OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

Audit of the Points of Light Foundation Grant Numbers 01POLDC002 and 01POLDC003

Audit Report Number 03-09
November 21, 2002

Prepared by:

Office of Inspector General
Corporation for National and Community Service
1201 New York Avenue
Washington, DC 20525

This report was issued to Corporation management on February 21, 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 August 21, 2003, and complete its corrective actions by February 21, 2004. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Audit of the
Points of Light Foundation
Grant Numbers 01POLDC002 and 01POLDC003

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CORPORATION
FOR NATIONAL
SERVICE

November 21, 2002

Mr. Robert Goodwin
President and Chief Executive Officer
Points of Light Foundation
1400 Eye Street, NW., Suite 800
Washington, DC 20005-6526

We performed an audit of Corporation for National and Community Service (the Corporation) funds awarded to the Points of Light Foundation (the Foundation). The audit included Grant Number 01POLDC002, support for the 2001 National Community Service Conference and Grant Number 01POLDC003, a legislative earmark grant. The audit objectives were to: (1) examine the costs incurred to determine whether the amounts incurred and claimed are allowable under the grant agreement, its terms and conditions, and applicable Federal law and regulations; and (2) evaluate the internal control structure to determine whether it is adequate to safeguard Federal funds.

Executive Summary

For Grant Number 01POLDC002 we questioned $6,242, or approximately 3 percent, of the $208,075 claimed. In addition, based on the work performed, we are recommending that the Foundation and the Corporation clarify the justification for certain pre- and post-award costs.

The results of our tests disclosed instances of noncompliance with laws and regulations for which we are recommending corrective action. The Foundation should ensure that progress report(s), identifying accomplishments consistent with the established grant objectives, and its Office of Management and Budget (OMB) Circular A-133 single audit reports are provided to the Corporation and to the Federal Audit Clearinghouse, respectively, in a timely manner.

For Grant Number 01POLDC003 in the amount of $9,978,000, our objective was to review the fiscal year 2001 A-133 audit work papers to determine if we could reasonably rely on them. We were unable to obtain those work papers and did no further testing of this grant's costs.

Background

The National and Community Service Trust Act of 1993, P.L. 103-82, which amended the National and Community Service Act of 1990, established the Corporation.

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

The Corporation, pursuant to the authority of the Act, awards grants and cooperative agreements to State commissions, nonprofit entities and tribes and territories to assist in the creation of full- and part-time national and community service programs. Through the Corporation's grantees, members and volunteers perform service to meet educational, human, environmental, and public safety needs throughout the nation.

The Corporation's appropriations legislation for fiscal year 2001 specified that not more than $10,000,000 of the funds made available to the Corporation shall be provided to the Foundation for activities consistent with the Foundation's purposes as elaborated in Title 42 USC, section 12661 (b).[1] This earmarked award covered the period from October 1, 2000, through September 30, 2002. On April 24, 2001, the Corporation amended the award to reflect a reduction of Federal funds due to a .22 percent rescission mandated by Congress. Accordingly, the grant was reduced by $22,000 to $9,978,000.

During 2000 the Corporation separately awarded the Foundation a grant of $208,075 to support the 2001 National Community Service Conference, an annual conference that was held in Minneapolis, MN on June 28 – July 1, 2001. The award period was from November 1, 2000, through August 31, 2001.

Objectives, Scope and Methodology

Grant Number 01POLDC002 for $208,075 - Our objective was to examine costs incurred to determine whether the amounts incurred and claimed were allowable under the grant agreement, its terms and conditions, and applicable Federal law and regulations. We requested and examined documentation supporting the final Financial Status Report and tested the following accounts: Staff Costs and Operations Costs (Meeting Costs, Printing and Publishing, Postage, Audio Visual Equipment, Travel and Transportation, and Other Fees).

Grant Number 01POLDC003 for $9,978,000 - In the fiscal year 2001 A-133 audit, this grant was identified and audited as a major program. Arthur Andersen noted no matters involving the internal control over financial reporting and its operations, or any matters involving the internal control over compliance and its operation that it considered to be material weaknesses. Our objective was to review the work performed by the outside auditors and, if sufficient, to rely on their work to avoid duplication. Due to the closure of Arthur Anderson we were unable to review the fiscal year 2001 A-133 work papers. Since the A-133 report had no findings we decided not to perform additional tests.

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[1] 42 USC § 12661 (b) Purpose: It is the purpose of this title—
(1) to encourage every American and every American institution to help solve our most critical social problems by volunteering their time, energies and services through community service projects and initiatives; (2) to identify successful and promising community service projects and initiatives, and to disseminate information concerning such projects and initiatives to other communities in order to promote their adoption nationwide; and (3) to discover and encourage new leaders and develop individuals and institutions that serve as strong examples of a commitment to serving others and to convince all Americans that a successful life includes serving others.

We performed our audit in accordance with generally accepted Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance that the grant funds were spent in accordance with program requirements.

An exit conference was held with Foundation representatives on November 21, 2002. The Points of Light Foundation's and Corporation's responses to this report are included as Appendix A and Appendix B, respectively.

Results

In our opinion, except for the questioned costs, the costs claimed on Grant Number 01POLDC002 are allowable under the requirements of OMB Circular A-122.

1. Grant Number 01POLDC003 for $9,978,000

We were unable to review the fiscal year 2001 A-133 work papers. Because the records are in a third party storage facility, and the audit firm who performed the audit is out of business, we were not able to gain access to the work papers. We did note that the Foundation did not provide timely progress reports to the Corporation, as required by the OMB Circulars and Grant Provisions. We recommend that the required reports be prepared and submitted consistent with the established timeframes.

2. Grant Number 01POLDC002 for $208,075

Allowability of Costs

We questioned $6,625, or approximately 3 percent, of the $208,075 charged to the grant.

The budget period for this grant was 11/1/00 – 8/31/01. Costs for salaries and benefits of $1,666 were charged to the grant prior to its effective date, while salaries and benefits costs of $4,959 were charged after the award's end date. OMB Circular A-122, Attachment B, Number 38, Pre-award Costs states, "Pre-award costs are those incurred prior to the effective date of the award directly pursuant to the negotiation and in anticipation of the award where such costs are necessary to comply with the proposed delivery schedule or period of performance. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the award and only with the written approval of the awarding agency." Also, under the Corporation's Grant Provisions, General Provision Number 19, Prior Approval Requirement: "The Grantee must obtain prior written approval from the Corporation before making any significant changes, such as transfer of the project effort, changes in objectives, scope of work, or timeline." The Foundation's Vice President of Finance and Accounting indicated that the nature of the annual conference requires personnel who, on a daily and year round basis, are working either in the planning, running or closing stages of the project. Frequently, working on the wrap-up of financial matters on one annual conference that just ended

continues while initial planning efforts have already begun for the following year's conference.

The Foundation submitted a request for approval of these pre-award compensation costs to the Corporation's Office of Grants Management on October 8, 2002, which is after the grant period. The Corporation will act on this request during audit resolution. We recommend that the Points of Light Foundation follow-up on its letter and clarify why it incurs pre- and post-award costs with the Office of Grants Management.

Test of Compliance

The Foundation did not comply with Grant Provision Number 6 which states, "Grantees completing the final year of their grant must submit a Final Progress Report that is cumulative over the entire project period. This Progress Report is due within 90 days after the close of the grant". As of the date of the exit conference in November 2002, no progress report was submitted. We recommend that the Foundation submit this required report as soon as possible.

3. Additional Recommendations

Based on our audit we have identified the following conditions and are making recommendations accordingly.

- Provisional and final overhead rates should be negotiated as soon as possible. The last approved overhead rate and general administration allocation rate was for 1999-2000. In 2001, the Corporation finalized a contract with the Department of Health and Human Services to negotiate federally approved indirect cost rates on behalf of the Corporation. The Foundation submitted its overhead documentation for fiscal year 2001 along with additional information that the Department of Health and Human Services requested. The Foundation has not received a final rate.

- The Grantee should submit A-133 audit reports and the data collection forms to OMB's designated Federal Audit Clearinghouse on a timely basis. Under OMB Circular A-133, recipients must submit the necessary audit within 30 days after receipt from the auditor or 9 months from the end of their fiscal year. Listed below are the results from our query performed on the Single Audit database for the Points of Light Foundation:

Fiscal Year End	Date Received	Months Late
9/30/97	9/3/98	2
9/30/98	1/6/00	6
9/30/99	5/22/00	On time
9/30/00	9/16/02	14.5
9/30/01	9/16/02	2.5

Distribution

This report is intended solely for the information and use of the Office of the Inspector General, the Corporation's management, and the Foundation.

J. Russell George
Inspector General
Corporation for National and Community Service
Washington, D.C.

Copy to:
Leslie Lenkowsky, Chief Executive Officer
Michelle Guillermin, Chief Financial Officer
Peg Rosenberry, Director, Office of Grants Management
Dana Rodgers, Program Officer
Gretchen Van de Veer, Director, Leadership Development and Training

SCHEDULE OF CLAIMED COSTS

Corporation for National and Community Service
Grant Number 01POLDC002
Points of Light Foundation
November 1, 2000 – August 31, 2001

	Claimed Costs	Questioned Costs	Notes
Compensation	$ 37,150	$ 6,242	A
Meeting Room Costs	15,650		
Printing and Publishing	20,575		
Postage	2,700		
Audio Visual Equipment	34,500		
Travel and Transportation	82,500		
Other	15,000		
TOTAL FUNDS	$208,075	$6,242	

Note A: An explanation of this questioned cost appears on Page 4 (Results - Grant Number 01POLDC002).

APPENDIX A

Points of Light Foundation's Response

January 17, 2003

Mr. Terry E. Bathen
Deputy Inspector General
For Audits and Policy
Office of Inspector General
1201 New York Avenue, NW
Washington, DC 20525

Dear Mr. Bathen:

We are pleased to respond to your draft report on the results of the audit of the Points of Light Foundation Grant Numbers 01POLDC002 and 01POLDC003. We appreciate your careful consideration and the inclusion of our comments in your report.

We would also complement the Staff and Management of the Office of the Inspector General in performing the audit in a highly professional manner while maintaining open communications between our staffs. This effort is highly appreciated.

If you would like to discuss our comments please contact Doug Gledhill, SVP & CFO or Sam Alfa, VP & Controller at (202) 729-8170 or (202) 729-8148 respectively.

Sincerely,

Robert K Goodwin

Robert Goodwin
President and Chief Executive Officer
Points of Light Foundation

POINTS OF LIGHT FOUNDATION RESPONSE

Grant No. 01POLDC003 for $9,978,000

As recommended, as soon as the FY 2002 A-133 audit is completed by Ernst & Young, the Foundation will contact the auditors to make the papers available to you for review. The audit is scheduled to be completed by January 31, 2003.

As recommended, the Points of Light Foundation will prepare and submit timely progress reports to the Corporation in compliance with the Corporation for National and Community Service direction.

Grant No. 01POLDC002 for $208,075

Allowability of Costs

The Foundation has requested a written response from the Corporation for National and Community Service regarding the decision taken on the pre-award and post-award compensation costs. In addition to that, the Foundation will monitor those grant dates, henceforth, in order to avoid such occurrences.

Test of Compliance

The Final Progress Report was submitted in October 2001, and a copy is attached. The Foundation will adhere to the recommendation of filing that Progress Report within the allowable time.

Additional Recommendations

The Department of Health and Human Services has submitted the overhead rate to the Corporation for National and Community Service for review and approval. As soon as a copy of the approved rate is made available to the Foundation, a copy will be forwarded to your office.

The A-133 audit reports and the data collection forms to OMB's designated Federal Audit Clearing House for 2001 were submitted timely (a copy attached). The Foundation, will however adhere to the recommendation of timely submission, and follow up to ensure that the reports are posted on the website, in order to avoid any such lateness.

APPENDIX B

The Corporation's Response

CORPORATION
FOR NATIONAL
AND
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To: Russell George, Inspector General

Through: Michelle Guillermin, Chief Financial Officer

From: Peg Rosenberry, Director, Office of Grants Management

Date: January 27, 2003

Subject: Response to OIG Draft Audit Report 03-09: Audit of the Points of Light Foundation, Grant Numbers 01POLDC002 and 01POLDC003

We have reviewed the draft audit report of the Points of Light Foundation grants. Due to the limited timeframe for response, we have not yet conducted a comprehensive review, analyzed documentation from the grantee supporting the questioned costs, or reviewed the work papers. We will respond to all findings and recommendations when the audit is issued and we have reviewed the findings in detail.

However, we do want to respond to the approval of pre-award costs. As noted in the audit, the Foundation contacted the Corporation's Office of Grants Management in October 2002 to request approval of pre-award costs and costs incurred after the project period ended. Since this request came as a result of the audit and after the grant period had ended, the Corporation did not respond at the time, instead deciding to consider the request as part of the audit resolution process. The costs incurred during the pre-award period were related to the project and in accordance with the proposed budget. If the grantee had requested approval to incur costs prior to award, the request would have been granted. Similarly, if the grantee had requested a no-cost extension to the award, this request would also have been approved. Therefore, we will allow the related questioned costs identified in the audit and advise the grantee during the audit resolution phase that pre-award costs and no-cost extensions for future grants should be requested in advance.

The audit also notes that the Points of Light Foundation needs to negotiate a new approved indirect cost rate. This was completed recently through the Corporation's contract with the Department of Health and Human Services and is now in place.

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