OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

Audit of
Communities In Schools, Inc.
Grant Number 01SPHVA003

Audit Report Number 03-16
April 2, 2003

Prepared by:

Office of Inspector General
Corporation for National and Community Service
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This report was issued to Corporation management on April 25, 2003.

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CORPORATION
FOR NATIONAL
SERVICE

April 2, 2003

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We performed a financial related audit of Corporation for National and Community Service (the Corporation) funds awarded to Communities In Schools, Inc. The audit included Grant No. 01SPHVA003, a legislative earmark grant. The audit's initial objectives were to: (1) examine costs incurred and claimed to determine whether the costs are allowable, adequately supported, and charged in accordance with the terms of the grant and applicable laws and regulations; and (2) evaluate the internal controls over financial reporting to determine if they are adequate to safeguard Federal funds. Because these objectives were included by Grant Thornton under their A-133 audits, we limited our effort to review the status of corrective actions for financial issues raised during the Corporation's February 2002 site visit.

Executive Summary

The grantee informed us that they drew down $67,099.36 in excess of grant expenditures. Communities In Schools, Inc. paid back both the excess funds and interest of $533 on those funds to the Department of Health and Human Services-Payment Management System. We consider this condition to be closed. There are two financial related items from the Corporation's 2002 site visit remaining.

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.

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 these grantees, members and volunteers perform service to meet the educational, human, environmental, and public safety needs throughout the Nation.

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The Corporation's appropriations legislation for fiscal year 2001, specified that not more than $5,000,000 of the funds made available to the Corporation shall be made available to Communities In Schools, Inc. to support dropout prevention activities. This earmark award originally covered the period from December 1, 2000 through November 30, 2001. The Corporation granted a no cost extension through May 31, 2002. On January 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 $11,000 to $4,989,000.

Objectives, Scope and Methodology

Our initial objectives were 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 laws and regulations. In the fiscal year 2001 A-133 audit, this grant was identified and audited as a major program. The A-133 auditors noted no matters involving noncompliance with laws, regulations or grant provisions to be reported. The auditors also noted no matters involving noncompliance or internal control over the major programs that it considered to be material weaknesses. We reviewed the work performed by the outside auditors and chose to rely on it to avoid duplication of effort. Therefore, we limited our testing to determine that the financial related issues raised during the Corporation's February 2002 site visit were corrected.

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 Communities In Schools, Inc. on April 2, 2003. The issues presented in this report were discussed.

Results

In our opinion, the following issues included in the February 2002 site visit report are still open. This information is provided for informational purposes only and includes the status of management actions to close these issues. Accordingly, no recommendations are made or costs questioned calculated at this time.

1. Allocation of Costs Charged to the Grant

The site visit report noted that, "...the amounts charged to the grant, or the basis for identifying and allocating costs to the federal grant are not clear." Management has stated that they are working with their accounting firm, Outsource Partners International Inc. to develop an indirect cost allocation method and submit it to the Department of Health and Human Services for approval. They further stated that this process was awaiting completion of the Fiscal Year 2002 A-133 Audit and finalization of the Fiscal Year 2003 Federal Budget.

After the indirect rate and allocation method are submitted, additional audit effort may be performed on the Communities In Schools, Inc.'s accounting system.

2. Use of Space

The site visit noted that the space at Communities In Schools, Inc. was underutilized. As a result management did sublease the space for a one-year period (May 2002 through April 2003), which, corrected the site visit condition. The tenant vacated the space in January 2003 but paid for the space through April 2003. Therefore, as of May 1, 2003 the space might again be underutilized. Management has stated they are looking to lease the excess space and may be close to signing a sublease agreement.

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

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