Office of Inspector General
Corporation for National and Community Service

Pre-Audit Survey of the Oklahoma Community Service Commission

OIG Report Number 04-08
October 3, 2003

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

KPMG LLP
2001 M Street NW.
Washington, D.C. 20036

This report was issued to Corporation management on February 18, 2004. Under the laws and regulations governing audit follow up, the Corporation is to make final management decisions on the report's findings and recommendations no later than August 18, 2004, and complete its corrective actions by February 18, 2005. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of Inspector General
Corporation for National and Community Service
Audit Report 04-08

Pre-Audit Survey of Corporation for National and Community Service Grants Awarded to the Oklahoma Community Service Commission

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-time 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 oversee the subgrantees that execute the programs. Through these subgrantees, AmeriCorps members perform service to meet educational, human, environmental, and public safety needs.

The Office of Inspector General retained KPMG LLP to perform a pre-audit survey of the Oklahoma Community Service Commission. The objective of the pre-audit survey was to evaluate: (1) the adequacy of the pre-award selection process; (2) the administration of grant funds; and (3) grant monitoring. The audit period included Program Years 2000–2001 and 2001–2002.

The Commission was awarded AmeriCorps Formula, AmeriCorps Competitive, Program Development and Training, Education Award, and Administrative grants of approximately $6,608,578 for Program Years 2000-2001 and 2001-2002, the period covered by the pre-audit survey. The auditors noted that employee access to the Web Based Reporting System should be more restricted, the Commission should improve its documentation of the work performed during site visits and the Commission should improve its review and approval of costs charged to grants. The auditors recommended performing limited audit procedures for Program Years 2000-2001 and 2001-2002 to address the report findings.

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

The Office of Inspector General provided the Oklahoma Community Service Commission and the Corporation with a draft of this report for their review and comment. Their responses are included in their entirety as Appendices C and D, respectively.

Pre-Audit Survey of the
Oklahoma Community Service Commission
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KPMG LLP
2001 M Street, NW
Washington, DC 20036

October 3, 2003

Inspector General
Corporation for National and Community Service

At your request, KPMG LLP (KPMG) performed a pre-audit survey of the Oklahoma Community Service Commission (Commission) on Corporation for National and Community Service (Corporation) funds received by the Commission for Program Years 2000-2001 and 2001-2002. The primary purpose of this survey was to provide a preliminary assessment of:

- the adequacy of the Commission's pre-award selection process;
- the procedures at the Commission for the fiscal administration of Corporation grants; and
- the effectiveness of the Commission's procedures for monitoring subgrantees.

We were also to report on the recommended scope of additional audit procedures to be performed at the Commission.

Results in Brief

Based on the results of the limited procedures performed, we have made the following preliminary assessments regarding the Commission's systems for administering AmeriCorps grants:

- The Commission administers an open, competitive process to select national service subgrantees.

- The Commission has developed adequate policies and procedures to administer the Corporation's grant funds. However, we noted that employee access rights to the Web Based Reporting System (WBRS) should be more effectively restricted. Additionally, we identified $4,070 of potentially questioned costs for membership fees paid to a lobbying organization that were charged to the Administrative grant, and $6,652 claimed as matching costs to the Administrative grant for unallocable and potentially unallowable costs.

- The Commission has established controls to evaluate and monitor subgrantees. However, the Commission should improve its process for documenting the work performed during visits to subgrantee operating sites.

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

The section of this report entitled "Findings and Recommendations" describes the weaknesses noted above in further detail, makes recommendations for corrective actions, and addresses additional issues noted during the survey.

The Commission is a nonprofit organization, and is annually subject to an OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* audit. The auditors identified the Commission's AmeriCorps grants as a major program and reported no findings.

Based on our preliminary assessments and the nature of our findings, we recommend the performance of limited audit procedures to address the findings related to grant administration and subgrantee monitoring.

Additionally, we recommend that the Corporation follow up with the Commission to determine that appropriate corrective actions are implemented to address the conditions reported herein, and that the Corporation consider these conditions in its oversight and monitoring of the Commission.

Background

The National and Community Service Trust Act of 1993, Pub. L. No. 103-82, which amended the National and Community Service Act of 1990, established the Corporation for National and Community Service.

The Corporation, pursuant to the authority of the Act, awards grants and cooperative agreements to State commissions, nonprofit entities, tribes and territories to assist in the creation of full-time and part-time national and community service programs. Through these grantees, AmeriCorps members perform service to meet educational, human, environmental and public safety needs throughout the Nation, especially addressing those needs related to poverty. In return for this service, eligible members may receive a living allowance and post-service educational benefits.

Currently, the Corporation awards approximately three-fourths of its *AmeriCorps State/National* funds to State commissions. State commissions are required to include 15 to 25 voting members. Each commission has a responsibility to develop and communicate a vision and ethic of service throughout its State.

The commissions provide AmeriCorps funding to approved applicants for service programs within their States and are responsible for monitoring subgrantees' compliance with grant requirements. Commissions are also responsible for providing training and technical assistance to AmeriCorps State and National programs that receive grants directly from the Corporation, and to the broader network of service programs in the State. Commissions are prohibited from directly operating national service programs.

The Corporation's regulations describe standards for financial management systems that must be maintained by State commissions. The standards require, in part, that the commissions maintain internal controls that provide for accurate, current, and complete disclosure of the financial and programmatic results of financially assisted activities. The commissions must also provide effective control and accountability for all grant and subgrant cash, real and personal property, and other assets.

Overview of the Oklahoma Commission

The Oklahoma Community Service Commission, located in Oklahoma City, Oklahoma, has received AmeriCorps grant funds from the Corporation since its inception in 1994. The Commission operates as a nonprofit entity and employs four full-time personnel: an Executive Director, an Assistant Director, an Administrative Assistant, and a Community Coordinator.

The Commission provided the following information for program years 2000–2001 and 2001– 2002:

Program Year	Total Corporation Funding	Number of Subgrantees	Number of Subgrantees Subject to A-133 Audits*
2000-2001	$3,449,919	13	10
2001-2002	$3,158,659	36	14

* This determination is based solely on the dollar value of Federal awards passed through the Commission for each program year. Remaining subgrantees could be subject to an OMB Circular A-133 audit if they receive additional Federal grant funds from sources other than the Corporation.

Appendix A contains more detailed information on funding received from the Corporation during program years 2000-2001 and 2001-2002.

Objectives, Scope, and Methodology

We were engaged by the Office of Inspector General, Corporation for National and Community Service, to provide an assessment of the systems and procedures in place at the Commission for administering AmeriCorps grants and for monitoring the fiscal activity of subgrantees. The primary purpose of this pre-audit survey is to provide a preliminary assessment of:

- the adequacy of the Commission's pre-award selection process;
- the procedures used by the Commission for the fiscal administration of Corporation grants; and
- the effectiveness of the Commission's procedures for monitoring subgrantees.

We also reported on the recommended scope of additional audit procedures to be performed at the Commission.

Our survey included the following procedures:

- reviewing applicable laws, regulations, grant provisions, the Corporation's *State Administrative Standards Tool,* and other information to gain an understanding of legal and programmatic requirements;

- reviewing OMB Circular A-133 reports and current program year grant agreements for the Commission;

- obtaining information from Commission management to complete flowcharts documenting the hierarchy of AmeriCorps grant funding for Program Years 2000-2001 and 2001-2002; and

- performing procedures to achieve the objectives, detailed in Appendix B, to assess the Commission's internal controls, selection of subgrantees, administration of grant funds, and monitoring of subgrantees, including internal controls over reporting service hours and performance accomplishments.

As part of the procedures performed, we documented and tested internal controls in place at the Commission by utilizing inquiries, observations, and examinations of a limited sample of source documents. Finally, we summarized the results of our work to develop the findings and recommendations presented in this report. We discussed all findings with Commission management during an exit conference on October 3, 2003.

Our procedures were performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to, and did not, perform an audit of any financial statements, and the procedures described above were not sufficient to express an opinion on the controls at the Commission, or on its compliance with applicable laws, regulations, contracts, and grants. Accordingly, we do not express an opinion on any such financial statements or on the Commission's controls or compliance. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

We provided a draft of this report to the Commission and the Corporation. Responses to our findings and recommendations by the Commission and the Corporation are included as Appendices C and D, respectively.

Findings and Recommendations

Selecting Subgrantees

According to 45 CFR § 2550.80(b) (1), "[e]ach State must administer a competitive process to select national service programs to be included in any application to the Corporation for funding."

The Commission administers an open, competitive process to select national service subgrantees. The Commission advertises funding availability through mailing lists, newspaper announcements and newsletters. In addition, selection officials sign conflict of interest statements annually, receive an instruction package, and use a standard form to evaluate each applicant.

Administering Grant Funds

As part of the grant administration process, "[g]rantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity." *See* 45 CFR § 2541.400(a).

The Commission has developed and implemented procedures that are intended to provide reasonable assurance that grant funds received from the Corporation are properly administered. Procedures are in place to withhold funding payments if subgrantees do not submit Financial Status Reports in a timely manner, to manage cash draw downs and disbursements to subgrantees, and ascertain whether subgrantees have met their matching requirements. The Commission's personnel have adequate skills and experience managing and administering Corporation grant funds. However, we identified the following areas for improvement within the grant administration process:

Web Based Reporting System User Access Rights

The Commission uses the Corporation's Web Based Reporting System (WBRS) for reporting financial and program reports. The Commission, along with the Corporation, has established a set of controls for using WBRS by Commission staff and subgrantees. Most of these controls are embedded in the system, such as automated calculation of costs in Financial Status Reports, tracking of AmeriCorps members' hours, and automated carry-forward of financial and reporting data from prior periods. Each staff member at the Oklahoma Commission gains access to WBRS through the Executive Director (ED) level of authority, which provides them with complete user capabilities. Two of the four staff members also have access to subgrantee screens because they have alternate user names for the purpose of establishing themselves as Program Director (PD) users, in addition to ED users. The PD level of authority allows the user to create, modify, or delete progress reports, periodic expense reports, and financial status reports at the subgrantee level. The integrity of the reporting process through WBRS could be compromised by users gaining access to levels of authority beyond their employee profiles.

Recommendation

We recommend that the Commission develop and implement control procedures to restrict the level of access authority granted to the different users of WBRS, as appropriate.

Questioned Costs

The following costs were questioned or issues were raised about the costs below:

Membership Fees Paid to the American Association of State Service Commissions

The Commission claimed membership fees paid to the American Association of State Service Commissions (ASC) totaling $4,070 ($2,305 in each Program Year) as an Administrative grant cost in February 2001 and February 2002. Since ASC participates in lobbying on behalf of commissions nationwide, such membership costs do not meet the criteria for allowable costs under OMB Circular A-122, *Cost Principles for Non-Profit Organizations* (the Circular). Attachment B, Section 25(a)(3)-(4) of the Circular defines unallowable lobbying activities as follows:

> (3) Any attempt to influence: (i) The introduction of Federal or State legislation; or (ii) the enactment or modification of any pending Federal or State legislation through communication with any member or employee of the Congress or State legislature . . . or with any Government official or employee in connection with a decision to sign or veto enrolled legislation;
> (4) Any attempt to influence: (i) The introduction of Federal or State legislation; or (ii) the enactment or modification of any pending Federal or State legislation by preparing, distributing or using publicity or propaganda . . ..

These costs are not being questioned at this time, but may be questioned at a later date. If these costs are determined to be questioned, this finding will be communicated in a separate document.

Unallocable and Potentially Unallowable Costs Claimed to Administrative Grant Match (Questioned Match Costs of $6,652)

The Commission claimed match costs that did not meet applicable cost principles per 45 CFR § 2541.240. One transaction claimed as a match cost, in the amount of $6,118, was for books received in May 2000. The Administrative grant under which this match cost was claimed did not begin until January 2001. OMB Circular A-122, *Cost Principles for Non-Profit Organizations,* Attachment A, part 4, states that a cost is allocable to a particular grant in accordance with the relative benefits received. It is not evident that the 2001 grant received any benefits from the books that were obtained seven months prior to the start of the grant. As such, this cost is not allocable to the 2001 Administrative grant.

The Commission also claimed match costs in the amount of $534 for the purchase of twenty-two bottles of wine for a conference held in Oklahoma City. OMB Circular A-122, Attachment B part 2, defines costs for alcoholic beverages as unallowable.

Recommendation

We recommend that the Commission improve the approval and recording of match costs as follows:

1. Develop and implement procedures to review the documentation supporting the amount of match, as well as the allowability of match amounts claimed.

2. Maintain adequate documentation to support all in-kind match amounts. Documentation should include detailed records of contributions received and the methodology used to value these contributions.

Excessive Subgrantee Cash Advances; Interest Earned but not Remitted

One of the Commission's subgrantees requested advances exceeding its 30-day cash need in 11 out of 16 months. This resulted in surplus cash and earned interest by the subgrantee. According to 45 CFR § 2543.22, recipients of Federal funds must minimize the time elapsing between the transfer of funds and disbursement by the recipient. The regulation also allows only $250 of interest earned to be retained by the recipient. The Commission calculated an estimated earned interest income from the deposit of Corporation funds amounting to $462.

Recommendation

We recommend the Commission establish proper procedures to limit cash advance requests. Further, interest income in excess of $250 earned on the advances should be returned to the Corporation.

Review of the Subgrantee Periodic Expense Reports

The Commission receives the subgrantee Periodic Expense Reports through the Web Based Reporting System and is required to review them for accuracy prior to issuing payment. The Commission's review, however, is not documented.

Recommendation

We recommend that the Commission implement procedures for ensuring that expenditure reviews are appropriately documented.

Lack of Written Grievance Procedures

The Commission does not have written grievance procedures for rejected grant applicants. Written grievance procedures are required by the Corporation's AmeriCorps Provision 34(a), requiring grantees to implement a process for filing and adjudicating grievances from members, labor organizations and other interested parties.

Lack of Written Procurement Procedures

The Commission does not have written procurement procedures. Federal regulations require recipients to establish written procurement procedures. *See* 45 CFR § 2543.44.

Recommendation

We recommend the Commission develop and implement written grievance and procurement procedures.

Lack of Control Procedures over Property and Equipment Purchases

A Federal regulation, 45 CFR § 2543.34, requires grant recipients that use Federal funds to purchase equipment to maintain records that include a description of the equipment, the serial number, the source of the equipment including award number, title vesting information, the date of acquisition, the percentage of Federal participation in the cost of the equipment, its location and condition, unit acquisition cost, and disposition information. The Commission has not developed control policies and procedures to monitor and maintain property and equipment purchases made with Federal funding. Specifically, no procedures are in place to document or maintain equipment purchases, equipment dispositions, or equipment transfers to subgrantees.

Recommendation

We recommend that the Commission develop and implement property and equipment management controls, including detailed property and equipment records.

Evaluating and Monitoring Subgrantees

As noted above, the Commission is responsible for monitoring subgrant-supported activities to assure compliance with applicable Federal requirements and achievement of performance goals. The Commission has established controls to evaluate and monitor subgrantees, which include reviewing program and financial reports and scheduling site visits for each subgrantee during the grant period. Commission personnel use a standard site visit report form to document the results of each visit. The Commission notifies the subgrantees of the results of these site visits, including findings on strengths, weaknesses, concerns, recommendations, and any necessary follow-up requirements.

However, we identified the following area for improvement related to the evaluation and monitoring of subgrantees:

Operating Site Visits

The Commission has developed a monitoring process that includes not only annual visits to subgrantees, but also site visits to subgrantee operating sites. The objectives for visiting the operating sites and the results of the operating site visits have not been documented. As part of the grant administration process, "[r]ecipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award." *See* 45 CFR § 2543.51 (a).

Recommendation

We recommend that the Commission define the objectives for operating site visits and develop written procedures for site visits so that proper monitoring and follow-up reporting occur.

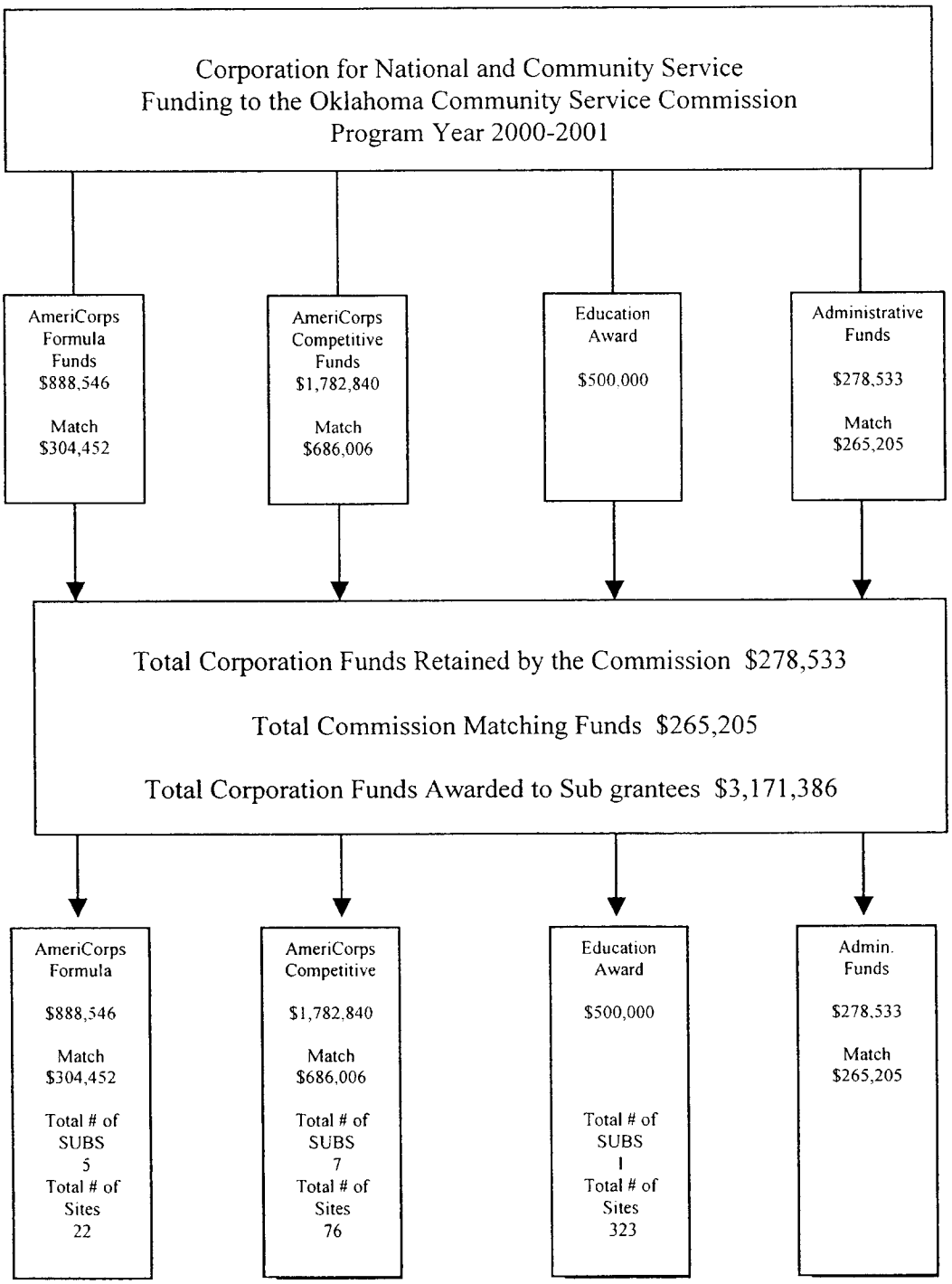
*****

This report is intended solely for the information and use of the Office of Inspector General, the management of the Corporation for National and Community Service, the management of the Oklahoma Community Service Commission, and the United States Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

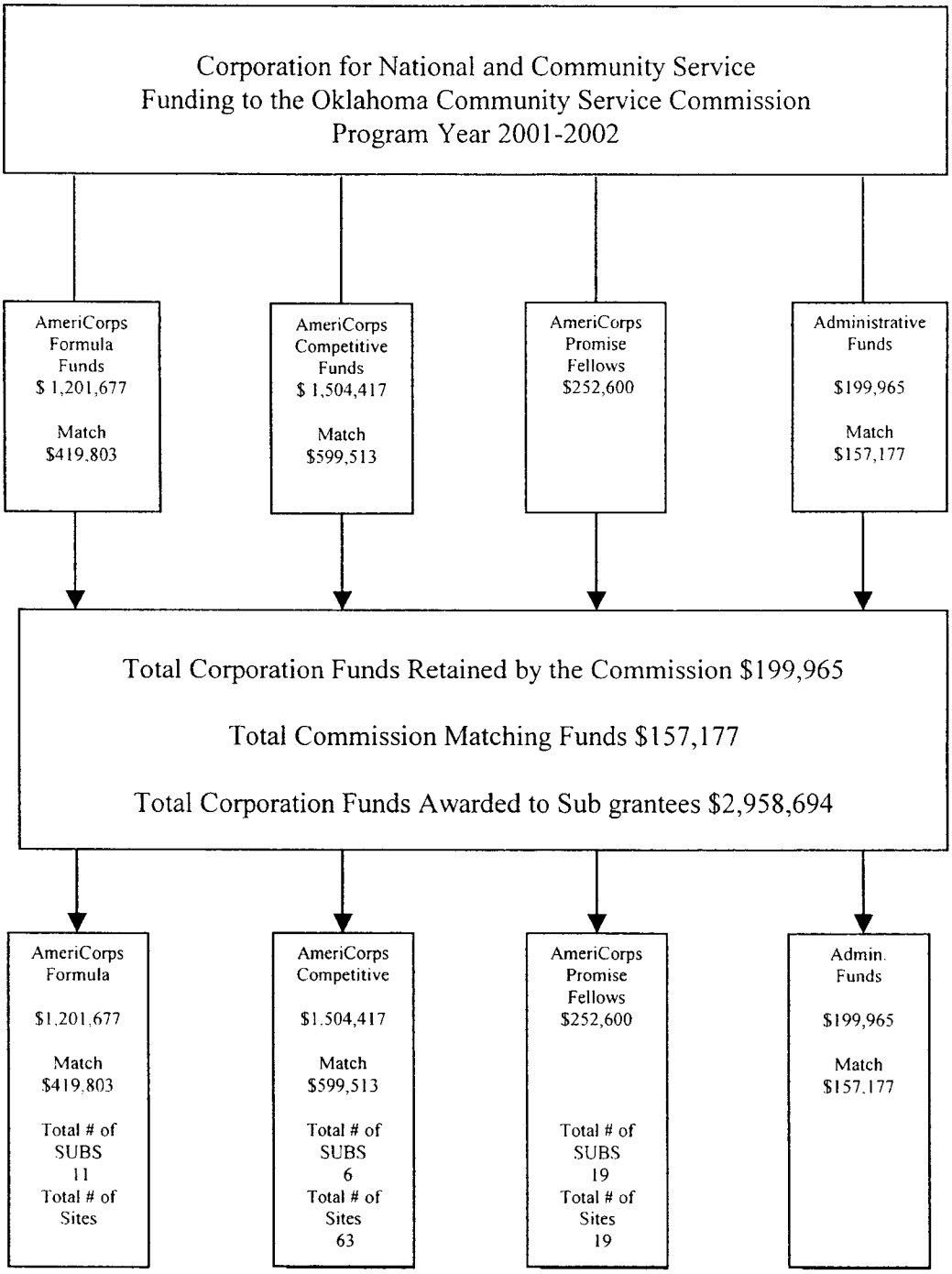
Appendix A

Commission Funding



Appendix A

Commission Funding



Appendix B

Detailed Engagement Objectives and Methodology

Internal Controls

Our objective was to make a preliminary assessment of the adequacy of the Commission's financial systems and the documentation maintained by the Commission to provide reasonable assurance that transactions are properly recorded and accounted for to: (1) permit the preparation of reliable financial statements and federal reports; (2) maintain accountability over assets; and (3) ensure compliance with laws, regulations, and other compliance requirements.

In order to achieve the above objective, we identified the compliance requirements with a direct and material effect on the Commission's AmeriCorps grant program as follows: activities allowed or unallowed; allowable costs; eligibility; matching; period of availability of Corporation funds; suspension and debarment; subrecipient monitoring; and reporting by the Commission to the Corporation. We then interviewed key Commission personnel to assess the Commission's controls surrounding these requirements.

Selecting Subgrantees

Our objectives were to make a preliminary assessment of:

- the adequacy of the systems and controls used by the Commission to select national service subgrantees to be included in an application to the Corporation;
- whether the Commission evaluated the adequacy of potential subgrantee financial systems and controls in place, to administer a Federal grant program prior to making the award to the subgrantees; and
- whether Commission involvement in the application process involved any actual or apparent conflict of interest.

In order to achieve the above objectives, we interviewed key Commission management personnel and documented procedures performed by the Commission during the pre-award financial and programmatic risk assessment of potential subgrantees. We also reviewed documentation to determine if conflict of interest forms for each subgrantee applicant tested were signed by selection officials annually and maintained by the Commission.

Administering Grant Funds

Our objectives were to:

- make a preliminary assessment of the adequacy of the systems and controls used by the Commission to oversee and monitor the performance and progress of funded subgrantees;

- make a preliminary assessment as to whether the Commission's organizational structure, staffing level, and skill mix are conducive to effective grant administration;

- make a preliminary assessment as to whether the Commission provided adequate guidance to subgrantees related to maintenance of financial systems, records, supporting documentation, and reporting of subgrantee activity;

- make a preliminary assessment of the adequacy of financial systems and documentation maintained by the Commission to support oversight of subgrantees and required reporting to the Corporation (including Financial Status Reports, progress reports, enrollment and exit forms, and change of status forms); and

- determine whether the Commission has procedures in place to verify the accuracy and timeliness of submitted reports.

In order to achieve the above objectives, we reviewed accounting records, Financial Status Reports, and progress reports submitted by subgrantees, as well as Financial Status Reports submitted by the Commission to the Corporation, to preliminarily assess their accuracy.

Evaluating and Monitoring Subgrantees

Our objectives were to:

- make a preliminary assessment of the adequacy of the systems and controls used by the Commission, in conjunction with the Corporation, to implement a comprehensive, non-duplicative evaluation and monitoring process for subgrantees;

- determine whether the Commission has an established subgrantee site visit program in place and make a preliminary assessment of the effectiveness of its design in achieving monitoring objectives;

- make a preliminary assessment of the adequacy of the Commission's procedures used to assess subgrantee compliance with Corporation regulations (e.g., procedures governing eligibility of members, service hour reporting, prohibited activities, payment of living allowances to members, and allowability of costs incurred and claimed under the grants by subgrantees, including reported match);

- make a preliminary assessment of the adequacy of the Commission's procedures for obtaining, reviewing, and following up on findings included in subgrantee OMB Circular A-133 audit reports, where applicable;

- determine whether program goals are established, and whether results are reported and compared to these goals; and

- make a preliminary assessment of the adequacy of the procedures in place to evaluate whether subgrantees are achieving their intended purpose.

In order to achieve the above objectives, we documented the procedures performed by the Commission to evaluate and monitor individual subgrantees. In addition, we judgmentally selected subgrantees and obtained the Commission's documentation for site visits. We reviewed the documentation to preliminarily assess the adequacy of the procedures performed by the Commission to assess financial and programmatic compliance, and related controls at the sites. We also determined whether the Commission received and reviewed OMB Circular A-133 audit reports from subgrantees.

Appendix C

Oklahoma Community Service Commission

Commissioners:
Kevin Abel
Pam Ballard
Rafael J. Elias
Gini Fox
Sandy Garrett
Jack Herron
Beverly Hoster
Kaye Kirk
W. Hershel Lamirand, III
Kevin Pipes
Gary D. Rader
H. Zeke Rodriguez
LeeAnn Shelton
Jamie Shouse
Linda Soos-Davis
James Stovall
Marie Trenary
Be Van Tu
Earl Tuers
Sharon Voorhees
Alan Wethern

Commission Staff:
Nancy C. Sharrock
Executive Director
Melinda Points
Assistant Director
Ann Garrett
Administrative Assistant
Amy Caswell
Community Coordinator

January 19, 2004

Mr. J. Russell George
Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW, Suite 830
Washington, DC 20525

Dear Mr. George:

Please find attached the Oklahoma Community Service Commission's response to the draft report of the results of the pre-audit survey. Several procedural changes have occurred in our systems as a result of the survey, and we believe that our administrative capabilities have been improved.

Copies of proposed solutions and revisions to existing documents are included as a separate attachment.

We appreciate the opportunity to respond to this report, and we are eager to answer questions or provide additional information needed to clarify any of the content of our response.

Sincerely,

Nancy Sharrock

Nancy C. Sharrock
Executive Director

RECEIVED
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OKLAHOMA COMMUNITY SERVICE COMMISSION
RESPONSE TO PRE-AUDIT SURVEY
January, 2004

The Oklahoma Community Service Commission offers the following explanations or corrective actions to improve those systems and procedures identified in the preliminary assessment of the pre-audit survey, OIG Report Number 04-08.

Fiscal Administration of Corporation for National and Community Service grants

1. Employee Access to Web Based Reporting System (WBRS)

The Commission uses the Corporation's WBRS system for reporting financial and program reports. The established set of controls by Commission staff and subgrantees was changed as a result of the discussions surrounding this issue during the pre-audit survey. The auditors pointed out that allowing complete user capabilities to all four Commission staff members through the Executive Director (ED) level of authority, the integrity of the WBRS control system was being compromised, even though modifications are tracked by user name by WBRS. The Commission had very large AmeriCorps*Education Award program with over 300 WBRS users. This required more than one person with Executive Director (ED) level of authority to set up users and add program sites. Therefore, all members of the staff were originally assigned the role of Executive Director (ED) level of authority. This has been changed in WBRS to allow the two staff with primary WBRS responsibility to have Executive Director (ED) access and the other two staff to have Executive Administrator (EA) access.

Some Commission staff members were also assigned the role of Program Director (PD) to programs in order to provide technical assistance to programs. However, the same level of technical assistance can be provided to the programs without approval access by assigning the Site Administrator (SA) role. This change was made during the second week of the auditors' visit.

2. Unallocable & Potentially Unallowable Costs Claimed to Administrative Grant Match

The $6,118 paid for books for a service-learning project was paid from an invoice dated May, 2000 and not approved for payment until 2001. However, the program utilized the materials in late 2000. The match expenditure was coded to the 2001 grant in error. The total expenditures for the administrative grant in 2001 totaled $185,951. Match expenditures should have been reduced and recorded on the Financial Status Report for the period 12/31/01 as $258,553. However, the 2000 grant has been closed out, and final FSR has been

submitted. Match expenditures met the required levels for administrative awards, 94SCS and 01SCS.

The $534 paid for the purchase of wine during a conference was included in an invoice totaling $24,057.02 in expenses for the conference and was included in administrative match in Commission accounting by mistake.

These errors occurred as a result of weaknesses in the procedures for reviewing the invoices for payment. Both were cash match paid with state funds. All cash and in-kind expenditures must include appropriate documentation and coding prior to processing of payment as shown in the "Accounts Payable" portion of the Commission's Policy and Procedures Manual. Directions for In-kind expenditure coding and match documentation have been added to that section.

Excessive Subgrantee Cash Advances

Since 2001-02, cash advances have been eliminated for all but two subgrantees that cannot operate the AmeriCorps program without the advance funding. The Commission's invoicing/monitoring forms have been revised to show federal cash on hand. Subgrantees must document this amount through bank statements and general ledgers that are analyzed during the site visit to verify the amounts.

The particular grantee has remitted $212 to HHS. This is the only instance in which this situation has happened, and above procedures allow Commission staff to monitor number of days in which the cash advance remains in the subgrantee's bank account.

Review of Subgrantee Periodic Expense Reports

Periodic Expense Reports in the WBRS system are actually utilized as the invoice to the Commission from subgrantees. These are reviewed by the Administrative Assistant/bookkeeper and the Executive Director as approval for payment prior to sending to Commissioner for the first signature on payments (checks). The Executive Director is the final signatory on all checks, but that review was not being formally documented. As a practice, the Executive Director now initials all Periodic Expense Reports and all invoices prior to preparation of the checks. The Commission's Financial Policy actually dictates that the Executive Director approves all invoices so there were no policy revisions.

Written Grievance Procedures for Rejected Applicants

The Commission's policy for notifying rejected applicants has been written notice usually preceded by a personal telephone contact from the Executive Director. We have not had any questions or dissatisfaction with this procedure, which was not, documented as written policy. The Commission has implemented grievance procedures in its Policy and Procedures Manual.

Written Procurement Procedures

The Commission's records for the maintenance, disposition and transfer of equipment and property have been recorded through the accounting records as equipment was capitalized as an asset in the accounting system. A list is maintained showing date of procurement, identification of equipment and physical location of all equipment. The list was revised as a result of this pre-audit survey to include the grant award number from which the equipment was purchased and the percentage of Federal participation in the cost of the equipment and its condition each year when the form is updated. The Commission has implemented a procurement procedure in its Policy and Procedures Manual.

The Commission's Monitoring Policy described strict policies for the documentation of the site visit to the program site where the program records and member files are housed. However, several programs have multiple operating sites where members serve. The commission staff visits members at various individual operating sites but has not been in the habit of documenting all of the site visits for various reasons. After discussions with the KPMG auditors, Commission staff began to understand the importance of documenting these site visits and has developed a site visit tool to be used by either the Commission staff and/or program director to document these site visits where members are placed.

The objectives for operating site visits are:

- to ensure compliance with the legal and funding requirements of the Corporation for National and Community Service (CNCS) and the Commission; and

- to encourage continuous improvement of program quality.

The site visit procedures have been included in the Commission's Monitoring Policy and both of these documents are attached.

Conclusion

Hopefully, the above explanations will serve to explain the corrections and adjustments in policy and procedures that have occurred since October, 2003. If further details regarding any of the issues of concern listed in the OIG Report would be beneficial to gaining a better understanding of the Oklahoma Community Service Commission's policies, procedures and operations, we would like the opportunity to provide further explanation.

Appendix D

Corporation for
NATIONAL &
COMMUNITY
SERVICE

To: Russell George, Inspector General

From: Margaret Rosenberry, Director of Grants Management

Cc: Michelle Guillermin, Chief Financial Officer
Rosie Mauk, Director of AmeriCorps

Date: January 21, 2004

Subject: Response to OIG Draft Audit Report 04-08, Pre-Audit Survey of the Oklahoma Community Service Commission

FINDINGS AND RECOMMENDATIONS

We have reviewed the draft Pre-Audit Survey of the Oklahoma Community Service Commission. Due to the limited timeframe for response we have not reviewed the audit work papers or response from the Commission. We will respond to all findings and recommendations when the audit is issued and we have reviewed the findings in detail.

QUESTIONED COSTS

The audit questioned memberships fees paid to the American Association of State Service Commissions. We disagree with the questioned cost. The Corporation's Acting Director of Grants Management issued a memorandum dated November 1, 1999 allowing the use of grant funds for membership cost. The Corporation's General Counsel issued a memorandum, December 15, 2003 stating, "Our grantees' use of funds for this purpose neither violates the cited provisions of appropriation law, nor is it inconsistent with the OMB cost principles, or relevant OGC guidance".

We will respond to the remaining questioned costs when the final Pre-Audit Survey is issued.