OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Audit of Corporation for National and Community Service Grants Awarded to Connecticut Commission on National & Community Service Hartford, Connecticut

OIG Audit Report Number 03-08

Financial Schedules
and
Independent Auditor's Reports
For the Period
October 1, 1998, to December 31, 2001
(Dates Vary by Grant Award)

Prepared by
Leonard G. Birnbaum and Company
Certified Public Accountants
6285 Franconia Road
Alexandria, Virginia 22310

This report was issued to Corporation management on September 12, 2003. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than March 12, 2004, and complete its corrective actions by September 12, 2004. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

CORPORATION
FOR NATIONAL
SERVICE

Office of Inspector General
Corporation for National and Community Service
Audit Report 03-08

Audit of Corporation for National and Community Service Grants Awarded to Connecticut Commission on National & Community Service

Introduction

The Corporation for National and Community Service, pursuant to the National and Community Service Trust 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 Leonard G. Birnbaum and Company to audit Corporation grants awarded to the Connecticut Commission on National & Community Service. These grants covered costs related to AmeriCorps, Program Development and Training, Administrative, America Reads, Promise Fellows, Make a Difference, Learn & Serve, and Education Awards from October 1, 1998, through December 31, 2001. The audit's objectives were to determine whether: (1) financial reports prepared by the Connecticut Commission presented fairly the financial results of the awards; (2) the internal controls were adequate to safeguard Federal funds; (3) the Commission and its subrecipients had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations and award conditions, and that member services were appropriate to the programs; (4) the award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions; and (5) the Commission had established adequate oversight and informed subrecipients of the Corporation's Government Performance Results Act goals.

The Commission had total claimed costs of $7,170,359, of which the auditors questioned $1,892. The questioned amount represents payments to a consultant that were in excess of the daily maximum. The auditors concluded that the Consolidated Schedule of Award Costs presents fairly the costs claimed by the Connecticut Commission, except for the questioned costs identified in the report.

The Office of Inspector General has reviewed the report and the work papers supporting the auditor's conclusions. Our review of the auditor's work papers disclosed no instances where Leonard G. Birnbaum and Company did not comply, in all material respects, with generally accepted government auditing standards.

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

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

Audit of Corporation for National and Community Service
Grants Awarded To
Connecticut Commission on National & Community Service
Hartford, Connecticut

Table of Contents

	Page
Report Summary and Highlights:	
Results in Brief	1
Summary of Audit Results	2
Compliance	3
Internal Controls	4
Purpose and Scope of Audit	4
Background	5
Report Release	6
Independent Auditor's Report	7
Financial Schedules:	
Consolidated Schedule of Award Costs	9
Notes to Consolidated Schedule of Award Costs	10
Exhibit A - Schedule of Award Costs AmeriCorps	11
Exhibit B - Schedule of Award Costs Administration	13
Exhibit C - Schedule of Award Costs Program Development and Training (PDAT)	14
Exhibit D - Schedule of Award Costs Learn and Serve	15
Exhibit E – Schedule of Award Costs America Reads	16

Table of Contents - Continued

	Page
Exhibit F – Schedule of Award Costs Promise Fellows	17
Exhibit G – Schedule of Award Costs Education Awards	18
Exhibit H – Schedule of Award Costs Make a Difference Day Grant	19
Compliance and Internal Controls:	
Independent Auditor's Report on Compliance and Internal Controls Over Financial Reporting	20
Compliance Findings	21
Internal Control Findings	34
Follow-Up on Pre-Audit Survey Findings	35
Responses to Report	
Connecticut Commission on National & Community Service	Appendix A
Corporation for National and Community Service	Appendix B

REPORT SUMMARY AND HIGHLIGHTS

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J. Russell George
Inspector General
Corporation for National and Community Service

This report is issued under an engagement to audit the costs claimed by the Connecticut Commission on National & Community Service (Commission or CCNCS) and its subrecipients from October 1, 1998, through December 31, 2001, under the grants awarded by the Corporation for National and Community Service (Corporation). This report focuses on the audit of claimed costs, instances of noncompliance with Federal laws, applicable regulations or award conditions, and internal control weaknesses disclosed during the audit at the Commission and its subrecipients.

Results in Brief

As a result of our audit, we are questioning costs totaling $1,892, an amount that represents less than .1 percent of the total of $7,170,359 claimed by the Commission. This amount represents payments to a consultant that exceeded the daily limit imposed by Corporation regulations. Details related to questioned costs appear in the Independent Auditor's Report.

Our audit also disclosed that, because the Commission is a unit of the Connecticut State government and must use the State's accounting system, the Commission lacks the ability to track expenditures by budget line item without extensive analysis. Details related to this and other noncompliance findings appear in the Independent Auditor's Report on Compliance and Internal Controls Over Financial Reporting.

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Grant Programs Audited

Our audit of the Commission covered financial transaction, compliance and internal controls testing of the following program awards funded by the Corporation:

Program	Award Number	Award Period	Audit Period
AmeriCorps	94ASCCT007	08/29/94 to 12/31/00	10/01/98 to 12/31/00
AmeriCorps	00ASCCT007	09/01/00 to 08/31/03	09/01/00 to 09/30/01
Administrative	94SCSCT007	01/27/94 to 12/31/00	10/01/98 to 12/31/00
Administrative	01SCSCT007	01/01/01 to 12/31/03	01/01/01 to 12/31/01
PDAT	95PDSCT007	01/01/95 to 12/31/01	10/01/98 to 12/31/01
Learn & Serve	98LSCCT007	07/01/98 to 09/30/01	10/01/98 to 09/30/01
America Reads	98ARCCT007	09/01/98 to 08/30/00	10/01/98 to 08/30/00
Promise Fellows	98APSCT007	11/01/98 to 12/31/99	11/01/98 to 12/31/99
Promise Fellows	99APSCT007	01/01/01 to 12/31/01	01/01/01 to 12/31/01
Education Awards	97EDSCT038	07/01/97 to 12/31/04	10/01/98 to 12/31/01
Make a Difference	99MDDCT007	10/20/98 to 12/31/99	10/20/98 to 12/31/99

Our audit of the costs claimed by the Commission under these awards disclosed the following:

	Amount
Claimed Costs	$7,170,359
Questioned Costs	$ 1,892

SUMMARY OF AUDIT RESULTS

As a result of our audit of the aforementioned awards, we are questioning costs totaling $1,892 as summarized below and detailed in Exhibits A through H to the Independent Auditor's Report. Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the award, or those costs which require additional support by the grantee or require interpretation of allowability by the Corporation.

In our opinion, except for $1,892 in questioned costs, the Commission's Schedules of Award Costs accurately reflect the costs claimed for the period from October 1, 1998, to December 31, 2001.

The following summarizes the costs questioned on these awards by reason:

Administrative	
Consultant payments in excess of ceiling	$1,892
Total Questioned Costs	$1,892

In most cases, we used a random sampling method to test the costs claimed. Based upon this sampling plan, questioned costs in this report may not represent total costs that may have been questioned had all expenditures been tested. In addition, we have made no attempt to project such costs to total expenditures incurred, based on the relationship of costs tested to total costs. For a complete discussion of these questioned costs, refer to the Independent Auditor's Report.

COMPLIANCE

Our audit disclosed the following instances of noncompliance with Federal laws, applicable regulations and award conditions:

- The Commission did not track expenditures by budget line item as required by Corporation provisions.
- The Commission did not submit Financial Status Reports (FSRs) on a timely basis.
- AmeriCorps subrecipients did not submit FSRs on a timely basis.
- Supporting documentation was not available for various costs claimed by subrecipients.
- Consultant fees paid by the Commission exceeded Corporation regulations.
- Cumulative Administrative and PDAT costs reported on FSRs for the audit period exceeded the amount recorded in the general ledger.
- AmeriCorps subrecipient costs exceeded the amounts reported on the Commission's FSRs during the audit period.
- Subrecipients did not maintain all required AmeriCorps documentation.
- Subrecipients erroneously computed costs for reimbursement.

INTERNAL CONTROLS

Finding numbers 1 through 12 set forth in the *Compliance* section of the report are also considered findings on internal controls.

PURPOSE AND SCOPE OF AUDIT

Our audit covered the costs claimed during the period October 1, 1998, to December 31, 2001.

The principal objectives of our audit were to determine whether:

1. Financial reports prepared by the Commission presented fairly the financial results of the award;

2. The internal controls were adequate to safeguard Federal funds;

3. The Commission and its subrecipients had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations and award conditions, and that member services were appropriate to the programs;

4. The award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions; and

5. The Commission had established adequate oversight and informed subrecipients of the Corporation's Government Performance Results Act goals.

We performed the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the awards, as presented in the Consolidated Schedule of Award Costs and the grant-specific Exhibits of Award Costs (Exhibits A through H), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in this schedule and exhibits. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. Our audit included reviews of Single Audit Reports on financial statements of the State of Connecticut issued by the Auditors of Public Accounts for the years covered by this engagement. We reviewed audit reports and working papers prepared by independent public accountants of the Commission's subrecipients in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Our audit also followed up on the findings and recommendations in the Pre-Audit Survey Report of the Commission dated October 26, 2000 (Corporation Office of Inspector General Report 01-21). We believe our audit provides a reasonable basis for our opinion.

The contents of this draft report were disclosed to and discussed with the Commission at an exit conference on July 21, 2003. In addition, we provided a draft of this report to the Commission and to the Corporation for comment on August 5, 2003, and received responses from both the Commission and the Corporation on September 4 and 5, 2003, respectively.

BACKGROUND

The Corporation, pursuant to the authority of the National and Community Service Trust Act of 1993 (42 U.S.C. § 12501-681), as amended, awards grants and cooperative agreements to State commissions and other entities to assist in the creation of full and part time national and community service programs.

The Commission has received funding, as of December 31, 2001, from the Corporation for various programs in the amount of $22.2 million. For the period under audit, Program Years 1998-1999, 1999-2000 and 2000-2001, expenditures per the Financial Status Reports (FSRs) amounted to $7,170,359. The majority of this amount has been subgranted to numerous entities in order to carry out the programs. A brief synopsis of the programs follows:

Program	Award Number	Award Amount	Costs Claimed by CCNCS (1998-2001)
AmeriCorps			
Competitive and Formula	94ASCCT007	$14,553,839	$4,191,648
Competitive	00ASCCT007	5,138,662	1,780,449
Total AmeriCorps		$19,692,501	$5,972,097
Program Development & Training	95PDSCT007	$ 331,327	$ 190,354
Learn and Serve	98LSCCT007	$ 323,100	$ 272,610
America Reads	98ARCCT007	$ 275,220	$ 171,750
Promise Fellows			
	98APSCT007	$ 58,014	$ 55,750
	99APSCT007	76,800	56,702
Total Promise Fellows		$ 134,814	$ 112,452
Education Awards	97EDSCT038	$ 36,868	$ 36,868
Make A Difference Day	99MDDCT007	$ 2,000	$ 2,000

REPORT RELEASE

This report is intended for the information and use of the Office of Inspector General, management of the Corporation for National and Community Service, the Connecticut Commission on National and Community Service and its subrecipients, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

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INDEPENDENT AUDITOR'S REPORT

We have audited the costs incurred by the Connecticut Commission on National and Community Service (Commission or CCNCS) for the award numbers listed below. These costs, as presented in the Consolidated Schedule of Award Costs and the grant-specific Exhibits of Award Costs (Exhibits A through H), are the responsibility of the Commission's management. Our responsibility is to express an opinion on the Consolidated Schedule of Award Costs and Exhibits A through H, based on our audit.

Program	Award Number	Award Period	Audit Period
AmeriCorps	94ASCCT007	08/29/94 to 12/31/00	10/01/98 to 12/31/00
AmeriCorps	00ASCCT007	09/01/00 to 08/31/03	09/01/00 to 09/30/01
Administrative	94SCSCT007	01/27/94 to 12/31/00	10/01/98 to 12/31/00
Administrative	01SCSCT007	01/01/01 to 12/31/03	01/01/01 to 12/31/01
PDAT	95PDSCT007	01/01/95 to 12/31/01	10/01/98 to 12/31/01
Learn & Serve	98LSCCT007	07/01/98 to 09/30/01	10/01/98 to 09/30/01
America Reads	98ARCCT007	09/01/98 to 08/30/00	10/01/98 to 08/30/00
Promise Fellows	98APSCT007	11/01/98 to 12/31/99	11/01/98 to 12/31/99
Promise Fellows	99APSCT007	01/01/01 to 12/31/01	01/01/01 to 12/31/01
Education Awards	97EDSCT038	07/01/97 to 12/31/04	10/01/98 to 12/31/01
Make a Difference	99MDDCT007	10/20/98 to 12/31/99	10/20/98 to 12/31/99

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those 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 the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used, and significant estimates

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made by management, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, except for $1,892 in questioned costs, the Schedule of Award Costs (Exhibits A through H) referred to above present fairly, in all material respects, the costs claimed for the period October 1, 1998, to December 31, 2001, in conformity with generally accepted accounting standards in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 30, 2003, on Compliance and Internal Controls over financial reporting.

This report is intended for the information and use of the Office of Inspector General, as well as management of the Corporation for National and Community Service, the Connecticut Commission on National and Community Service and its subrecipients, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

Leonard G. Birnbaum and Company, LLP

Alexandria, Virginia
June 30, 2003

Connecticut Commission on National & Community Service
Consolidated Schedule of Award Costs

Corporation for National and Community Service Awards:

Award Number	Program	Approved Budget (1994 - 2001)	Costs Claimed by CCNCS (1998 - 2001)	Questioned Costs	Reference
94ASCCT007	AmeriCorps (C&F)	$14,553,839	$4,191,648	-	
00ASCCT007	AmeriCorps (C)	5,138,662	1,780,449	-	
Total AmeriCorps		19,692,501	5,972,097	-	Exhibit A
94SCSCT007	Administrative	1,105,732	279,517	1,892	
01SCSCT007	Administrative	354,315	132,711	-	
Total Administrative		1,460,047	412,228	1,892	Exhibit B
95PDSCT007	PDAT	331,327	190,354	-	Exhibit C
98LSCCT007	Learn and Serve	323,100	272,610	-	Exhibit D
98ARCCT007	America Reads	275,220	171,750	-	Exhibit E
98APSCT007	Promise Fellows	58,014	55,750	-	
99APSCT007	Promise Fellows	76,800	56,702	-	
Total Promise Fellows		134,814	112,452	-	Exhibit F
97EDSCT038	Education Awards	36,868	36,868	-	Exhibit G
99MDDCT007	Make A Difference	2,000	2,000	-	Exhibit H
Grand Totals – All Awards		$22,255,877	$7,170,359	$ 1,892	

Connecticut Commission on National & Community Serve
Notes to Consolidated Schedule of Award Costs

Reporting Entity

The accompanying Schedule and Exhibits include amounts claimed and questioned under AmeriCorps, Administrative, and Program Development and Training grants awarded by the Corporation for National and Community Service for the period from October 1, 1998, to December 31, 2001 (periods vary by individual grants).

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

Summary of Significant Accounting Policies

Basis of Accounting

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

Equipment

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

Inventory

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

Exhibit A

Connecticut Commission on National & Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 94ASCCT007
Award Number 00ASCCT007
October 1, 1998, to September 30, 2001

AmeriCorps

Grant	Claimed Costs	Questioned Costs	Reference
Commission			
94ASCCT007 (C & F)	$4,191,648	$ -	Note 2
00ASCCT007	1,780,449	-	
Commission Total	5,972,097	-	Note 1
Leadership, Education, and Athletics In Partnership	2,707,951	-	
Regional Youth/Adult Substance Abuse Project	1,154,893	-	
Southend Community Services	582,244	-	
Urban Solutions	452,161	-	Note 2
Other Subrecipients	1,698,964	-	
Total Reported by Subrecipients	$6,596,213	-	
Difference Between CCNCS and Subrecipients Costs Claimed	$ 624,116	$ -	Note 1

Notes

1. Commission financial personnel stated that the $624,116 difference noted on Exhibit A was due in part because the subrecipient, Urban Solutions, was undergoing an audit and the final figures were unavailable for inclusion in the Commission's FSRs. It was also noted that since WBRS was not in effect until the 2000-2001 program year, there was a lack of coordination of financial information between the Commission and its subrecipients. (Please refer to Finding No. 7 in the Independent Auditor's Report on Compliance and Internal Controls Over Financial Reporting.)

2. Urban Solutions' expenditures for program year 1998-1999, audited by a firm hired by Urban Solutions, disclosed no deficiencies. Another firm, employed by the Commission to audit program years 1999-2000 and 2000-2001, identified costs of $461,292 for the period July 1, 1998, through June 30, 2001, compared to $535,456 in funds provided, a deficiency of $74,164. The FSR reported costs, however, totaled $452,161, resulting in an unreconciled difference of $9,129 between the amount reported and the amount per audit. In the draft version of this report, we questioned the deficiency of $74,164.

   In its response, the Commission pointed out that the deficiency is, in fact, an excess drawn from the State of Connecticut funds since the amount reflected on the related FSR submitted to the Corporation does not include the deficiency of $74,164. We interpret the Commission's response to mean that it will not, at any future time, claim this deficiency against Corporation funds. On the basis of that understanding, we have eliminated this amount from questioned costs.

Exhibit B

Connecticut Commission on National & Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 94SCSCT007
Award Number 01SCSCT007
October 1, 1998, to December 31, 2001

ADMINISTRATIVE

Grant		Claimed Costs	Questioned Costs	Reference
94SCSCT007	Administrative	$279,517	$1,892	Note 1
01SCSCT007	Administrative	132,711	-	
Total		$412,228	$1,892	

Note

1. The questioned cost represents payment to a consultant in excess of the ceiling established by Corporation Grant Provisions (please refer to Finding No. Four).

Exhibit C

Connecticut Commission on National & Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 95PDSCT007
October 1, 1998, to December 31, 2001

Program Development and Training

Grant	Claimed Costs	Questioned Costs
95PDSCT007 PDAT	$190,354	$ -

Exhibit D

Connecticut Commission on National & Community Serve
Schedule of Award Costs
Corporation for National and Community Service
Award Number 98LSCCT007
October 1, 1998, to September 30, 2001

Learn and Serve

Grant		Claimed Costs	Questioned Costs
98LSCCT007	Learn and Serve	$272,610	$ -

Exhibit E

Connecticut Commission on National & Community Serve
Schedule of Award Costs
Corporation for National and Community Service
Award Number 98ARCCT007
October 1, 1998, to August 30, 2000

America Reads

Grant		Claimed Costs	Questioned Costs
98ARCCT007	America Reads	$171,750	$ -

Exhibit F

Connecticut Commission on National & Community Serve
Schedule of Award Costs
Corporation for National and Community Service
Award Number 98APSCT007
Award Number 99APSCT007
November 1, 1998, to December 31, 2001

Promise Fellows

Grant		Claimed Costs	Questioned Costs
98APSCT007	Promise Fellows	$ 55,750	$ -
99APSCT007	Promise Fellows	56,702	-
Total		$112,452	$ -

Exhibit G

Connecticut Commission on National & Community Serve
Schedule of Award Costs
Corporation for National and Community Service
Award Number 97EDSCT038
October 1, 1998, to December 31, 2001

Education Awards

Grant		Claimed Costs	Questioned Costs
97EDSCT007	Education Awards	$36,868	$ -

Exhibit H

Connecticut Commission on National & Community Serve
Schedule of Award Costs
Corporation for National and Community Service
Award Number 99MDDCT007
October 20, 1998, to December 31, 1999

Make a Difference Day

Grant	Claimed Costs	Questioned Costs
99MDDCT007 Make A Difference Day	$2,000	$ -

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

We have audited the Schedule of Award Costs, as presented in Exhibits A through H, which summarizes the claimed costs of the Connecticut Commission on National and Community Service under the Corporation awards listed below, and have issued our report thereon dated June 30, 2003.

Program	Award Number	Award Period	Audit Period
AmeriCorps	94ASCCT007	08/29/94 to 12/31/00	10/01/98 to 12/31/00
AmeriCorps	00ASCCT007	09/01/00 to 08/31/03	09/01/00 to 09/30/01
Administrative	94SCSCT007	01/27/94 to 12/31/00	10/01/98 to 12/31/00
Administrative	01SCSCT007	01/01/01 to 12/31/03	01/01/01 to 12/31/01
PDAT	95PDSCT007	01/01/95 to 12/31/01	10/01/98 to 12/31/01
Learn & Serve	98LSCCT007	07/01/98 to 09/30/01	10/01/98 to 09/30/01
America Reads	98ARCCT007	09/01/98 to 08/30/00	10/01/98 to 08/30/00
Promise Fellows	98APSCT007	11/01/98 to 12/31/99	11/01/98 to 12/31/99
Promise Fellows	99APSCT007	01/01/01 to 12/31/01	01/01/01 to 12/31/01
Education Awards	97EDSCT038	07/01/97 to 12/31/04	10/01/98 to 12/31/01
Make a Difference	99MDDCT007	10/20/98 to 12/31/99	10/20/98 to 12/31/99

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

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COMPLIANCE

Compliance with laws, regulations, and the Grant Provisions of the awards is the responsibility of the Connecticut Commission on National and Community Service's management. As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and the terms and conditions of the awards. However, our objective was not to provide an opinion on overall compliance with such provisions.

Instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in the Corporation's statutes, regulations, and the Grant Provisions of the award.

Compliance Findings

The results of our tests of compliance disclosed the following instances of noncompliance:

1. The Commission did not track expenditures for the Administrative and PDAT grants by budget line item, as stipulated in Grant Provisions. Consequently, we were unable to compare the Commission's claimed amounts to specific Program Budget line items. The AmeriCorps General Provisions entitled "Financial Management Provisions" state "this [Financial Management] system must be able to identify costs by programmatic year and by budget line item."

This condition is caused by the fact that the State of Connecticut Central Accounting System does not summarize financial information by line item. The effect of this condition is that, for most grants, the Commission is unable to perform a comparison of actual expenditures to budget line item. It is difficult to control costs if management is unaware of how expenditures compare with the budget.

AmeriCorps subgrantee requests for reimbursement forms, and more recently, the Web Based Reporting System (WBRS), include budget line items and expenditures of Federal funds and grantee matching. In spite of this information being available for subgrantees, the Commission's financial management system is not configured to provide a comparison of actual expenditures to budget line items. For grants without subgrantees, such as Administrative, no budget line item comparisons with expenditures are available.

In its response to a draft of this report, the Commission noted that the required information can be extracted from monthly reports produced by the State of Connecticut Central Accounting System. The Commission, however, does not routinely prepare comparisons of actual expenditures to the corresponding amounts budgeted.

Recommendation

We recommend that the Commission establish policies, procedures and accounting practices within its current recordation systems to utilize the respective grants' appropriation codes and budget line items for tracking the funded and expended amounts by grant, program year and budget line item.

2. The Commission did not submit Financial Status Reports (FSRs) for the following grants on a timely basis, as stipulated in the Grant Provisions.

Grant	Submitted Late	On Time	Percent Late
94ASCCT007 – AmeriCorps	3	5	37.5%
00ASCCT007 – AmeriCorps	1	3	25%
00ASFCT007 – AmeriCorps	1	1	50%
94SCSCT007 – AmeriCorps	2	6	25%
01SCSCT007 – Administrative	2	2	50%
95PDSCT007 – PDAT	4	8	33%
98LSCCT007 – Learn & Serve	2	9	18%
98ARCCT007 – America Reads	1	7	12.5%
99APSCT007 – Promise Fellows	1	3	25%

We believe the basic cause of the above condition was that Commission management did not place the proper emphasis, in the financial management process, on the timely gathering of the information necessary to prepare FSRs.

The Corporation has established due dates for FSRs for each program for each year. We matched due dates with actual FSR submission dates to arrive at the results shown above.

This condition results in a violation of the terms and conditions of the grant and potential funding misapplications. Both the grantor and grantee require current financial information for timely and effective management decision-making.

Recommendation

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

3. The following AmeriCorps subrecipients did not submit Financial Status Reports on a timely basis:

Subrecipient	Submitted Late	On Time	Percent Late
LEAP	11	11	50%
RYASAP	1	11	8%
SCS	1	11	8%
Urban Solutions	4	6	40%

The basic cause of the above condition appears to be that the Commission's subrecipient indoctrination and oversight process did not adequately emphasize the importance of preparing and submitting correct and timely Financial Status Reports.

Office of Management and Budget Circulars A-102 and A-110, as well as AmeriCorps Provision No. 16, "Reporting Requirements," provide for the submission of quarterly FSRs. The Commission also established annual subrecipient FSR due dates in order to provide the time necessary to aggregate Commission FSRs and meet the Corporation's FSR due date schedule. Subrecipient due dates were compared with submission dates to arrive at the above schedule.

This condition results in a violation of the terms and conditions of the grant and potential funding misapplications. The grantee and subrecipients require current financial information for timely and effective management decision-making.

Recommendation

We recommend that the Commission establish policies and procedures to ensure that FSRs are properly completed, supported by adequate documentation, and submitted on a timely basis.

4. The Connecticut Commission on National and Community Service paid $3,000 to an individual for a July 2000 retreat, based on a $1,200 per-day rate. The claimed daily rate exceeds the $443 limit for consultant services established by Corporation Grant Provisions. Based on an audit calculation of 2.5 days ($3,000 ÷ $1,200) at $443 per day, the allowable Federal portion should not exceed $1,108. Accordingly, we have questioned the difference of $1,892.

Responsibilities under Grant Administration 3.a., under Section C., General Provisions for Program Development and Training, Disability Placement and State Administrative Awards, requires that "the Grantee has full fiscal and programmatic responsibility for managing all aspects of grant and grant-supported activities, subject to the oversight of the Corporation. The Grantee is accountable to the Corporation for its operation of the AmeriCorps program and the use of Corporation grant funds. It must expend grant funds in a judicious and reasonable manner."

Further, Responsibilities under Grant Administration 4.e., under Section C., General Provisions for Program Development and Training, Disability Placement and State Administrative Awards, requires that "payments to individuals for consultant services under this Grant will not exceed $443 per day (exclusive of any indirect expenses, travel, supplies and so on)."

This condition results in a violation of the terms and conditions of AmeriCorps provisions and excess costs of $1,892 charged to the grant.

Recommendation

We recommend that the Commission establish procedures to ensure that costs claimed are in conformity with AmeriCorps provisions.

5. The following discrepancies were noted between Administrative and PDAT grant costs reported, and costs recorded in the general ledger.

Administrative – FSR costs exceeded the general ledger for the three years ended December 31, 2001, by $7,571.

Source:	**Amount**
Financial Status Reports	$412,228
General Ledger/Program Reports	404,657
Excess of FSR Reported Cost Over General Ledger	**$7,571**

PDAT – FSR costs exceeded the general ledger for the three years ended December 31, 2001, by $32,064.

Source:	**Amount**
Financial Status Reports	$190,354
General Ledger/Program Reports	158,290
Excess of FSR Reported Cost Over General Ledger	**$32,064**

CCNCS personnel did not provide a reconciliation of the difference in costs per the FSRs.

Financial Management Provision 4.a., under Section C., General Provisions for Program Development and Training, Disability Placement and State Administrative Awards, requires that "the Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail, and written cost allocation procedures as necessary."

Financial Management Provision 4.b., under Section C., requires that "the Grantee must maintain adequate supporting documents for its expenditures and in-kind contributions under this grant. Costs

must be shown in books or records and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document."

This condition is caused by a failure to ensure that amounts reported on FSRs are reconciled with the Commission's records. We have not questioned these differences because they may arise from timing differences and may predate the period covered by this audit.

This condition results in a violation of the terms and conditions of the grant and potential funding misapplications. Properly supported and accurate financial information is required for timely and effective reporting and management decision-making.

Recommendation

We recommend that the Commission prepare worksheets and reconciliations to support any differences between the FSRs and the underlying accounting records.

6. AmeriCorps subrecipient costs exceeded the amounts reported on the Commission's FSRs by $624,116 for the period September 1, 1998, to September 30, 2001.

Source	Amount
Subrecipients' Financial Status Reports – all subgrants for the period through 3/31/01	$6,596,213
Commission Financial Status Reports for the period through 3/31/01	5,972,097
Difference	**$624,116**

Commission financial personnel stated that the difference was due in part because Urban Solutions was undergoing an audit and the final figures were unavailable for inclusion in the Commission's FSRs. It was also noted that since WBRS was not in effect until the 2000-2001 program year, resulting in a lack of coordination of financial information between the Commission and its subrecipients.

Financial Management Provision 4.a., under Section C., General Provisions for Program Development and Training, Disability Placement and State Administrative Awards, requires that "the Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary."

Financial Management Provision 4.b., under Section C., requires that "the Grantee must maintain adequate supporting documents for its expenditures and in-kind contributions under this grant. Costs must be shown in books or records and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document."

This condition results in a violation of the terms and conditions of the grant and potential funding misapplications. Properly supported and accurate financial information is required for timely and effective reporting and management decision-making.

Recommendation

We recommend that the Commission develop and implement an internal control procedure to ensure that the total funds expended by the subrecipient are reconciled to the total costs reported and claimed by the Commission.

7. Our tests of Other Direct Costs claimed by Commission subgrantees disclosed various items charged that were misclassified, or lacking purpose and/or supporting documentation as follows:

LEAP

- The LEAP cost category designated "Group Expenses" was represented as used to provide a variety of goods and services to children under the care of AmeriCorps members and other LEAP counselors. The funds were generally spent by the counselors and later reimbursed pending submission of receipts. Our review of a transaction in June 1999 disclosed that the costs charged ($8,447 Federal and $16,366 Match) could not be identified with particular activities and could not be distinguished from personal expenditures. Another cost claimed of $2,750 in July 2001 was supported by a large envelope of receipts that were in no order and in unauditable condition. As with the transaction above, the costs could not be identified with specific project functions. Group expenses were incurred and claimed in each year of the audit period.

- Transportation costs of $2,190 that were incurred in August 1999 were supported only by a purchase order. It was not possible to determine if the service had actually been provided, nor was it possible to determine the exact nature of the trip.

- Airfare costs of $1,433.50 for trips in April 1999 were billed to a credit card and supported only by travel itineraries. Ticket receipts were not available for audit review and no other information was provided to indicate the reasons for the trips and whether they were, in fact, taken.

- LEAP wrote a $1,000 check to Urban Solutions in June 2000 as a deposit on an apartment to house counselors. The subgrant was charged, but a notation on the documentation indicated that the check was never cashed. No adjustment appears to have been made to reduce expenses and correct the error.

- A $7,300 payment for t-shirts, invoiced at $7,227.22, resulted in a refund due from the supplier for $72.78. No adjustment was made to the subgrant for the cost reduction.

RYASAP

- A review of hotel costs disclosed numerous personal expenses, such as phone calls and entertainment, that were charged to the subgrant. These items should have been reimbursed to the agency and deducted from costs claimed. RYASAP was also apparently unaware that it was subject to Federal Travel Regulations.

- RYASAP was unable to document the purpose of trips made to Las Vegas in 1999 and to Atlanta in 2000. The travel was ostensibly for AmeriCorps/Community Service related conventions but no brochures or other identifying information was provided to substantiate this claim.

- AmeriCorps match costs claimed included PDAT funding, as noted in the table below. RYASAP personnel indicated that they were not aware that the origin of PDAT funds was Federal as opposed to State and, therefore, was not eligible to be claimed as a match cost. (Note: Commission records indicate that an additional $1,537 - for a total of $2,193 - was provided to RYASAP in 2001. The subgrantee claims the lesser amount of $656.)

Program Year	Amount
1999	$5,000
2000	$2,000
2001	$656

- RYASAP was unable to provide supporting documentation for, and the purpose of, a March 2000 hotel charge of $299.

- A deposit of $426 for a t-shirt order in April 2001 appears to have inadvertently been paid twice; once when the order was placed and again when the order was delivered. Confusion resulted because the invoice did not reflect the prepayment and the supplier's name on the invoice differed from the name of the company that had received the deposit.

SCS

- Our tests disclosed various expenditures for which supporting documentation was unavailable. These costs, including such items as travel, office expenses and miscellaneous charges incurred on behalf of the children assigned to the AmeriCorps members, are summarized in the following table:

Program Year	Amount
1999	$1,806
2000	$362
2001	$346

- Advance payments of $300 to an amusement park and $225 to a museum for entertainment expenses for children enrolled in the program, resulted in refunds of $102 and $80, respectively. No adjustment was made to the subgrant for the cost reduction.

- AmeriCorps match costs claimed included PDAT funding of $1,070 in program year 2001. SCS did not segregate this grant from AmeriCorps costs claimed in the general ledger, and any costs in excess of the allowable Federal portion were inadvertently included in the match cost pool.

AmeriCorps Provision 21.a., under Section C., Financial Management Provisions, requires that "the Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary."

AmeriCorps Provision 21.b., under Section C., requires that "the Grantee must maintain adequate supporting documents for its expenditures and in-kind contributions made under this Grant. Costs must be shown in books or records and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document."

Although the items above appear to be the result of inadvertent misclassification of costs charged to the subgrants, and errors in the filing or retention of documentation, this condition results in a violation of the terms and conditions of the grant and potential funding misapplications. Properly supported and accurate financial information is required for timely and effective reporting and management decision-making.

Recommendation

We have not questioned any of these costs because the subrecipients had more than enough excess match costs to offset these amounts had they been questioned. We recommend that all subrecipient charges be adequately supported, charged to correct cost centers and grant periods, and that all documentation in support of claimed costs be retained for the required three-year retention period.

8. Our review of LEAP's member records disclosed various exceptions as noted.

- Documentation was missing from AmeriCorps files tested as noted in the table below:

Issue	1999	2000	2001
Background Checks	44 of 45	19 of 47	16 of 82
Parental Consent Forms	2 of 4	-	2 of 28
Member Contracts	16 of 45	1 of 47	-

- For the 1998-1999 and 1999-2000 program years, AmeriCorps members were paid by the hour based on the number of hours worked. This practice violates AmeriCorps Special Provision B.12.b. Living Allowance Distribution that states, "Programs must not pay a living allowance on

an hourly basis. It is not a wage and should not fluctuate based on the number of hours members serve in a given time period."

- As part of our review of member files, we tested for the existence of files for all members on the rosters, whether or not they were selected for specific audit tests. Comparison of member files to the names listed on the rosters disclosed numerous files of individuals not listed for the years 1998 and 1999, and therefore not included in the audit samples. This was because the rosters provided by the Commission and used to select the samples were incomplete. The member lists were subsequently updated by LEAP and compared to the files on hand. As a result of this review, we were unable to locate two member files for the 2001 program year.

The cause of the missing documentation from the members' files appears to result from the lack of emphasis on the importance of properly maintaining the members' records. We noted improvement in more recent audit periods (2000-2001).

The AmeriCorps provisions which establish policies and procedures for the subrecipients to follow with regard to the members' records, eligibility and support are as follows:

AmeriCorps Special Provisions	**1999**	**2000**	**2001**
Section B	7, 8, 15 & 17	7, 8, 15 & 17	6, 7, 14 & 16

This condition results in violation of the terms and condition of AmeriCorps provisions and potential funding misapplications.

Recommendation

We recommend that the Commission emphasize to its subrecipients the importance of maintaining proper and complete member records and establish policies and procedures to monitor compliance with AmeriCorps provisions on member files.

9. SCS's September 30, 2001, reported costs of $187,312 for the year ended August 31, 2001, included FY 2002 costs of $10,818 for the month of September 2001. SCS financial management personnel noted that the additional costs were erroneously charged to FY 2001 because of difficulties in the use of WBRS. Management acknowledged the probability that the $10,818 was also claimed in FY 2002, resulting in the costs for September 2001 having been claimed twice.

AmeriCorps Provision C.21.a., entitled "Financial Management Provisions," requires that "the Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this Grant from expenditures not attributable to this grant. This system must be able to identify costs by

programmatic year and by budget category and to differentiate between direct and indirect costs or administrative costs."

This condition overstates costs claimed and results in a violation of the terms and conditions of AmeriCorps provisions.

Recommendation

We recommend that the Commission determine if SCS has claimed the $10,818 from September 2001 in FY 2002, as well as FY 2001, and adjust reimbursements accordingly. The Commission should emphasize to its subrecipients the importance of maintaining accurate and complete financial records and establish policies and procedures to monitor compliance with AmeriCorps provisions.

10. Our analysis of space occupied by SCS's AmeriCorps program, compared to the costs per square foot applicable during the audit period, resulted in an audit calculation of excess rental charges totaling $5,288, or 36 percent, as noted below.

Program Year	Rent Charged	Rent per Audit	Difference
1999	$6,852	$4,860	$1,992
2000	$6,852	$4,860	$1,992
2001	$6,164	$4,860	$1,304
Total	-	-	**$5,288**

The rent calculation per audit was based on the percentage (13.17) of space occupied by the AmeriCorps program applied to total applicable annual rent expense of $36,900.

AmeriCorps Provision C.21.a., entitled "Financial Management Provisions," requires that "the Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this Grant from expenditures not attributable to this Grant. This system must be able to identify costs by programmatic year and by budget category and to differentiate direct and indirect costs or administrative costs."

AmeriCorps Provision C.21.b. requires that the "Grantee must maintain adequate supporting documents for its expenditures and in-kind contributions under this Grant. Costs must be shown in books or records and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document."

This condition overstates costs claimed and results in a violation of the terms and conditions of AmeriCorps provisions.

Recommendation

While we have not questioned this cost, because SCS has more than enough excess match costs to offset this amount, we recommend that SCS review its procedures for rent allocation calculations so that costs charged to the AmeriCorps program are in closer approximation to the space utilized.

11. Our review of SCS's financial records disclosed several accounting system and general ledger issues. We noted manual entries made directly to the general ledger, ending balances from one month that differed from the beginning balances in the following month, and certain payroll amounts in FY 2001 that were different from those reported on the FSR. Generally, the differences were not material to the cost report but were significant enough in frequency to justify comment.

AmeriCorps Provision C.21.a., entitled "Financial Management Provisions," requires that "the Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary."

This condition results in a violation of the terms and conditions of the grant and potential funding misapplications. The grantee and subrecipients require accurate and properly supported financial information for timely and effective management decision-making.

Recommendation

We recommend that SCS follow established accounting policies and procedures to ensure that all adjustments and other entries to the accounting records are properly made and adequately documented.

12. Our tests of payroll and benefit costs claimed by Commission subrecipients disclosed the following exceptions:

LEAP

- Workman's Compensation and General Liability insurance reimbursement billings were based on an estimated rate of two percent applied to payroll costs. We computed rates for each program year audited based on actual total charges for insurance and payroll, as noted in the table below.

Description	**1999**	**2000**	**2001**
Gross Payroll	$2,497,828	$2,792,300	$2,953,990
General Liability and Workman's Comp. @ 2%	49,957	55,846	59,080
General Liability and Workman's Comp. - Actual	37,213	42,827	43,244
Excess of Billing over Actual – Agency Totals	**12,744**	**13,019**	**15,836**
Actual Insurance cost as a Percent of Gross Payroll	1.49%	1.53%	1.46%

Based on the above, we have recomputed the excess General Liability and Workman's Compensation applicable to the AmeriCorps subgrant wages and stipends.

Description	1999	2000	2001
AmeriCorps Subgrant Payroll	$801,904	$550,653	$638,807
General Liability and Workman's Comp. @ 2%	16,038	11,013	12,776
General Liability and Workman's Comp. - Actual	11,948	8,425	9,327
Excess of Billing over Actual – Agency Totals	**4,090**	**2,588**	**3,449**
Actual Insurance cost as Percent of AMC Payroll	1.49%	1.53%	1.46%

RYASAP

- Our review of employee time sheets disclosed one for the period ending September 7, 2001, that incorrectly listed 65.5 hours worked. Actual hours were 63.5 with the balance of 6.5 hours for the 70 hour pay period unaccounted for. Another time sheet for the same pay period could not be located. We also noted time sheets for another employee which had not been signed by the supervisor for the 1999 and 2000 pay periods reviewed. The time sheets from 2001 for that individual were properly signed by both the employee and supervisor.

SCS

- SCS claimed $1,818 more in staff/employee benefits on the FSRs than was determined by the audit calculation. Employee benefits, that include FICA/Medicare, unemployment, employer's 401(k) contribution and health benefits, were recalculated and compared to the amounts claimed for each of the three program years under audit.

Program Year	Claimed	Computed	Difference
1999	$24,563	$24,873	$(310)
2000	20,520	19,444	1,076
2001	13,138	12,086	1,052
Excess of Claimed Benefits Cost Over Actual	-	-	**$1,818**

AmeriCorps Provision C.21.a., entitled "Financial Management Provisions," requires that the "Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this Grant from expenditures not attributable to this Grant. This system must be able to identify costs by programmatic year and by budget category and to differentiate between direct and indirect costs or administrative costs."

AmeriCorps Provision C.21.b. requires that the "Grantee must maintain adequate supporting

documents for its expenditures and in-kind contributions under this Grant. Costs must be shown in books or records and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document."

These conditions overstate costs claimed and result in violations of the terms and conditions of AmeriCorps provisions.

Recommendation

While we have not questioned this cost because the subrecipients have more than enough excess match costs to offset this amount, we recommend that subrecipients review procedures for payroll and benefit allocation calculations so that costs charged to the AmeriCorps program are in closer approximation to the actual costs incurred.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

In planning and performing our audit of award costs, as presented in Exhibits A through H for the period October 1, 1998, to December 31, 2001, we considered the Commission's internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal controls over financial reporting.

The Commission's management is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, management estimates and judgments are required to assess the expected benefits and related costs of internal control policies and procedures. The objective of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial schedules in accordance with generally accepted accounting principles of the United States of America. Because of inherent limitations in any internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of this matter would not necessarily disclose all matters of internal controls over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of internal controls that, in our judgement, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that errors or

irregularities in amounts, which would be material in relation to the financial schedules being audited or material to a performance measure or aggregation of related performance measures, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

INTERNAL CONTROL FINDINGS

Findings Nos. 1 through 12 set forth in the *Compliance* section of the report are also considered findings on internal control.

FOLLOW-UP ON PRE-AUDIT SURVEY FINDINGS

Finding No. 1

Because the Commission did not maintain documentation for all program years reviewed in the pre-audit survey, it was not possible to confirm whether the Commission's selection officials signed conflict of interest forms as required. No recommendation was considered necessary because procedures were revised, beginning with program year 2000–2001, to include retention of these documents.

Current Status

Procedures have been in place since 1999–2000 and peer reviewers, as well as Commission members, also sign the conflict of interest form. We consider this finding closed.

Finding No. 2

Because of the lack of documentation for the years prior to 1999–2000, the reviewer was unable to determine if assessments of applicants' financial management systems were performed by the Commission. No recommendation was considered necessary because procedures were revised, beginning with program year 2000–2001, to include documentation and retention of the Commission's evaluations of applicants' financial management systems.

Current Status

Procedures now in place include reviewing an applicant's prior audit, reviewing audit findings with the applicant, and insuring, through interviews, whether the applicant has qualified personnel to manage Federal grant funds. We consider this finding closed.

Finding No. 3

There was a lack of documentation to support the assessment of an applicant's past experience during the selection process. Assessments are made on score sheets during the selection process. However, completed score sheets were not provided for 8 of 10 applicants reviewed. No recommendation was considered necessary because procedures were revised, beginning with program year 2000–2001, to include documentation and retention of the Commission's evaluations of applicants' past experience.

Current Status

Referenced score sheets have been in place at the Commission since the 1999–2000 program year. We consider this finding closed.

Finding No. 4

The reviewer noted weaknesses with respect to procedures and controls over the timeliness, accuracy and validity of FSRs. These included late submissions and unexplained differences between subrecipient FSRs and the aggregate amounts on the Commission's FSRs for the same periods. No evidence was found to determine whether the Commission reviews documentation supporting subrecipient FSRs, or whether matching amounts are reviewed as part of procedures performed during FSR reviews or site visits. Although the Commission contracted with an independent accounting firm in 1999 to assess the validity of subrecipient information, these reviews do not include all program years.

Current Status

The Commission emphasized that FSRs were not submitted late to the Corporation and that each month subrecipients are required to submit an expense report and cash request detailing expenses incurred. The amounts reported on these forms are matched to the amounts on the FSRs. Documentation is sometimes included to show adjustments, correspondence, and that all subrecipients are subject to review and documentation of reported expenses. Because review and analysis of subrecipient expenditures appears to have improved over earlier program years, we consider this finding closed.

Finding No. 5

The Connecticut Department of Higher Education's (DHE) written policies and procedures for financial management, grant administration, evaluation, and monitoring do not include additional guidelines specific to the Commission.

Current Status

Systems have been implemented for each job function within the Commission. They have been documented and are revised as considered necessary. We consider this finding closed.

Finding No. 6

The pre-audit survey concluded that the Commission has not used WBRS to produce FSRs. The Commission was expected to automate this procedure during program year 2000–2001.

Current Status

The Commission has implemented WBRS and the system is currently operational and in use. We consider this finding closed.

Finding No. 7

The Commission has not implemented an adequate process for obtaining and reviewing OMB Circular A-133 audit reports for its subrecipients and for following up on corrective actions taken. The Commission does not consistently require these reports to be submitted and does not routinely review them when submitted.

Current Status

The grants and contracts manager is now responsible for the receipt and review of A-133 audit reports for all subrecipients. The reports are received, and a checklist is signed off, after the review has been completed. Follow-up on audit findings, as considered necessary, is performed and documented. The prior two years' audited financial statements are required to be submitted by subrecipients not subject to the requirements of A-133. We consider this finding closed.

Finding No. 8

The lack of documentation supporting procedures conducted during site visits for all program years precluded a determination of whether the subrecipients' financial management systems and records supporting grant expenditures were reviewed. The Commission's 2000–2001 standard site form provides guidance with respect to these procedures, but it does not include procedures for evaluators to review and verify amounts reported by subrecipients.

Current Status

The grants and contracts manager performs desk reviews of the FSRs and other financial information submitted by subrecipients. As of the fall of 2001, the accounting firm hired by the Commission visited subrecipients and performed various tests of financial records on site. Prior to this period, the firm's functions were limited to end-of-year reviews within six months after program closeout. We consider this finding closed.

Leonard G. Birnbaum and Company, LLP

Alexandria, Virginia
June 30, 2003

Appendix A

Response of the Connecticut Commission on National and Community Service

Connecticut Commission on National and Community Service
William R. Dyson, Chair

September 3, 2003

J. Russell George
Inspector General
Corporation for National and Community Service
Office of Inspector General
1201 New York Avenue, NW, Suite 830
Washington, D.C. 20525

Dear Mr. George:

Enclosed please find the response to the draft report on the results of the audit of the Connecticut Commission on National and Community Service for the period October 1, 1998 through December 31, 2001.

As a result of the audit, the Connecticut Commission on National and Community Service was found to have $76,056 in questioned costs. As stated in the draft report, $74,164 was attributed to the excess drawdown of Urban Solutions. The Commission's financial procedures are based on a reimbursement process. The Commission draws down money from the State Account and reimburses the State by an equal amount from the Federal Account. As the Commission began the process of closing out the 94ASCCT007 and the 00ASCCT007 AmeriCorps grants, we claimed only costs that were supported by appropriate documentation and within compliance of the AmeriCorps Provisions. With that said, the Commission did not draw down the $74,164 from the Federal Account. Due to the reimbursement process, it is the State of Connecticut's account that has been overdrawn, rather than the Federal Account. Appropriate steps are being pursued in concert by the Connecticut Department of Higher Education and the Office of the State Attorney General.

The following comments are in response to the draft report compliance findings.

Finding #1
The Commission did not track expenditures for the Administration and PDAT grants by budget line item, as stipulated in Grant Provisions.
The Commission has used a "Chart of Accounts" for each grant received from the Corporation for National and Community Service. The Chart of Accounts segregates each grant (e.g. AmeriCorps, Admin, PDAT) and to supplement the chart of accounts, an extension system (SID – Special Identification Codes) is used to code each expenditure by budgeted line item. On a monthly basis, a

Connecticut Commission on National and Community Service
William R. Dyson, Chair

report is produced from the Connecticut State Accounting system. This report reflects all expenditures to date along with the coding used for each requisition (SIDs). Based on this report, cumulative expenses can be determined for each budgeted line item within each grant, as required by Connecticut State Audit procedures.

Finding #2

The Commission did not submit Financial Status Reports (FSRs) for the following grants on a timely basis, as stipulated in the Grant Provisions.

Grant	Submitted Late	On Time	Percent Late	Correction
00ASFCT007	1	1	100%	50%

I urge you to consider the facts as presented in this letter and to edit the final audit report appropriately. Recommendations made within the draft audit report have been taken under advisement as the Commission continues to use due diligence in all financial and programmatic areas and recording keeping.

Sincerely,

Jacqueline Johnson
Executive Director
Connecticut Commission on National and Community Service

Cc: Honorable William R. Dyson, CCNCS Chair
Valerie F. Lewis, Commissioner, DHE
Cheryl Blankenship, Senior Program Officer, CNCS

Appendix B

Response of the Corporation for National and Community Service

Corporation for
NATIONAL & COMMUNITY SERVICE

To: J. Russell George, Inspector General

From: Peg Rosenberry, Director of Grants Management

Date: September 5, 2003

Subj: Response to OIG Draft Audit Report 03-08: Audit of Grants Awarded to the Connecticut Commission on National and Community Service

We have reviewed the draft audit report of the grants to the Connecticut Commission and were pleased to note that only two of the eleven grants under audit resulted in any questioned costs. As noted by the auditors, all but $1,892 of the questioned costs were related to one subgrantee that had drawn down funds in excess of amounts supported by its records. The Commission agreed with the auditors and has addressed the issue. Due to the limited timeframe for response, we have not yet reviewed the audit work papers nor discussed the findings with the Commission. We will respond to all findings and recommendations when the audit is issued and we have reviewed the findings in detail. The Connecticut Commission has also provided a response and is working on corrective action as necessary.