

**Office of Inspector General
Corporation for National and
Community Service**

**AUDIT OF CORPORATION FOR NATIONAL
AND COMMUNITY SERVICE COOPERATIVE
AGREEMENTS AWARDED TO AGUIRRE
INTERNATIONAL, INC.**

OIG REPORT NUMBER 06-09



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

COTTON & COMPANY LLP
635 Slaters Lane, 4th Floor
Alexandria, Virginia 22314

This report was issued to Corporation management on November 25, 2005. We consider the responses from management to our recommendations to be the Proposed Management Decisions. Under the laws and regulations governing audit follow-up, the Corporation is to complete its corrective actions by November 25, 2006. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



OFFICE OF INSPECTOR GENERAL

Audit of Corporation for National and Community Service Cooperative Agreements Awarded to Aguirre International, Inc. Audit Report 06-09

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Cotton & Company LLP to perform an audit of costs claimed by Aguirre International, Inc. (Aguirre) for the period April 1, 2002, through March 31, 2005. The audit covered financial transactions, compliance, and internal control testing of three Training and Technical Assistance cooperative agreements: 00CACA0002, 00CACA0003, and 03TAHCA001.

Although the audit did not identify questioned costs, it disclosed that Aguirre was not always in compliance with the terms of the cooperative agreements, i.e., Aguirre had frequently submitted progress reports after the due date. The Corporation and Aguirre, in their responses to our draft report, proposed satisfactory corrective actions.

The report also discloses that the terms of the cooperative agreements provided for management fees to Aguirre, a for-profit company, which Aguirre representatives described to the auditors as profit. The Corporation in its response to the draft report advised that it would not provide profit or management fees to for-profit organizations under the Training and Technical Assistance cooperative agreements unless otherwise directed by law. The OIG will consider this matter further and, if appropriate, advise the Corporation under separate correspondence.

The OIG reviewed Cotton & Company's report and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on Claimed and Questioned Costs in Appendix A of the report or the effectiveness of internal control or conclusions on compliance with laws and regulations. Cotton & Company is responsible for the attached auditor's report dated September 12, 2005, and the conclusions expressed in the report. However, our review disclosed no instances where Cotton & Company did not comply, in all material respects, with generally accepted government auditing standards.

This report is a matter of public record and its distribution is not limited.



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**OFFICE OF INSPECTOR GENERAL
AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
COOPERATIVE AGREEMENTS AWARDED TO
AGUIRRE INTERNATIONAL, INC.**

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EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Cotton & Company LLP to perform an audit of costs claimed by Aguirre International, Inc. (Aguirre) for the period April 1, 2002, through March 31, 2005. Our audit covered financial transactions, compliance, and internal control testing of the following awards:

Program	Award No.	Award Period	Audit Period
Project STAR	00CACA0002	04/01/00-09/30/05	04/01/02-03/31/05
Project TASC	00CACA0003	06/01/00-09/30/05	04/01/02-03/31/05
Project TAHS	03TAHCA001	09/30/03-09/29/06	09/30/03-03/31/05

Audit objectives were to determine if:

- Aguirre's financial reports to the Corporation presented financial award results fairly, and these costs were allowable in accordance with award terms and conditions;
- Aguirre's internal controls were adequate to safeguard Federal funds; and
- Aguirre had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions.

Our audit tests were conducted between August 15, 2005, and September 12, 2005.

Our audit report expresses an unqualified opinion on Appendix A: Claimed and Questioned Costs for Each Cooperative Agreement, and we determined that costs claimed by Aguirre for the awards appear fairly stated and allowable in accordance with award terms and conditions.

We have also issued a report, titled Independent Auditors' Report on Compliance and Internal Control, on our consideration of Aguirre's internal control and compliance with laws and regulations. In that report, we identified no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. We also noted that our tests of compliance disclosed that Aguirre did not submit many progress reports by the required due dates.

BACKGROUND

Corporation for National and Community Service

The Corporation supports a range of national and community service programs that provide an opportunity for individuals to engage in service that fosters civic responsibility and strengthens communities. The Corporation also provides educational opportunities for those who make a substantial commitment to service.

The Corporation has three major service initiatives: National Senior Service Corps, AmeriCorps, and Learn and Serve. To help strengthen the quality of these initiatives, the Corporation provides training and technical assistance. Both the Domestic Volunteer Service Act and the National and Community Service Act provide for training as a significant element in conducting effective service activities and developing the skills of participants. The Corporation is responsible for providing high-quality training through its training systems and programs.

Training officers, located at Corporation headquarters, support the planning and delivery of training by national service grantees and projects. Their activities may take many forms based on needs of the intended recipients.

The Corporation's Training and Technical Assistance (TTA) providers serve grantees, subgrantees, and projects in the areas of common need across programs (such as sustainability); national priority (such as education); and national standards or norms (such as financial management). Others support development of national service programs through training design and delivery, program management and sustainability. Each TTA provider has an individual work plan and varied sources of funding. Services include telephone consultation, providing materials, and training delivery. Requests for the services of the TTA provider are coordinated through the respective State Commissions, Corporation State Offices and/or State Education Agencies, and Corporation headquarters.

Aguirre International

Aguirre International is a for-profit company located in Burlingame, CA. It provides management and consulting services to numerous Federal and State agencies, nonprofit organizations, and private corporations. In April 2005, Aguirre was acquired by Johnson, Bassin & Shaw, Inc. with corporate headquarters in Silver Spring, Maryland.

The Corporation contracts with Aguirre to assist AmeriCorps, Learn and Serve America, and National Senior Service Corps programs in evaluating the impact of their services. This project, titled Support and Training for Assessing Results (STAR), provides evaluation assistance.

The Corporation also contracts with Aguirre to provide state commissions with technical assistance to fulfill their roles of providing oversight and training to local service providers and extending volunteerism and community service in their respective states. Under the Training and Technical Assistance for State Commissions (TASC) project, Aguirre works with state commission executive directors and commission members to clarify how best to meet their individual needs. It then provides technical and system-wide assistance through national conferences, regional workshops, and the development of new technical assistance materials.

Aguirre supports the Technical Assistance for Homeland Security Project (TAHS) for the Corporation by providing training and technical assistance to grantees that are involved in homeland security initiatives.

EXIT CONFERENCE

We held an exit conference with Aguirre and Corporation representatives on October 12, 2005. In addition, we provided a draft copy of this report to each for comment. Their responses are included in this report as Appendices B and C, respectively. Aguirre and the Corporation provided specific comments on the compliance finding, which we have included in this report. In addition the Corporation commented on the management fee issue noted below.

OTHER MATTERS

The cooperative agreements awarded to Aguirre included a “management fee” of 1.5 percent (STAR and TASC) and 4.5 percent (TAHS) of total costs. Aguirre’s budget narratives, submitted with its proposals to the Corporation, stated that the fee was to recover costs not otherwise recoverable. Aguirre representatives stated, however, that the management fee was actually profit. The Corporation’s acquisition regulations do not specifically state whether profit is allowable on cooperative agreements. The OIG plans to review this issue.



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September 12, 2005

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT

We have audited costs claimed by Aguirre International for the period April 1, 2002, through March 31, 2005, for the cooperative agreements listed below. These costs are presented in Appendix A: Claimed and Questioned Costs for Each Cooperative Agreement and are the responsibility of Aguirre's management. Our responsibility is to express an opinion on these costs based on our audit.

Program	Award No.	Award Period	Audit Period
Project STAR	00CACA0002	04/01/00-09/30/05	04/01/02-03/31/05
Project TASC	00CACA0003	06/01/00-09/30/05	04/01/02-03/31/05
Project TAHS	03TAHCA001	09/30/03-09/29/06	09/30/03-03/31/05

We conducted our audit in accordance with audit standards generally accepted in the United States of America and generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatements. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in Appendix A. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating overall financial presentation. We believe that our audit provides a reasonable basis for our opinion on incurred costs.

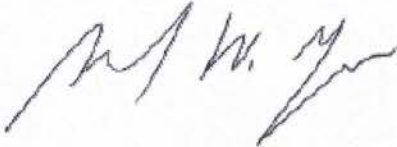
Appendix A is intended to present allowable costs incurred under the awards in accordance with applicable *Federal Acquisition Regulation* (FAR) sections, and award terms and conditions. Appendix A is not intended to be a complete presentation of financial position in conformity with accounting principles generally accepted in the United States of America.

In our opinion, Appendix A presents fairly, in all material respects, costs claimed for each cooperative agreement in conformity with FAR and award terms and conditions.

In accordance with generally accepted government auditing standards, we have also issued a report dated September 12, 2005, on our consideration of Aguirre's internal control and compliance with laws and regulations. This report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be read in conjunction with this report in considering audit results.

This report is intended for the information and use of the Office of Inspector General, Corporation for National and Community Service, Aguirre, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

A handwritten signature in black ink, appearing to read "Michael W. Gillespie". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael W. Gillespie, CPA
Partner



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September 12, 2005

Office of Inspector General
Corporation for National and Community Service

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND INTERNAL CONTROL**

We have audited costs claimed by Aguirre International to the Corporation for National and Community Service for the following awards and have issued our report thereon dated September 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards.

Program	Award No.	Award Period	Audit Period
Project STAR	00CACA0002	04/01/00-09/30/05	04/01/02-03/31/05
Project TASC	00CACA0003	06/01/00-09/30/05	04/01/02-03/31/05
Project TAHS	03TAHCA001	09/30/03-09/29/06	09/30/03-03/31/05

COMPLIANCE WITH LAWS AND REGULATIONS

As part of obtaining reasonable assurance about whether financial schedules are free of material misstatements, we performed tests of compliance with certain provisions of laws, regulations, and cooperative agreements, noncompliance with which could have a direct and material effect on determination of financial schedule amounts. Providing an overall opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under generally accepted government auditing standards and are discussed below.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we obtained an understanding of Aguirre's internal control over financial reporting to determine audit procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not

necessarily disclose all matters in internal controls that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

FINDING

Aguirre did not submit 16 of 19 progress reports by the required due dates for 2 of the 3 awards. The cooperative agreements require progress reports to be submitted quarterly and semiannually for Award Nos. 00CACA0002 and 00CACA0003, respectively. Aguirre submitted progress reports after the dates stipulated in the cooperative agreements as follows:

Award No.	Due Date	Submission Date	Days Late
00CACA0002	07/31/02	04/08/03	251
	10/31/02	04/08/03	159
	01/31/03	05/12/03	101
	04/30/03	07/14/03	75
	07/31/03	08/29/03	29
	10/31/03	12/01/03	31
	01/31/04	06/10/04	131
	04/30/04	05/13/04	13
	07/31/04	10/01/04	62
	10/31/04	12/13/04	43
00CACA0003	04/30/02	02/11/03	287
	10/31/02	02/11/03	103
	10/31/03	11/12/03	12
	04/30/04	08/02/04	94
	10/31/04	11/04/04	4
	04/30/05	05/06/05	6

Aguirre's controller stated that the progress reports were submitted late during intense periods of activity, when demands on the respective project staff (for high priority tasks) occurred concurrently with due dates for progress reports. Aguirre representatives further stated that they realize the importance of such documentation and have made concerted efforts to submit the reports in a timely manner. Furthermore, the representatives stated that they have made changes in Aguirre's reporting systems over the last year that improved their ability to meet submission deadlines.

When reports are late, the Corporation cannot effectively monitor the progress of its TTA providers or address issues that arise during the reporting period.

We recommend that the Corporation ensure that Aguirre submits progress reports within the required timeframe.

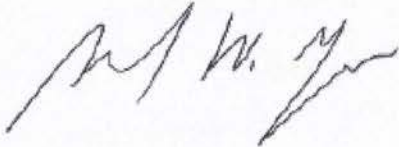
Aguirre Comments: Aguirre agrees that the reports were late and has begun the process of instituting procedures that will ensure more timely delivery of these reports.

Corporation Comments: The Corporation stated that its new eGrants system will alert the grantee when reports are due and will alert the Corporation program officer when reports are overdue. The program staff will then follow-up through the eGrants system to send reminder notices.

Auditors' Additional Comments: Aguirre's and the Corporation's corrective actions, as described in their comments, are responsive to our recommendation.

This report is intended for the information and use of the Office of Inspector General, Corporation for National and Community Service, Aguirre, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

A handwritten signature in black ink, appearing to read "Michael W. Gillespie". The signature is fluid and cursive, with the first name being the most prominent.

Michael W. Gillespie, CPA
Partner

APPENDIX A

CLAIMED AND QUESTIONED COSTS FOR EACH COOPERATIVE AGREEMENT

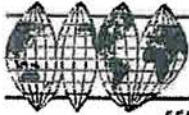
Cooperative Agreement	Description	Audit Period	Claimed Costs¹	Questioned Costs
00CACA0002	Project STAR	4/01/2002-3/31/2005	\$3,379,788	\$0
00CACA0003	Project TASC ²	4/01/2002-3/31/2005	\$2,999,327	\$0
03TAHCA001	Project TAHS	9/30/2003-3/31/2005	\$680,229	\$0

¹ Costs include management fee.

² The award included a management fee of 1.5 percent of total costs. During the period June 1, 2000, through March 31, 2002, Aguirre incorrectly billed fee in excess of this rate. It corrected the \$14,034 over billing by reducing the fee billed during our audit period. As of March 31, 2005, the total fee billed during the entire award period was in accordance with the agreement's terms.

APPENDIX B

AGUIRRE'S RESPONSE TO DRAFT AUDIT REPORT



AGUIRRE INTERNATIONAL

BURLINGAME, CALIFORNIA • WASHINGTON, D.C.

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November 16, 2005

Carol Bates
Acting Inspector General
Office of Inspector General
Corporation for National & Community Service
1201 New York Avenue, NW, Suite 830
Washington, DC 20525

Ref: Draft report on the audit of Training and Technical Assistance Cooperative Agreements, October 31, 2005

Dear Ms. Bates:

Aguirre International has received and reviewed the referenced agreements, which included:

- 00CACA0002 Aguirre Project STAR
- 00CACA0003 Aguirre Project TASC
- 03TAHCA001 Aguirre Project TAHS

We appreciate the opportunity to respond to the draft report.

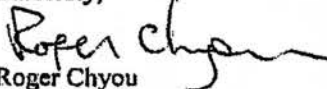
Finding: The report finds that Aguirre progress reports were late.

Response: Aguirre agrees that the reports were late; and we have begun the process of instituting procedures that will ensure more timely delivery of these reports. Our project directors work daily with Corporation staff in intimate and close relationships. This often creates the feeling that there are no unknown issues to Corporation decision-makers. However, our Cooperative Agreements require periodic reports, and we agree that they should be delivered to the Corporation at the specified dates; and Aguirre International will ensure that these are delivered according to schedules.

We were pleased with the professionalism of both the Cotton and Company auditors and the Corporation professionals with whom we worked.

We are available for any additional questions or information.

Sincerely,


Roger Chyou
Director of Finance
Aguirre International

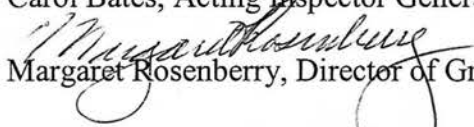
cc: Michael Gillsepie, Cotton & Company LLP

APPENDIX C

CORPORATION'S RESPONSE TO DRAFT AUDIT REPORT

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

To: Carol Bates, Acting Inspector General

From: 
Margaret Rosenberry, Director of Grants Management

Cc: Gretchen Van der Veer, Office of Leadership Development and Training
Tory Willson, Audit Resolution Coordinator

Date: November 14, 2005

Sub: Response to OIG Draft Audit Report of Corporation for National and Community Service Cooperative Agreements Awarded to Aguirre International, Inc.

Thank you for the opportunity to review the draft audit report of the Corporation's cooperative agreements awarded to Aguirre International, Inc. We were pleased that the audit report expressed an unqualified opinion and there were no questioned costs or internal control findings. The draft report did raise one issue related to profit that the Corporation addressed in its recent competition for new cooperative agreements. As the IG noted in its review, the acquisition regulations do not state specifically whether profit is allowable under cooperative agreements.

For grants and cooperative agreements, organizations follow the applicable OMB cost principles, e.g. a state agency would follow the cost principles for state and local governments. However, these cost principles don't apply to for-profit organizations. For-profit organizations follow the Federal Acquisition Regulations (FAR) - usually applied to contracts, not grants or cooperative agreements. The Corporation considered the issue of profit and reviewed approaches taken by other federal agencies in similar situations. We determined that CNCS will not provide profit or management fees to for-profit organizations under the Training and Technical Assistance (T/TA) cooperative agreements unless otherwise directed by law. The Corporation recently held a new competition for training and technical assistance activities and did not allow organizations to include profit or management fees in the approved budget.

