Funds)	$75,000	
Claimed Costs	$75,000	
Questioned for Support		
Unacceptable cost allocation method	$34,365	1
Questioned for Support, Education Award		
Missing membership eligibility documentation	$4,725	2

1. Harambee did not have adequate support for claimed labor costs for the executive director and program director. Harambee allocated direct labor and related costs (health, dental, FICA, and unemployment insurance) for the executive director and program director based on estimated percentages used in Harambee's cost allocation plans. According to OMB Circular A-122, Attachment B, Subparagraph 7.m(2), labor costs must be supported by personnel activity reports that:

   - Reflect an after-the-fact determination of actual activity of each employee. Budget estimates do not qualify as support for charges to grants.
   - Account for total activity for which the employee is compensated.
   - Are signed by the individual employee or a responsible supervisor.
   - Are prepared at least monthly and coincide with one or more pay periods.

   We questioned claimed labor costs of $34,365, because charges were based on budget estimates.

   Additionally, Harambee could not provide time cards and wage rate documentation for four sampled labor transactions totaling $5,832. These costs relate to labor for the executive director and program director and are already questioned above.

2. The one member file tested in PY 1999-2000 and one of the three member files tested in PY 2000-2001 did not contain high school diplomas or GED certificates to verify member eligibility. According to 45 CFR, Subpart 2522.200(a)(2)(i), AmeriCorps participants must:

- Have a high school diploma or its equivalent; or
- Not have dropped out of elementary or secondary school to enroll as an AmeriCorps participant; and
- Agree to obtain a high school diploma or its equivalent before using the education award.

Without evidence of eligibility, we questioned education awards of $4,725.

Additionally, two of four member files tested did not have the proper documentation required by 45 CFR, Subpart 2522.200(b)-(c) for proof of U.S. citizenship or lawful permanent resident alien status. To be eligible for AmeriCorps membership, the member must be a citizen, national, or lawful permanent resident alien. The files contained Immigration and Naturalization Service Employment Eligibility Verification, Form I-9, but these forms were incorrectly completed and did not verify citizenship or alien status. We would have questioned the member's education award ($4,725), had we not already questioned the costs above.

SCHEDULE G-3

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 99ASHWI051
GOVERNOR'S INITIATIVE

Indianhead		**Notes**
Approved Budget (Federal Funds)	$100,000	
Claimed Costs	$99,521	
Questioned for Allowability		
Unnecessary costs	$2,018	1
Questioned for Support, Education Award		
Missing member eligibility documentation	$2,363	2

1. Indianhead claimed unallowable costs totaling $2,018 in PY 1999-2000 for two bonus payments. In accordance with OMB Circular A-122, Attachment A, Subparagraph A.3, costs must be reasonable to be charged to a Federal award. Bonuses for staff members were not included in the budget submitted for this award and are therefore unreasonable.

2. One of three member files tested for PY 2000-2001 did not contain high school diplomas or GED certificates to verify member eligibility. According to 45 CFR, Subpart 2522.200(a)(2), AmeriCorps participants must:

   - Have a high school diploma or its equivalent; or
   - Not have dropped out of elementary or secondary school to enroll as an AmeriCorps participant; and
   - Agree to obtain a high school diploma or its equivalent before using the education award.

   Without evidence of eligibility, we questioned the education award of $2,363.

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 99ASHWI051
GOVERNOR'S INITIATIVE
JANUARY 1, 2000, TO JANUARY 31, 2002

Renewal Unlimited		**Notes**
Approved Budget (Federal Funds)	$100,000	
Claimed Costs	$86,115	
Questioned for Support, Education Award		
Missing member eligibility documentation		
Parental consent	$1,285	1
High school diploma/GED	963	2
Total	$2,248	

1. We tested four member files for PY 2000-2001; two of the four members were under the age of 18 when they enrolled in the AmeriCorps program, but the files did not contain parental consent forms, as required by AmeriCorps Special Provisions, *Member Eligibility, Recruitment, and Selection*. The executive director noted that the program manager in charge of the program at that time may not have obtained the consent forms, and no longer works with Renewal Unlimited. Without evidence of eligibility, we questioned the Educational Awards of $1,285.

2. Three of four member files tested for PY 2000-2001 did not contain high school diplomas or GED certificates to verify member eligibility. According to 45 CFR, Subpart 2522.200(a)(2), AmeriCorps participants must:

   - Have a high school diploma or its equivalent; or
   - Not have dropped out of elementary or secondary school to enroll as an AmeriCorps participant; and
   - Agree to obtain a high school diploma or its equivalent before using the education award.

   Without evidence of eligibility, we questioned education awards of $1,162 for the two members who received them; $199 of this amount is related to the same member questioned in Note 1, above. Therefore, we questioned net costs of $963.

SCHEDULE H

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 97LCSWI017
LEARN AND SERVE
JANUARY 1, 1998, TO MARCH 31, 2002

Subrecipient	Approved Budget	PYs 1 and 2	PY 3 (Note 1)	Total Claimed Costs	Questioned Costs	Note
CESA No. 1		$ 15,342	$ 8,126	$ 23,468		
CESA No. 2		58,036	11,125	69,161	$6,000	2
CESA No. 3		19,642	8,125	27,767		
CESA No. 4		19,480	19,408	38,888		
CESA No. 5		20,644	6,936	27,580		
CESA No. 6		15,927	4,815	20,742		
CESA No. 7		18,704	13,947	32,651		
CESA No. 8		7,045	7,859	14,904		
CESA No. 9		6,708	13,391	20,099		
CESA No. 10		7,874	8,052	15,926		
CESA No. 11		27,285	14,125	41,410		
CESA No. 12		18,604	13,458	32,062		
DPI			836	836		
WPYI		3,000		3,000		
Total	$481,500	$238,291	$130,203	$368,494	$6,000	

1. In the third program year, the Board entered into a Memorandum of Understanding with DPI. DPI was to administer the supervision, monitoring, and payment of subgrant awards. The schedule above details amount paid by DPI to the 12 Cooperative Educational Service Agencies (CESA), plus an administrative fee retained by DPI. Total payments of $130,203 were reconciled to the final Financial Status Report filed by the Board.

2. We selected two subrecipients each from CESA No. 2 and CESA No. 4 and requested backup documentation to support claimed costs. We received adequate documentation to support three of the four sampled subrecipients. One subrecipient, Girl Neighborhood Power, did not respond to numerous requests for information. Therefore, we have questioned claimed costs of $6,000 paid to that subrecipient.

WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD
NOTES TO SCHEDULES OF CLAIMED AND QUESTIONED 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 provisions of the grant agreements between the Corporation and the Board. The information presented in the schedules has been prepared from reports submitted by the Board to the Corporation and accounting records of the Board and its subrecipients. The basis of accounting used in the preparation of these reports differs from accounting principles generally accepted in the Unites States of America as discussed below.

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 Board 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.

COTTON & COMPANY LLP
auditors • advisors

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

January 31, 2003

Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL

We have audited costs claimed by the Wisconsin National and Community Service Board to the Corporation for National and Community Service for the following awards and have issued our report thereon, dated January 31, 2003, which was qualified for the matters discussed therein.

Program	Award No.	Award Period	Audit Period
Administrative	94SCSWI048	02/01/94-12/31/00	01/01/99-03/31/01
Administrative	01SCSWI048	01/01/01-12/31/03	01/01/01-03/31/02
PDAT	95PDSWI048	01/01/95-12/31/01	01/01/99-03/31/02
Make a Difference Day	99MDDWI028	01/01/99-12/31/99	01/01/99-03/31/00
AmeriCorps AmericaReads	99ARCWI051	08/01/99-07/31/02	08/01/99-12/31/01
AmeriCorps Competitive	00ASCWI051	08/01/00-07/31/01	08/01/00-03/31/02
AmeriCorps Ed Award	99EDSWI051	04/01/99-07/31/02	04/01/99-03/31/02
AmeriCorps Formula	94ASCWI051	08/01/94-12/31/00	09/01/98-03/31/01
AmeriCorps Formula	00ASFWI051	09/01/00-08/31/01	09/01/00-03/31/02
AmeriCorps Governor's Initiative	99ASHWI051	01/01/00-12/31/02	01/01/00-01/31/02
AmeriCorps Promise Fellows	98APSWI051	01/01/99-12/31/99	01/01/99-12/31/00
AmeriCorps Promise Fellows	99APSWI051	09/01/99-12/13/01	01/01/00-03/31/02
Disability	97DSCWI048	01/01/00-12/31/00	01/01/00-12/31/00
Learn and Serve	97LCSWI017	09/01/97-03/31/02	01/01/98-03/31/02

COMPLIANCE

As part of obtaining reasonable assurance about whether the final schedule is free of material misstatements, we performed tests of compliance with certain provisions of laws, regulations, and the grant, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. Providing an overall opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. Results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*. See Findings one through five below.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we obtained an understanding of the Board's internal control over financial reporting to determine audit procedures for the purpose of expressing our opinion on the financial schedule, and not to provide assurance on internal control over financial reporting. We noted, however, certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. 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 Board's ability to record, process, summarize, and report financial data, consistent with assertions of management in the financial schedules. See Findings One, Two, Four, Six, Seven, Eight, and Nine below.

A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable conditions in Findings Four and Nine below to be material weaknesses.

FINDINGS

1. The Board claimed unallowable costs and costs for which no documentation was provided to support allowability.

The results of our subgrantee visits identified several sites that claimed unallowable costs, or costs for which there was no supporting documentation. In some cases the subgrantees were not aware that costs had to be claimed in accordance with cost principles, or they were not aware of certain requirements contained in the cost principles. Additionally, under the Administrative and PDAT grants, the Board did not charge labor costs to grants in accordance with OMB Circular A-87.

The most significant questioned costs relate to labor costs being charged to Corporation awards based on budgets or estimated levels of effort. OMB Circulars A-87 and A-122 require that claimed labor costs must be supported by after-the-fact activity reports for each employee (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In certain cases budgets may be charged during the year for easier accounting, but comparisons and adjustments to actual effort level must be made. Four subrecipient sites did not have procedures in place to ensure proper allocation of labor charges: Public Allies, HACM, Ashland, and Harambee.

Additionally, subrecipients claimed other direct costs that were unallowable in accordance with the applicable cost circular. Subrecipients claimed unallowable costs for consulting fees that exceeded daily limits; unnecessary costs, and costs not allocated appropriately to the grant, evidence that the subrecipients were not aware of the cost principles or certain provisions of the applicable circular.

Finally, we noted that subrecipients could not always support claimed costs. Documentation may have been lost, or proper support may not have been maintained.

The Board noted that they have adjusted staff assignments to eliminate staff working on multiple grants, therefore no allocation of time for Board staff is necessary. The Board also stated that they will continue to provide subrecipients with information and training to ensure the allowability of charged expenses by subrecipients.

The Board recognizes that some member files lack education attainment documents. However, the Board stated that it was their understanding that Corporation did not require the diploma or GED to be in the file, or have a definitive policy. The Board noted that they will obtain this documentation at the request of the Corporation.

Recommendation: We recommend that the Corporation follow up with the Board to determine if questioned and unsupported amounts should be disallowed and recovered. Additionally, we recommend that the Corporation ensure that the Board strengthen policies and procedures to better train subrecipients on the allowability of costs, and documentation required to support claimed costs.

2. Certain subrecipients did not submit Financial Status Reports, progress reports, and member enrollment and exit forms in a timely manner.

Financial Status Reports. Subrecipients are required to file a Financial Status Report (FSR) with the Board quarterly for each program year. We noted exceptions, as follows:

- We reviewed three program years at Fox Cities. In those three years, 8 of 12 FSRs were submitted late.
- HACM filed two of eight FSRs after the due date during two program years.
- Workforce filed one of five FSRs late in program year September 1, 2000, through December 31, 2001.
- Public Allies filed three of four FSRs late in one program year.

Progress Reports. Subrecipients are required to submit progress reports at differing intervals, depending on the grant or subgrant agreement, ranging from monthly to annually. We noted exceptions, as follows:

- Workforce filed one of four quarterly progress reports late.
- Fox Cities submitted only two of three progress reports in one program year, and both were late. In the next program year, none of the three reports was submitted on time.
- Public Allies submitted three of four progress reports late.
- MTEC submitted three of four progress reports late.

Member Enrollment and Exit Forms. These forms must be submitted to the Corporation no later than 30 days after member enrollment and exit. We found exception at the following locations:

Subrecipient	Program Year	Files Tested	Files Submitted Late
HACM	1998-2000	9	10
Workforce	1998-2001	16	8
Fox Cities	1998-2001	15	4
Wausau	1999-2001	6	5
Harambee	1999-2001	4	4
Renewal Unlimited	1999-2001	6	6
Promise Fellows	1998-2001	8	7
DPI	1999-2001	11	13
MTEC	2000-2001	10	10

The Board noted that they request financial and status reports from subrecipients prior to the Corporation due date to allow the Board to review reports and make corrections. However, WBRS only tracks the date of final submission, which may be different than the date it was originally submitted. The Board also noted that there were considerable problems and challenges in the first year of implementing WBRS, which may have affected the timeliness of reports.

Recommendation: We recommend that the Board implement procedures to ensure timely submission of all FSRs, progress reports, and member enrollment and exit forms.

3. Certain subrecipients did not comply with program requirements.

As part of its monitoring requirements, the Board is responsible for ensuring that subrecipients are adequately trained in programmatic and grant requirements. Our testing of subrecipient member files disclosed that subrecipients were not complying with program requirements as follows:

- Member files at several subrecipients were missing documentation on mid-term 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 assignments and to document that members met other performance criteria communicated at the beginning of the service term. The following subrecipient files were missing these evaluations:

	Number of Files	
Subrecipient	Tested	Missing Evaluations
HACM	9	13
Workforce	16	4
Fox Cities	15	2
Ashland	10	1
Promise Fellows	8	5
DPI	11	10

- Five subrecipient contracts did not include all required provisions. Grantees must ensure that members sign contracts that include requirements stipulated in AmeriCorps Special Provisions, *Training, Supervision and Support.* Specifically, Renewal Unlimited did not have evidence of proper parental consent for all members under the age of 18, as required be the AmeriCorps Special Provisions, *Member Eligibility, Recruitment and Selection.*

- Indianhead did not record training hours on their timesheets. Two current members were interviewed. During that interview, those members noted that they had not received any required training.

- Based on an investigation by the Board, 11 AmeriCorps members at MCSC earned education awards in excess of amounts to which they were entitled. The amount questioned is $6,293. Additionally, members were paid living allowances in excess of the maximum in the amount of $33,707.

- In PY 1998-1999, two members at HACM received living allowance payments of $658 and $909 in excess of the maximum contract amount of $8,730. These costs were claimed as matching expenditures.

The Board noted that the first year of implementing WBRS caused problems and challenges in reporting member information and that it will continue to collect all member contracts to ensure compliance with provisions. The Board believes that the Indianhead members did receive proper training, and that taking the member statements was not a fair assessment. Finally, the Board noted that the problems at MCSC were identified by the Board and brought to the attention of the Corporation, and that the Board appears to have been criticized for identifying the issues and responding appropriately.

Recommendation: We recommend that the Board strengthen its training efforts and support to subrecipients for the various grant requirements, including documenting member participation, preparing member performance evaluations, including necessary and appropriate provisions in member contracts, and obtaining parental consent forms.

4. The Board and its subrecipients did not meet matching requirements.

The Board did not meet its matching requirements under the two Administrative Grants. Additionally, we reviewed claimed matching costs at all sampled subrecipients, and noted that 5 out of 18 claimed unallowable or unsupported matching costs. Because of these unallowable or unsupported match costs, four of the five subrecipients did not meet their matching requirements stated in the AmeriCorps Provisions. This was primarily due to unallowable or unsupported claimed matching costs.

- **Administrative Grants.** The Board relied on two other state agencies, the Departments of Commerce and Health and Family Services, to accumulate and report matching costs under the Board's Administrative Grant Nos. 94ASCWI048 and 01ASCWI048 with the Corporation. The amount of required match was reported on quarterly FSRs. A spreadsheet was provided to detail claimed matching costs by cost category. These claimed matching costs are not, however, accumulated in an identified cost code in the state's accounting system, nor are they separately identified as matching costs for these federal awards. Several of the costs claimed could not be identified in the accounting system or adequately supported. Additionally, claimed costs for in-kind contributions were unallowable or inadequately valued. Finally, claimed costs included mathematical errors. As a result, many originally claimed costs were unallowable or unsupported. DHFS identified additional programs or expenses that they believe met the matching requirements. As discussed in the notes to Schedules A and B, we questioned claimed Corporation-share costs because the revised claim of matching costs will be reviewed for eligibility by the Corporation.

  The Board noted that it will continue to work with the Corporation to document their administrative match, and that the audit report is misleading; making it appear that the Board did not have the necessary documentation to support costs incurred.

- **Subrecipient Match Costs.** Many costs claimed by subrecipients to meet matching requirements were either unallowable or unsupported due to the unallowable or unsupported reimbursed costs, as noted throughout this report. Additionally, certain subrecipients had additional unallowable or unsupported matching costs due to unavailable records, lack of adequate time reporting or inadequate cost allocation plans. Although the overall matching requirements for the grants were met, individual subrecipients may not have met their matching requirements.

  The Board noted that questioned subrecipient match is affected by questioning costs due to a lack of High School Diploma/GED documentation, and complicated member hour tracking systems. Their comments regarding those questioned costs are noted elsewhere. The Board will continue to work with the programs to improve their tracking systems and their efforts demonstrate continuous improvement.

Recommendation. We recommend the Board improve controls over accumulating and reporting its required matching costs and strengthen policies and procedures to ensure subrecipients are aware that matching costs must be allowable and properly supported.

5. Certain subrecipients did not ensure that member eligibility requirements were met.

As a part of its monitoring requirements, the Board is responsible for ensuring that subrecipients are properly meeting eligibility requirements. We found that subrecipients were not complying with various eligibility requirements as follows:

- Several subrecipients could not provide sufficient information to support member citizenship status. According to 45 CFR, Subpart 2522.200(b)(1), to be eligible, an individual must be a citizen, national, or lawful permanent resident alien of the United States. Subrecipients did not maintain information on citizenship because they were informed by the Board that they were not to make copies of Birth Certificates. However, in many cases, the subrecipients did not document that the Birth Certificates were viewed. The Board noted that they provided guidance on requiring certain documents be reviewed in conjunction with completing the I-9 Forms. This confusion lead to the development of a State form that requires the subrecipients to view appropriate documents.

- Member files at several subrecipient sites did not always include high school diplomas or equivalent records. Under 45 CFR, Subpart 2522.200(a)(2)(ii), if a member does not have a high school diploma or equivalent upon enrollment, the grantee must obtain a member's written agreement to obtain a high school diploma or equivalent before using the education award. Failure to obtain this information could result in education awards to ineligible individuals.

- According to AmeriCorps Special Provisions, *Member Eligibility, Recruitment and Selection,* programs that require members to have substantial direct contact with children must conduct criminal record checks on these members and maintain related documentation in member files. Failure to perform these background checks could result in children being exposed to members with a history of criminal violations. Although not all members may have been required to have them, the member files included the same job description which indicated their involvement with children.

  The Board disagrees that the members had 'substantial' contact with children, and that the audit did not recognize the difference between substantial and minimal. Also, the Board feels that only a few members had contact with children, as noted in monitoring reports and the program's response to this audit. The auditors believe that the definition of substantial contact, as it is used in the CFR, should be intrepreted by the Corporation. Additionally, the job description included in every member file noted contact with children, regardless of the program's response to the draft audit report.

Recommendation. We recommend the Board improve controls over assuring that subrecipients are aware of member eligibility requirements and that adequate documentation is required to be maintained to support compliance with those requirements.

6. The Board should improve financial monitoring of subrecipients.

The Board is responsible for ensuring that its subrecipients are aware of and comply with all grant financial management requirements. According to 45 CFR, Subpart 2541.400(a), grantees must monitor grant and subgrant supported activities to assure compliance with applicable federal requirements and assure that performance goals are being achieved. Specific weaknesses in financial management or reporting are described below:

- Many subrecipients did not adequately identify Corporation funds from the Board on their Schedule of Expenditures under Federal Awards, as required by OMB Circular A-133. CFDA number and title, award name and number, award year, the name of the Federal funding agency and identification of pass-through funds are required for all

Federal expenditures. During our review, we noted that the following audit reports identified the incorrect amount of Corporation expenditures:

- **Wausau.** Corporation expenditures were not reported on Wausau's FY 2000 or FY 2001 Schedule of Expenditures under Federal Awards.

- **North Central CAP.** The grantor agency was listed as Department of Commerce (DOC), not DOA (which houses the Board) for FYs 1999 and 2000.

- **MCSC.** Amounts reported in MCSC's A-133 audit report were higher than Corporation funds received. Additionally, the grantor agency was listed as DOC, not DOA, for FYs 1999 and 2000.

- **WARS.** The grantor agency was listed as DOC, not DOA, for FYs 1999 and 2000.

- **Ashland.** Ashland's A-133 audit report did not identify any Corporation expenditures and also did not accurately identify a conflict of interest created because the auditor also performs accounting services for the subrecipient.

- **HACM.** Costs are not properly identified as a pass-through from DOA.

- **Harambee.** Harambee's A-133 audit report did not identify any Corporation expenditures.

- **MTEC.** DOA incorrectly noted on MTEC's A-133 audit report that no funds were paid to MTEC. However, MTEC did receive a subgrant under the education award-only grant, and expenditures should have been reported.

- A significant amount of subrecipient audit reports await review by DOA. The Board has delegated the responsibility for obtaining and reviewing subrecipient OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* reports to DOA staff. For reasons of limited staffing, however, DOA had not yet reviewed many reports or reconciled them to payments made from the State accounting system.

- The Board did not have adequate policies or procedures to ensure that subrecipients receive audits in accordance with OMB Circular A-133 when necessary, or that the Board received these reports on a timely basis. Board files did not always include the required OMB Circular A-133 reports, and we found no evidence that the audits were requested. According to 45 CFR, Subpart 2541.260(a), the Board is required to determine if State or local subrecipients have met OMB Circular A-133 audit requirements and determine if their financial reports require any adjustments.

- The Board required DPI to review audit reports provided on each CESA to determine if Corporation grant funds were adequately reported or if there were any findings on these funds. DPI did not, however reconcile Corporation funds awarded through the Board to expenditures reported in the audit reports.

- Internal control weaknesses, compliance issues, and cost findings reported on OMB Circular A-133 reports for Corporation funds were not cleared within the six-month time period allowed.

In our audit of selected subrecipients, we noted the following conditions, which evidence the need for improvements in the Board's financial monitoring of subrecipients:

- Claimed costs reported by subrecipients could not be supported (or easily supported) by its accounting system.

- Staff labor hours charged by subrecipients to Corporation grants were not adequately supported in accordance with OMB Circular A-122. Labor costs must reflect an after-the-fact determination of labor charges. At four sites (HACM, Public Allies, Ashland, and Harambee) labor costs charged to the grants represented budgeted amounts, budgeted effort levels, or estimates of effort levels worked by employees.

- Costs were not reviewed before they were charged to the grant. Ashland did not consistently charge like transactions to the same accounting code. Also, it did not have an adequate labor distribution system. We noted that it did not properly allocate vacation and sick leave among all projects and did not appropriately allocate overtime costs to the grant. Additionally, DPI charged member training costs to the incorrect program year, and claimed costs associated with another Federal program.

The Board noted that DOA's audit review procedures include notifying subrecipients when presentation errors are identified. Due to staffing issues, timely reviews were not completed on some of the FY 2000 and 2001 audits. The department in charge of this review is currently fully staffed, and audit reviews are now being completed in a timely manner. The Board also noted that it provided a letter to the auditors from DPI noting that they perform annual audit reviews on the CESAs, and that under State law DPI is required to report findings to DOA. Additionally, in the future, the Board will review CESA audits to ensure Corporation funds are reconciled with awards and expenditures.

Recommendation: We recommend that the Board review its financial monitoring procedures and make revisions necessary to ensure that all significant grant financial requirements are communicated to subrecipients and that subrecipient compliance with the requirements is adequately monitored. We also recommend that the Board consider performing risk-based assessments on a regular basis to select subrecipients for financial monitoring site visits. The site visits should include reconciling claimed costs to the accounting system, and provide a reconciliation of claimed costs to amounts reported on subrecipients' OMB Circular A-133 audit reports.

7. The Board staff did not include sufficient financial information on some subrecipients for the Board members during the subgrant award process.

The Board did not include past performance results, adequacy of financial systems, results of prior OMB Circular A-133 reports, or prior site monitoring results during the subgrant award process. Subrecipient selections are made by Board members who receive information prepared by Board employees on each potential subrecipient. While Board employees may be aware of subrecipient past performance (on Corporation or other Federal grants), this information is not required to be included on the summary provided to Board members for evaluation. Additionally, Board employees did not ensure that all criteria listed above is obtained or evaluated as they gather information for the Board member package. According to 45 CFR, Subpart 2522.410(b)(2)(ii), the Corporation will also consider an organization's capacity to carry out the program, based on the past performance of the organization or program. This same type of consideration should be used by the Board to evaluate potential awards.

Failure to include this financial information in the grant award process may result in awards to subrecipients with histories of internal control weakness or compliance issues. Additionally, past financial performance must be summarized and provided to the individuals who are part of the selection process. Board management stated that they are aware of the past fiscal performance of potential subrecipients and would include significant issues in the documentation provided to the selection team.

The Board noted that it has revised its grant recommendation process. Financial information will be provided to the Board during the grant selection process. In the past, only issues that created financial risk were reported to the Board members.

Recommendation: We recommend that the Board evaluate all aspects of subrecipient past performance and consistently include past performance results in information provided to the selection team.

8. Certain subrecipients did not comply with record-retention policies.

Several subrecipients were unaware of record-retention requirements under their subgrant agreement with the Board. According to 45 CFR, Subpart 2541.420(b), grant records are to be retained for three years from the date that the grantee submits its final expenditure report. We noted the following:

- Fox Cities did not follow AmeriCorps' record-retention policy. Instead, it kept records based on IRS requirements for tax purposes.
- The staff at Indianhead was unaware that the AmeriCorps grant had specific record-retention policies.
- Renewal Unlimited did not maintain member contracts for PY 2000-2001.
- Documentation at several subrecipient locations was not available to support claimed costs at the time of our review as follows:
    - Public Allies could not provide support to show how it allocated costs among projects. Additionally, it did not maintain documentation to support all costs claimed on the FSRs and PERs.
    - Wausau could not support a labor allocation charge.
    - Harambee could not provide support to show how it allocated costs among projects.
    - One CESA No. 2 subrecipient could not provide documentation to support claimed costs.
- Documentation was not available at several locations to support member eligibility, as discussed in finding five.

While many of the missing items were later found by the subrecipients, or obtained from other sources in order to support claimed costs, their files did not have the required supporting documentation on hand. The Board noted that it will include record retention policies in future awards. The Board also included record retention dates in their official closeout notification to the AmeriCorps programs.

Recommendation: We recommend that the Board take steps to ensure that all subrecipients are informed of, and comply with, the Corporation record-retention requirements by incorporating record-retention requirements in its subgrant agreements and providing training and education.

9. The Board should improve monitoring controls over those requirements passed on to other state agencies.

The Board historically awarded certain of its grant awards in their entirety to other State agencies and initiated Memorandums of Understanding (MOU) indicating the State agency responsibility for all grant requirements. Additionally, certain grant provisions such as financial reporting, certain financial subrecipient monitoring, and matching requirements are passed on to other State agencies. The Board is, however, ultimately responsible for activities and funds awarded to it by the Corporation. Many subrecipients of these grants awarded to other State agencies did not receive the same level of oversight as the Board applied to its subrecipients.

The Board has established good internal controls to assure that subrecipients comply with grant provisions and perform necessary grant requirements in a timely manner. For awards passed on to other State agencies, those State agencies do not follow the same stringent controls. Supporting schedules for Governor's Initiative, Learn and Serve, and AmericaReads show more internal control weaknesses and compliance issues than were identified in supporting schedules for AmeriCorps subgrantees, which are directly monitored by the Board.

Additionally, DPI and DOA did not meet grant-administration responsibilities. For example:

- DPI passed on the Learn and Serve grant to a number of CESAs, but did not review annual OMB Circular A-133 audit reports on each CESA to determine if Corporation grant funds were accurately reported or if findings were noted, as required by the circular.
- DPI did not pass down necessary grant provisions to its subrecipients.
- DOA did not meet grant matching requirements under the Governor's Initiative grant.

The Board also entered into agreements with the Department of Commerce and the Department of Health and Family Services to provide matching requirements under its administrative grants. As noted in finding four above, the Board did not adequately accumulate, report, or support matching costs.

The Board noted that when it entered into MOUs with these State agencies, it assumed they would take responsibility for all grant provisions while the Board treats these other State agencies as typical subrecipients. The State agencies had significant other Federal funding and implemented the same controls over their Corporation grants as used for their other funding sources. These controls were not stringent enough to meet Corporation requirements. The Board noted that it entered into MOUs because it has limited staff.

Finally, we noted certain weaknesses in the review of subrecipient A-133 reports that are reviewed by DOA as noted in finding six above.

The Board strongly disagreed that they should implement additional controls over those programs (or processes) that are administered through MOUs with other State agencies. The recommendation was revised to delete the relationship between using MOUs and weaker subrecipient controls.

Recommendation: We recommend that the Board implement additional controls over subrecipient monitoring and grant compliance for grants passed on to other State agencies.

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

COTTON & COMPANY LLP

By: SHadley

Sam A. Hadley, CPA, CGFM
Partner

STATUS OF FINDINGS FROM THE PRE-AUDIT SURVEY OF WISCONSIN NATIONAL AND COMMUNITY SERVICE BOARD OFFICE OF INSPECTOR GENERAL REPORT NO. 00-29

The findings listed below are taken from Office of Inspector General Report No. 00-29. The status of each finding is addressed below:

1. The Board did not maintain signed conflict of interest forms as required for renewal applications.

Current Status: In the Board's response to the pre-audit survey report, it provided documentation necessary to support this finding. During our audit, we verified that required conflict-of-interest forms were contained in the files with no exceptions. No further action is recommended.

2. Some documentation to support grant-making decisions was missing.

Current Status: In the Board response to the pre-audit survey report, it provided documentation necessary to support the finding, except for one rejection letter. Additionally, this finding related to documentation missing in 1995 and 1996 project files, which was outside our audit scope. During our audit, we verified that required information was contained in the selection materials and we included an internal control finding on this issue (Finding Seven). We recommended that the Board include additional information in packages used by Board members in grant-making decisions, such as:

- Comments on the adequacy of subrecipient financial management systems.
- Results of past OMB Circular A-133 audits performed on subrecipients.
- Past performance on similar projects (for new subrecipients).
- Significant issues arising from past performance on prior-year grants (for recurring subrecipients).

3. Lack of assessment of subrecipient applicants' Financial Systems during the selection process.

Current Status: We reviewed historic and current processes used to assess the financial adequacy of potential subrecipients. The Board reviews financial adequacy, but does not include results in packages provided to Board members when making subrecipient selections, as discussed above and included this in our report on internal control (Finding Seven).

4. Lack of evidence of Financial Status Report review, including matching recalculation.

Current Status: The Board noted that is has improved its process regarding financial review and matching requirements. We reviewed the current process and tested those procedures and noted no problems with current procedures, including procedures to assure that matching requirements were met and FSRs were accurate and supported by subrecipient accounting records. During site visit testing, however, we identified other financial monitoring issues that are included in our Report on Compliance and Internal Control (Finding Six).

5. Late submission of FSRs.

Current Status: During our review of current submission dates, we noted that while FSRs may be a few days late on occasion, project directors consistently receive timely submission of PERs, which include the same information contained in FSRs. Invoices are reconciled to FSRs and also to Board accounting reports that note expenditures made to each subrecipient. No further action is recommended.

6. Inability to determine timeliness of receipt of FSRs.

Current Status: The Corporation has implemented an electronic system for subrecipient completion of FSRs and other information submitted to the Board and the Corporation. All items include an electronic signature and are dated. No further action is recommended.

7. The Board did not maintain all required FSRs.

Current Status: The Corporation has implemented an electronic system for subrecipient completion of FSRs and other information submitted to the Board and the Corporation. All items include an electronic signature and are dated. All FSRs that we requested during our review were provided. No further action is recommended.

8. The evaluating and monitoring system for subgrantees needs to be improved at the Board.

Current Status: The Board has strong controls over the review of subrecipients, including financial reviews and site visits. We did, however, note a subrecipient monitoring weakness when the Board passes grants to other State governmental agencies or departments, and the agencies or departments further pass along the grants to sites. In those situations, the departments or agencies do not incorporate the same strong policies and procedures over subrecipients used by the Board. We discuss this finding in our Report on Compliance and Internal Control (Finding Nine).

9. Lack of Documentation of review of OMB Circular A-133 Reports or other audit reports from subrecipients.

Current Status: The individual responsible for reviewing OMB Circular A-133 reports works at DOA. The Board has historically had sufficient documentation of OMB Circular A-133 reviews, but we noted several weaknesses in this area (Finding Six).

APPENDIX A

BOARD'S RESPONSE TO DRAFT AUDIT REPORT

Jim Doyle
Governor

Thomas Metcalfe
President

Thomas H. Devine
Executive Director

Telephone: (608) 261-6716

E-mail: devinth@dhfs.state.wi.us

Mailing Address:
Post Office Box 8916
Madison, WI 53708

Recorded Message:
(800) 620-8307 or
(608) 267-5226

Facsimile: (608) 266-9313

www.wisconsinserve.org

Wisconsin National and Community Service Board
1 West Wilson Street, Room 518, Madison, Wisconsin

June 19, 2003

Mr. J. Russell George, Inspector General
Corporation for National & Community Service
1201 New York Avenue N.W.
Washington D.C. 20525

Dear Mr. George:

Enclosed please find the response of the Wisconsin National and Community Service Board to the Draft Incurred Cost Audit Report which was forwarded to us for comment on June 10, 2003. The members of the Wisconsin National and Community Service Board and its staff, welcome the opportunity to respond to the Draft Incurred Cost Audit Report prepared for your office by Cotton & Company. Our response consists of three sections: 1) Response to Findings, 2) Response by Audit Schedules and 3) Support Documentation.

The Board is pleased that its systems have developed and demonstrate continuous improvement. There are definite inconsistencies between the Pre-Audit Survey and the report issued by Cotton & Company. The Board accepts that the audit report reflects areas that may need improvements. A major concern for the Board is the lack of recognition for the improvements by the Board and its subrecipients. The failure to recognize site visits, monitoring reports and correspondence between the Board and programs is a disservice to the efforts to improve accountability and performance of national service programs in Wisconsin. One example is the flawed member time tracking systems identified by the Board's staff and then by the auditors after the fact. Monitoring reports clearly demonstrate that the flawed tracking systems in two programs were identified by the Board's staff and processed with the programs until the systems reflected accurate service hours. In fact, the Board requested that your office visit one of the programs to ensure the program's intent was not a misappropriation, abuse or fraud. While the program misused the funding due to a flawed management system, it was unintentional as documented by your office. Cotton & Company's failure to recognize that the Board identified the issues and worked with the programs to correct the issues sends a discouraging message in regard to the Board's oversight role.

The auditors questioned costs due to the lack of a High School Diploma/GED in member files. The Corporation's guidance around this issue was not clear until the recent clarification of the policy by the Corporation that supports how the Board had documented educational accomplishments of members. The questioning of education awards due to the lack of eligibility documentation is Cotton & Company's interpretation of the requirements. The risk of using the education award is minimal due to the higher education enrollment requirements.

The final major concern is the questioning of administrative match. It is very clear that the original Draft Audit Report, dated May 20, 2003, questioned $21,689 of costs due to the lack of match documentation. The revised Draft Audit Report, dated June 20, 2003, questions $305,157 of expenses due to the lack of match documentation. The Board understands that a decision has been made to review the match expenses during the audit resolution process. Unfortunately the information in the Audit Report will be misleading to anyone reading the report. The original Draft Audit Report included Cotton & Company's approval of $588,627 of administrative match.

The Board strongly disagrees with Cotton & Company's recommendation that the Board provide greater oversight to other state agencies that receive funding from the Board. Other state agencies are treated the same as any other subrecipient. It is important to recognize that the Board's risk management strategy considers that state agencies are in a position to defend and repay any disallowed cost that may be identified by the WNCSB, the Corporation or auditors. Yet the Board has monitored and visited the other state agency programs as they do any multi-site program. The issue related to MOUs is a contracting issue not a performance issue. In Wisconsin, MOUs are the vehicle used to contract within and between state agencies. The MOUs obligate other state agencies as a Program Contract obligates other subrecipients of the Board.

The Board has provided training for subrecipients in regard to match allowability and support. Corporation consultants have been used to provide training and Cotton & Company failed to recognize the improvement of program accountability. In addition, the recommendation related to member eligibility requirements is very misleading. The Draft Report has four members in three programs that were identified as missing citizenship documentation. The High School Diploma /GED documentation methods used in Wisconsin are acceptable to Corporation policy and should not be included in the report. Finally, Cotton & Company failed to define substantial contact with children when questioning the eligibility of members for the lack of criminal record checks. Monitoring Reports clearly disclosed that most of the members in one program did not tutor children due to the population that enrolled in the program. In fact, only one background check of members that actually tutored children was missing from member files. The auditors only considered that the original member contracts stated that members would be tutoring. The Board can accept the criticism that member contracts should have been adjusted for those members not tutoring children. The Board is in agreement with the program that the members that did tutor spent minimal supervised service time participating in that activity.

The following three sections are incorporated into Wisconsin's response and include more detailed explanations to the specific questioned costs and recommendations made by Cotton & Company. If you need any further assistance please contact Thomas H. Devine at 608-261-6716.

Sincerely,

Thomas Metcalfe
WNCSB President

Thomas H. Devine
WNCSB Executive Director

Cc. WNCSB Members
Peg Rosenberry, CNCS

1. **The Board claimed unallowable cost and costs for which no documentation was provided to support allowability.**

The WNCSB provided training for all subgrantees related to the requirements contained in the cost principles. Coleman and Williams provided training for programs on such topics as audit documentation, record retention and member eligibility. Cotton & Company identified some allowability issues and WNCSB guidance, site visits and Monitoring Reports addressed many of the identified issues. AmeriCorps Program Orientations and Program Director Meetings provided guidance for programs for allowable costs and the documentation of costs. The closeout guidance from the CNCS caused some confusion for State Commissions and directly relates to many of the issues identified by Cotton & Company.

A major issue identified by Cotton & Company was the lack of documentation of High School Diploma/GED in member files. The WNCSB recognizes that member files lacked education attainment documents. Wisconsin identified the requirement as more of an Education Award Trust issue than an eligibility issue. Our primary focus was on the members that identified themselves as not having a High School Diploma/GED. These members were informed that they must work on completing the high school/GED requirements during their term of service and that they could not use the education award until they received their high school diploma/GED. The High School Diploma/ GED documentation was seen as a duplication of higher education institution requirements. Those statutory restrictions for using the education award reduced the risk in regards to eligibility. The Corporation policy does not require that a High School Diploma/GED to be in a member's file. The Corporation, although they said that people should have a high school diploma/GED or agree to get one before using the education award, never did have a definitive policy about whether or not the actual diploma or GED should be in the member's file. The Corporation required that records needed to be kept about the level of educational attainment and date of high school diploma or equivalent certificate. The self-disclosure by members, for the level of education attainment, was retained on a member's application. Technically the High School Diploma/GED is not in member files but the documentation of the level of education achievement was on the member application. If the CNCS wants this documentation for past members the WNCSB will aggressively pursue securing High School Diploma/GED for past members. A better use of resources is to ensure compliance with the present CNCS policy. The CNCS policy clarification addressed this issue and does not require the High School Diploma to be in a member's file.

A second major issue is related to the member time tracking systems in two programs and was identified by WNCSB staff and documented by Monitoring Reports for both programs. The programs continued to make improvements and demonstrated efforts and their intent to comply with the requirements. In both situations the time tracking errors were due to flawed management systems. Both programs had members providing service that addressed community needs. The questioned costs reflect the lack of acceptable documentation or the application of a flawed management system. The programs did not intend to misrepresent the member service hours. It is very clear

that the WNCSB and the programs demonstrated continuous improvement and developed acceptable tracking systems. A review of Monitoring Reports will demonstrate that acceptable tracking systems were developed and used by the programs.

Cotton & Company has identified that the WNCSB did not charge labor costs to grants in accordance with OMB Circular A-87. All WNCSB personnel are required to complete Time and Effort Reports to document the allocation of effort to each assigned grant. These reports are tracked on a spreadsheet that is maintained to support the costs and efforts of WNCSB personnel. In addition, the accounting unit provides a quarterly certification form for WNCSB personnel. Allocations did not vary more than 10% and by the end of the year allocations were with in a minor variance. We now understand that Wisconsin should have completed adjustments to payroll to maintain the appropriate payment from each grant for each reporting period. The allocation of staff time was between PDAT and Administrative Grants from the Corporation. Since January 1, 2003 the WNCSB has adjusted staff assignments to eliminate multiple grant allocations of personnel time.

Subrecipients identified by Cotton & Company as not having procedures in place for allocating expenses will be required to submit policy to support the OMB-87 or A-122 requirements for claimed labor costs. A letter from their auditor will support program policies. WNCSB staff will monitor the policy implementation by each program.

It is impossible to cover all of the potential allowability issues through training (i.e. tattoo removal). The WNCSB will continue to provide subrecipients with information and training to ensure the allowability of charged expenses by subrecipients. The WNCSB will also continue to perform annual fiscal desk reviews of subrecipients to verify the allowability of claimed costs.

2. **Certain subrecipients did not submit Financial Status Reports, Progress Reports, and member enrollment and exit forms in a timely manner.**

The WNCSB requires programs to submit financial status and progress reports prior to the CNCS due date. This allows the WNCSB to review the reports and have the programs make corrections prior to submitting the reports to the CNCS. WBRS tracks the dates when programs work on and make final submission of reports. The original submission date of the report cannot be tracked through WBRS if the report has been revised. Often, a program will submit a report by the WNCSB deadline and, after review by the WNCSB, will be asked to make revisions or changes. The final approval occurs in WBRS after the program is finished making revisions or changes, so the date on which the report is finally approved is different than the due date listed in the contract. WBRS tracks the original submission date but the final date approved by the WNCSB staff is after the contracted due date if changes were required of a program by the WNCSB staff. The information can be gathered to demonstrate the original submissions dates in WBRS but it is an inefficient use of staff time to recreate the records. The primary issue should be the reporting of the WNCSB to the CNCS.

Cotton & Company failed to consider the problems and challenges of the first year of implementing WBRS and did not factor the new system's problems and how they effected the timeliness of submitting reports. The WNCSB is now using timely reporting as a primary application selection criterion for existing programs.

3. **Certain subrecipients did not comply with program requirements.**

Member enrollment and exit forms are easily monitored through WBRS and the new commitment notification requirement will enhance timely completion of member enrollment forms. Cotton & Company failed to consider the problems and challenges of using WBRS during the first year of the reporting system. Some programs had problems with the timely entry of the Program Profile by the CNCS and the new system required adjustments at the CNCS, WNCSB and program levels.

Member evaluations are reviewed during site visits and monitoring reports reflect identified deficiencies. The WNCSB staff has provided guidance to programs for member evaluations and also provided sample forms to the programs.

The WNCSB will continue to collect all member contracts used by programs to ensure compliance with the provisions. WNCSB staff has reviewed these documents during site visits and programs have been provided with guidance and sample contract forms for members.

Clearly, Indianhead provide training for the "at-risk" youth served by the program. It is not fair to interview two "at-risk" youth serving in a program and accept their response that they did not get any training with out verifying the statements with program staff. At minimum these members received training in their service activities, how to build a house, and the members participated in GED instruction.

The WNCSB identified the issues at MCSC and called the OIG to complete the investigation. It seems that the WNCSB is being criticized for identifying the issues and appropriately responding to the issues.

4. **The Board and its subrecipients did not meet match requirements.**

The Board claimed sufficient match and due to Cotton & Company questioning the allowability of costs some of the match was recalculated and resulted in less than the required match amount. The WNCSB will continue to work with the CNCS during the audit resolution process to document the administrative match. It is unfortunate that Cotton & Company identified $21,689 of questioned costs in the original Draft Audit Report, May 20, 2003, and then questioned $305,157 of match in the final Draft Audit Report, June 10, 2003. It makes it appear as though Wisconsin does not have the necessary documentation to support the incurred costs. It is unfortunate that the audit report is misleading. We will work with the Corporation to correct the differences during the audit resolution process.

It is important to recognize that the lack of High School Diploma/GED in member files had an effect on the recommendation by Cotton & Company. It is also important to recognize the impact of the two programs that used flawed and complicated member hour tracking systems. The WNCSB worked with the programs to improve their tracking systems and their efforts demonstrate continuous improvement and that they intended to comply with the requirements.

5. **Certain subrecipients did not ensure that member eligibility requirements were met.**

Three programs failed to provide citizenship documentation for four members (Harambee – 2, MTEC – 1, Workforce – 1). The WNCSB has provided guidance to programs to meet both CNCS and Wisconsin requirements related to eligibility. State of Wisconsin law does not permit the copying of birth certificates. The WNCSB guided programs through the complicated documentation of citizenship on I-9 Forms by requiring specific certification of specific documents. This caused some confusion and eventually lead to the development of a state form that allows for program certification of citizenship by viewing the appropriate documents.

The High School Diploma issue has been discussed in Item 1 of this Section of the response.

The WNCSB strongly disagrees with the third bullet related to background checks. While the auditors quote the AmeriCorps Special Provisions they fail to recognize the difference between substantial and minimal direct contact with children. They also failed to recognize that only a few members participated in the tutoring objective due to the "at-risk" youth population served by the program and that only those members should have the background checks in the file. While the member contracts should have been modified, it is unreasonable to ignore the program's response and the WNCSB's Monitoring Reports.

6. **The Board should improve financial monitoring of subrecipients.**

Wausau, Ashland and Harambee were subgrantees of a subrecipient of the Board and the subrecipient would have contracted with the subgrantees. These programs received funding from multiple sources from the Board's subrecipient to operate an "at-risk" youth corps program model. In the future the subrecipient will be instructed to provide information to their subgrantees that allows for proper identification of the AmeriCorps funding in audits.

North Central CAP, MCSC, WARS, MTEC and HACM will receive guidance from the WNCSB for their auditors to correctly identify the AmeriCorps funding in audit reports.

The Board requires applicants to provide their most resent audit with the submission of the AmeriCorps grant application. For existing programs, the WNCSB communicates

the audit requirement in two ways. First, in the WNCSB Contract, #32, Audit Requirement, states that "the Grantee shall contact an annual, single, or program-specific audit in accordance with OMB Circular A-133..." Second, in the WNCSB Contract Addendum, which is distributed each year with the WNCSB Contract, there is a statement that each program is required to submit two copies of their most recent audit to their WNCSB program officer. This requirement is reviewed with programs each year during the contract negotiation calls, as the Contract Addendum is covered item by item during each call.

DOA audit review procedures include notifying subrecipients when presentation errors are identified in their audit reports. Due to staffing issues, timely reviews were not completed on some of the 2000 and 2001 audits. As a result, presentation letters may not have been sent to subrecipients in time to incorporate suggested changes into subsequent audit reports. However, presentation letters were sent to seven of the eight subrecipients noted and a review of the MTEC audit report was not required since total expenditures of Federal awards were less than $300,000. At present, the financial management department is fully staffed and audit reviews are completed in a timely manner which will enable subrecipients to incorporate suggestions into subsequent audit reports.

The Board's subrecipient audits represent a very small percentage of the total reports reviewed for all Federal funding sources in DOA. We agree that due to staffing shortages, there was a delay in our requests for reports as well as our follow-up reviews. However, though this was the first year of WFS funding, contract language clearly states the audit report requirement. DOA has policies and procedures in place regarding audit report reminders, tracking, review and exemption letters. Each subrecipient receives a contract, which clearly defines A-133 audit requirements. However, a large percentage of Board's subrecipients receive less than $300,000 in Federal funds annually, which exempts them from performing an A-133 audit. We have increased our efforts to provide written notification of this exemption to our subrecipients. DOA currently has procedures in place to monitor financial activity as well as communicate grant requirements to subrecipients.

The Board disagrees with the recommendation related to DPI reviewing CESA audit reports. Cotton & Company received a copy of a letter from DPI to the WNCSB that stated that they do an audit review of the CESAs. Under state law DPI is required to report any findings to the Department of Administration. In the future the WNCSB, if the Board contracts with DPI and DPI subcontracts with the CESAs, will review CESA audits to ensure they reconcile CNCS funds awarded to expenditures. Because DPI provides substantial funding to the CESAs from other sources, and annually completes audit reviews of CESAs; it was seen as a duplication of effort to complete a separate review of each CESA audits.

The WNCSB will take a more active role in addressing audit findings to ensure the six-month resolution requirement is met.

Some subrecipients had difficulty providing support documentation from their accounting systems. The WNCSB will provide additional training with Walker and Company to improve required support documentation of subrecipients. The WNCSB will ensure that staff labor and operating allocation is included in the subrecipient training by Walker and Company. The training will also include proper accounting for any shared costs.

Ashland was a subgrantee of a subrecipient of the WNCSB. It is very clear that the practices used are not acceptable and efforts will continue to ensure that all subrecipients understand their role in monitoring their subgrantees. DPI inadvertently charged the full training costs to AmeriCorps that should have been split between AmeriCorps and VISTA. The original billing was split but the amount was incorrectly entered into the accounting system.

7. **The Board did not include sufficient financial information on some subrecipients for the Board members during the award granting process.**

The WNCSB has revised it grant recommendation process to include financial information for the board during the grant selection process. In the past only issues that created financial risk were reported to the Board.

8. **Certain subrecipients did not comply with record-retention policies.**

Record retention policies will be included in the contracts to ensure that programs are aware of the policies and timeframes. In the WNCSB Contract, #3 Scope of Work, (b) Closeout Period, includes language for closeout procedures. We will add to this section specific information about record retention requirements. Note that, in the WNCSB official closeout notification to AmeriCorps programs, we specified the date until which programs need to retain records. It is also important to recognize that when the CNCS provided guidance related to closeout and record retention the WNCSB provided program training by Coleman and Williams for subrecipients.

Documentation of member eligibility has been addressed throughout this response.

9. **The Board should improve internal controls over MOUs with other state agencies.**

The WNCSB strongly disagrees with Cotton & Company's recommendation. The WNCSB treated other state agencies as they would any other subrecipient. If there is a difference in treatment, it is due to the risk management strategy used by the WNCSB. It is important to recognize that state agencies have resources that can be applied to disallowed costs. Most non-profit agencies do not have the same access to resources as state agencies. In addition, the WNCSB strongly disagree that less oversight is given to other state agencies. America Reads and the Governor's Initiative were monitored like any other multi-site AmeriCorps program. Learn and Serve was

monitored like a mini-grant program with maximum awards of approximately $3,000. A Mini-Grant Compliance Form was used to monitor the Learn and Serve subgrantees. The statewide nature of the programs run by state agencies creates different challenges for the state agency subrecipients then for other AmeriCorps subrecipients.

MOUs are used by the Board because it is the standard tool used by state agencies entering into inter or intra agency agreement. The use of MOUs has nothing to do with staff capacity. The Board contracted with DPI to oversee the L&S CBO award due to the WNCSB staff limitations at the time.

Again the WNCSB strongly disagrees with this recommendation by Cotton & Company.

Section 2 of the WNCSB's response to the Incurred Audit of Grants Awarded to the Wisconsin National and Community Service Board performed by Cotton & Company LLP and identified as Audit Report No. 03-04 details the questioned costs for allowability and support. The Consolidated Schedule of Claimed and Questioned Costs Chart is on page 11 of the report and this response follows the questioned costs as detailed on the chart. This section of the response to the questioned costs is coordinated with the appropriate audit schedules and notes.

1. **Allowability of Match for the 94SCSWI048 ($179,659) and 01SCSWI048 ($125,498) Administrative Grants.**

Schedules A and B: The questioned costs are misleading and do not reflect Wisconsin's administrative match. At the time of reporting for these grants, the WNCSB had identified sufficient match and perceived that the match was allowable and supported with acceptable documentation. The WNCSB has substantial in-kind match that was not reflected in the budgets. Support documentation was provided to Cotton & Company and has been forwarded to the Corporation. The WNCSB has agreed to review and negotiate the match documentation with the Corporation during the audit resolution process. The following information provides some consideration of the questioned cost issues.

The WNCSB moved from the Department of Commerce to the Department of Health and Family Services in March of 1999. DHFS assumed the role of providing and accounting for the administrative match at that time. In 2002, the person assigned to account for the match at DHFS for the WNCSB retired and the transition to the newly assigned person caused some confusion. During the yearlong audit process the WNCSB and DHFS were able to identify and support sufficient documented match to cover the questioned costs for the administrative awards. The support documentation was provided to Cotton & Company during the audit process.

The draft of the Audit Report used for the Exit Conference on May 20, 2003 questioned costs of $21,689 due to the lack of administrative match. The Audit Report dated June 20, 2003 was adjusted to $305,157 of questioned costs due to the lack of administrative match. This is an extremely large variance and is very misleading to the reader of this audit report. The WNCSB strongly objects to the questioning of these costs. Cotton & Company reviewed support documentation and received additional documentation at the exit conference for the questioned costs of $21,689. It is important to recognize that Cotton & Company questioned the allowability of $40,354 of match support provided by the WNCSB. Which means they accepted $585,627 of support documentation provided during the audit. The WNCSB will continue to work on resolving the questioned costs during the audit resolution process. We have submitted the match support documentation for review and consideration by the Corporation.

2. **AmeriCorps Reads – 99ARCWI051- questioned cost for allowability ($4,973), and Education Awards Support ($30,714).**

Schedule C: The WNCSB identified that DPI continued to make health care payments for some members beyond their term of service for a total of $3,673. Cotton & Company were informed of the situation and incorporated the expenses into the questioned costs in the audit. A Periodic Expense Report was provided to the auditors during the Exit Conference on May 20, 2003 to document the resolution of the questioned costs. (Note 1)

DPI incorrectly charged $1,005 to the America Reads Grant that should have been charged to the DPI VISTA Grant. Cotton & Company received a Periodic Expense Report to document the adjustment and resolution of the questioned costs during the Exit Conference on May 20, 2003. (Note 2)

The WNCSB identified that DPI inadvertently charged $295 to an unemployment claim for a member twice. Cotton & Company were informed of the situation and incorporated the expenses into the questioned costs in the audit. A copy of a check that resolved the questioned costs was provided to Cotton & Company during the Exit Conference on May 20, 2003. (Note 3)

Cotton & Company questioned $30,714 for education awards due to the lack of a High School Diploma/GED in member files. The questioning of these costs has been related to the eligibility of the members. Wisconsin accepted self-disclosure by a member for reporting the education level completed. The primary focus was for members that identified that they had not completed their High School Diploma/GED. These members were required to sign a form that specified that they must work on completing the high school/GED requirements during their term of service and that they could not use the education award until they received their High School Diploma/GED. In Wisconsin, this issue was identified as an Education Award Trust issue related to the use of the educational award not an eligiblity issue. The Corporation's recent policy clarification accepts self-disclosure and supports that the $30,714 of questioned costs should not be disallowed. The WNCSB has developed a form to help programs meet their eligibility documentation requirements. (Note 4)

3. **AmeriCorps Competitive – 00ASCWI051- questioned Cost for Allowability ($286) and Support ($32,459).**

Schedule D: WNCSB and Public Allies agrees that consulting fees exceeding the daily maximum limit by $286. (Note 1)

The organization used an unacceptable cost allocation method that resulted in the questioning of $32,459. It is important to recognize that the program has a single mission and that all resources are used to accomplish that mission. The program is working with their auditor to provide a response and the documentation of the cost allocation of expenses. (Note2)

The $500 of unreconciled claimed costs are being reviewed by the program. Procedures are in place to ensure that all reports are prepared from the accounting system.

WNCSB and the program agree that $500 of expenses could not be reconciled with the accounting system. A new Executive Director and the accounting system caused some issues for cost allocating expenses and reporting. The program's response to the questioned costs demonstrates the intent of the program to comply with the requirements. The program and the program's auditor are actively in pursuit of an acceptable allocation system and these efforts will establish necessary corrective actions. All FSRs and Periodic Expense Reports will be prepared from the accounting system. (Note 4)

4. **AmeriCorps Education Award – 99EDSWI051- Questioned Cost for Allowability ($500) and Education Awards Support ($4,725).**

Schedule E: The program has made several attempts to secure the missing documentation. The member has moved out of state and unfortunately the member has not cooperated so the eligibility documentation has not been secured.

5. **AmeriCorps Formula - 94ASCWI051 – Questioned Costs for Allowability ($35,481), for Support ($186,721) and Education Award ($70,731) on Schedule F, F1, F2 and F3.**

Schedule F-1: The WNCSB identified that MCSC had overpaid the stipend for several members. The organization used a complicated tracking and reporting system to record service hours for members. The system caused some members to receive stipend payments greater than the maximum allowable stipend amount. On a daily basis members punched in on a time clock for service hours and members signed these time clock cards for their service hours. The "at-risk" youth members participated in training activities one day a week. The members signed a training log for training hours. Staff then combined the time clock cards and the training log to create a timesheet for each member for each pay period. These tracking methods were further compounded by the use of an outside payroll company. The stipend required a constant number of hours for each member in order to make equal payments to the members. The organization failed to track the total number of hours accurately and this caused payments over the maximum stipend for several members.

The WNCSB investigated the issues and requested that the OIG further the investigation to ensure that the intent of the organization was not to misuse the federal funds. The WNCSB's finding were confirmed by the OIG investigation and concluded that the program management systems were the cause of problem. The flawed service hour tracking systems of the organization caused the inaccurate calculations of member hours and lead to the overpayment of the stipend. The $33,708 over payment of stipends and $6,293 in education awards questioned by the auditors directly relates to the flawed time tracking system used by the organization and explained in the above

paragraphs. Both the OIG and WNCSB concluded that the program unintentionally overpaid the member stipend and awarded excess education award amounts to members. The WNCSB is requesting that the CNCS consider the organization's intent and not disallow the $40,001 of funding questioned by Cotton & Company. (Note 1)

The $1,773 of recalculated administrative costs should not be disallowed due to the results of the OIG and WNCSB investigations and the intent of the program to comply with the requirements should be the primary consideration. (Note 2)

Schedule F-2: One member that actually tutored children was missing a background check. It is unreasonable to expect background checks, in a member file, if the member did not participate in the activities requiring the background check. It is important to recognize that Monitoring Reports document that only a few members tutored children. These members only spent a **minimal** amount of time tutoring children. The response from the organization has been provided to Cotton & Company. The program's response and the WNCSB Monitoring Reports supports that the CNCS not disallow the $14,634 and $7,586 in questioned costs related to the lack of background checks. The WNCSB strongly disagrees with Cotton & Company's opinion expressed in the questioning of these costs. (Note 1)

Cotton & Company questioned $142,693 of living allowances and $41,951 of education awards for improper timesheets. The organization has provided a response that demonstrates the programs continuous efforts to develop an effective time tracking system. Monitoring Reports document that the WNCSB worked with the program to improve time tracking records for members. The City's payroll system caused issues for paying a stipend and required the reporting of a constant number of hours per pay period for each member. Prior to November 1999, member hours were tracked on an off line system and member and supervisor signatures were missing. The program has demonstrated continuous improvement by the questioned cost being in 1998-99 and not in the following program years. The City's response was provided to Cotton & Company during the Exit Conference on May 20, 2003. The WNCSB request that the CNCS consider the continuous improvement efforts documented by Monitoring Reports and the progressive efforts made by the program to properly track member service time and not disallow the $184,644 of questioned costs. (Note 2)

Cotton & Company questioned $27,272 of costs that the U.S. Department of Housing and Urban Development had also identified. The unacceptable cost allocation methods used by the City were sited in audits performed in 1997,1998, 1999 and 2000. HUD is the cognizant federal agency and accepted the City's response and corrective actions without penalty. The City effectively resolved the issue with HUD and the CNCS should follow the decision of the cognizant federal agency and not penalize the program. (Note 3)

The $2,212 of recalculated administrative costs should not be disallowed due to the program efforts and intent to comply with the requirements. (Note 4)

Schedule F-3: Questioned costs for the lack of a High School Diploma/GED in member files is $14,901 for education awards. The questioning of these costs has been related to the eligibility of members. Wisconsin accepted self-disclosure by a member for reporting the education level completed. The primary focus of the WNCSB was for members that identified that they had not completed their High School Diploma/GED. These members were required to sign a form that specified that they must work on completing the High School/GED requirements during their term of service and that they could not use the education award until they received their High School Diploma/GED. In Wisconsin, this was identified as an Education Award Trust issue related to the use of the education award not as an eligiblity issue. The Corporation's recent policy clarification to accept self-disclosure supports that the $14,901 of questioned costs should not be disallowed. The WNCSB has developed a form to help programs meet the eligibility documentation requirements. (Note 1)

One member was missing a birth certificate. The program has had several contacts with the individual. Unfortunately this person feels that there is a government conspiracy against them and is unwilling to provide the necessary eligibility document. The CNCS should give consideration to the situation and not disallow the $3,447 of questioned costs. (Note 1)

6. **AmeriCorps Governor's Initiative - 99ASHWI051 – questioned Costs for Allowability and Support ($36,633) and Education Award Support ($9,336) in schedules G, G-1, G-2, G-3, G-4 and G-5.**

Schedule G-1: The program repaid the $250 for the questioned costs of a tattoo removal. A copy of the check has been provided to Cotton & Company.

Schedule G-2: The program is working with their auditors to review the policies and procedures used to allocate funding. It is clear that the cost allocation plan is submitted to the City of Milwaukee for an annual approval. (Note 1)

Cotton & Company questioned $4,725 for education awards due to the lack of a High School Diploma/GED in member files. The questioning of these costs has been related to the eligibility of the members. Wisconsin accepted self-disclosure by a member for reporting the education level completed. The primary focus was for members that identified that they had not completed their High School Diploma/GED. The member was required to sign a form that specified that they must work on completing the high school/GED requirements during the term of service and that they could not use the education award until they received their High School Diploma/GED. In Wisconsin, this issue was identified, as an Education Award Trust issue related to the use of the educational award not an eligiblity issue. The Corporation's recent policy clarification accepts self-disclosure and supports that the $30,714 of questioned costs should not be disallowed. The WNCSB has developed a form to help programs meet their eligibility documentation requirements. (Note 2)

The program's response demonstrates the confusion created by Wisconsin Law forbidding the copying of birth certificates. The Board provided guidance for programs to correct the member files and removed copies of birth certificates. Unfortunately, some documentation was loss or incorrectly reported. (Note2)

Schedule G-3: $2,018 used for staff bonuses and has been questioned as unnecessary costs. The program has reimbursed the $2,018. The WNCSB disagrees with the questioned costs due to bonuses being a normal and acceptable practice for the program to compensate employees and the CNCS should not disallow the $2,018. (Note 1)

The questioned costs for the lack of a High School Diploma in member files is $2,363 for education awards. Wisconsin accepted self-disclosure by a member for reporting the education level completed. The primary focus of the WNCSB was for members that identified that they had not completed their High School Diploma/GED. These members were required to sign a form that specified that they must work on completing the high school/GED requirements during their term of service, and that they could not use the education award until they received their High School Diploma/GED. In Wisconsin, this was identified as an Education Award Trust issue related to the use of the education award not as an eligiblity issue. The Corporation's recent policy clarification to accept self-disclosure supports that the $2,363 of questioned costs should not be disallowed. The WNCSB has developed a form to help programs meet the eligibility documentation requirements. (Note 2)

Schedule G-4: One missing parental consent form should not cause the CNCS to disallow the $1,285 of questioned costs for eligibility. The program has attempted to secure the form and has developed procedures to ensure proper parental consent is in place prior to members starting their service. (Note 1)

The $963 of questioned costs for the lack of a High School Diploma in a member file was related to the eligibility of the member. Wisconsin accepted self-disclosure by a member for reporting the education level completed. The primary focus was for members that identified that they had not completed their High School Diploma/GED requirements. Members were required to sign a form that specified they must work on completing the high school/GED requirements during their term of service and that they could not use the education award until they received their High School Diploma/GED. In Wisconsin, this was identified as an Education Award Trust issue related to the use of the educational award not as an eligiblity issue. The Corporation's policy clarification to accept self-disclosure supports that the $963 of questioned costs should not be disallowed. The WNCSB has developed a form to help programs meet their eligibility documentation requirements. (Note 2)

7. Learn and Serve - 97LSCWI017 – questioned Costs for Support ($6,000).

Schedule H: The program is gathering the necessary information to support the costs. This is a small neighborhood association and the lack of a response is due to the volunteers and part-time staff overseeing the L&S program. The $6,000 of questioned costs related to two $3,000 mini-grants.

APPENDIX B

CORPORATION'S RESPONSE TO DRAFT AUDIT REPORT

Corporation for
NATIONAL & COMMUNITY SERVICE

To: Russell George, Inspector General

From: Margaret Rosenberry, Director of Grants Management

Date: June 20, 2003

Subj: Response to OIG Draft Audit Report 03-04: Incurred Cost Audit of Grants Awarded to the Wisconsin National and Community Service Board

---

We have reviewed the draft audit report of the grants to the Wisconsin National and Community Service Board. Due to the limited timeframe for response, we have not analyzed documentation provided by the Board 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 Wisconsin Board has also provided an extensive response and is working on corrective action as necessary.

We should also note that we agreed with the auditors to review the documentation related to the unsupported match on the Administrative grant during the audit resolution process. The Wisconsin Board has extensive documentation related to a large percentage of the match. However, the auditors could not determine which cost elements to review without budget revisions made by the Board and approved by the Corporation. Therefore, we will work with the Wisconsin Board during the audit resolution process to complete the necessary budget revisions, then review the supporting documentation. Based on our preliminary review of the documentation already provided, we anticipate the many of the questioned costs will have adequate support and will be allowed.