

Office of Inspector General Corporation for National and Community Service

AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO THE OKLAHOMA COMMUNITY SERVICE COMMISSION

OIG REPORT NUMBER 06-33



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

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This report was issued to Corporation management on September 29, 2006. 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 March 29, 2007, and complete its corrective actions by September 29, 2007. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Audit of Corporation for National and Community Service
Grants Awarded to the
Oklahoma Community Service Commission
Audit Report 06-33

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Mayer Hoffman McCann P.C. (Mayer) to perform an incurred-cost audit of grants awarded to the Oklahoma Community Service Commission (Commission).

Federal costs claimed by the Commission during the audit period totaled \$3,848,152. Of this amount, the auditors questioned \$4,703 of grant costs and \$372,686 in match costs. Some of the questioned match was claimed in excess of the minimum match required. The auditors also identified five issues of noncompliance with Federal laws and grant provisions and three internal control matters. The internal control matters are considered material weaknesses.

In its response to the draft audit report, the Commission substantially agreed with the findings and was in the process of implementing corrective actions to address the recommendations. One item concerning claimed match costs remains unresolved and will be addressed during the audit resolution phase.

The OIG reviewed Mayer'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 the Commission's financial statements, conclusions about the effectiveness of internal control or conclusions on compliance with laws and regulations. Mayer is responsible for the attached auditor's report dated April 7, 2006, and the conclusions expressed in the report. However, our review disclosed no instances where Mayer did not comply, in all material respects, with generally accepted government auditing standards.

The OIG provided officials of the Commission and the Corporation with a draft of this report for review and comment. Their responses are included as Appendices A and B, respectively.

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

**Audit of Corporation for National and Community Service
Grants Awarded to the
Oklahoma Community Service Commission
Oklahoma City, Oklahoma**

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REPORT SUMMARY AND HIGHLIGHTS

Office of Inspector General
Corporation for National and Community Service

This report is issued under an Office of Inspector General (OIG) engagement with Mayer Hoffman McCann P.C. to audit the costs claimed by Oklahoma Community Service Commission (Commission) and its subgrantees from August 6, 2003, through December 31, 2005, under grants awarded by the Corporation for National and Community Service (Corporation). This report focuses on claimed costs, instances of noncompliance with Federal laws, applicable regulations or award conditions, and internal control weaknesses disclosed during the audit.

Executive Summary

As a result of our audit, we are questioning grant costs of \$4,703. In addition, we question \$372,686 in match costs claimed. Some of the questioned match is claimed in excess of the minimum match required. The grant costs questioned are approximately 0.1 percent of the total \$3,848,152 in costs claimed by the Commission. A questioned cost is (1) an alleged violation or provision of law, regulation, contract, grant, or cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost was not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable. Costs questioned include living allowances for members not reported in the Corporation's Web-Based Reporting System (WBRS), excess living allowance charges, and other unsupported or inadequately documented member support costs and direct costs. Details of questioned costs appear in the Independent Auditor's Report.

Background

The Corporation, pursuant to the authority of the National Community Service Trust Act of 1993, awards grants and cooperative agreements to State Commissions and other entities to assist in the creation of full-time and part-time national and community service programs.

The Commission is a nonprofit agency founded in 1994 with the mission to oversee administration and implementation of the State's participation, through the efforts of various Commission subgrantee programs, in the National and Community Service Trust Act.

The Commission has received approximately \$8 million in funding for various Corporation programs, and exercised \$3.80 million in drawdowns from Corporation funds for the period

audited. Of this amount, approximately \$3.19 million was distributed to subgrantees. All of the Commission’s subgrantees were nonprofit organizations, municipalities, or local schools located throughout the State of Oklahoma. Authorized funding, the Commission’s claimed expenditures, and drawdowns by grant are as follows:

	<u>Funding Authorized</u>	<u>Claimed within Audit Period</u>	<u>Draw downs During Audit Period</u>
03AFHOK002 – AmeriCorps Formula	\$ 2,787,939	1,476,533	1,530,245
03ACHOK001 – AmeriCorps Competitive	<u>3,558,858</u>	<u>1,500,255</u>	<u>1,606,648</u>
Total AmeriCorps	<u>6,346,797</u>	<u>2,976,788</u>	<u>3,136,893</u>
04CAHOK001 – Administrative	<u>456,933</u>	<u>381,959</u>	<u>328,645</u>
04CDHOK001 – Disability	<u>65,480</u>	<u>37,167</u>	<u>32,278</u>
03KCHOK001 – Learn & Serve America	<u>998,451</u>	<u>387,429</u>	<u>348,594</u>
05PDHOK001 – PDAT	<u>128,120</u>	<u>64,809</u>	<u>42,044</u>
Total – Grants Administered	<u>\$ 7,995,781</u>	<u>3,848,152*</u>	<u>3,888,454*</u>

* The differences between the amount claimed and amount drawn down are generally due to timing issues.

Purpose and Scope of Audit

Our audit covered the costs claimed under the Corporation grant numbers and for the grant periods detailed on Page 3.

The objectives of our audit were to determine whether:

- financial reports prepared by the Commission presented fairly the financial results of the awards;
- internal controls were adequate to safeguard Federal funds;
- the Commission and its subgrantees had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, award conditions, and that member services were appropriate to the programs;
- grant costs reported to the Corporation were documented and allowable in accordance with the grant terms and conditions; and
- the Commission had established adequate oversight and informed subgrantees of the Corporation’s Government Performance and Results Act (GPRA) goals.

We performed the audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards. 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 Schedules of Award Costs (Exhibits A through C), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibits A through C. 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 audit reports and work papers prepared by the independent public accountants for the Commission and its subgrantees in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. We believe our audit provides a reasonable basis for our opinion.

We performed our audit at the Commission and its subgrantees during the period February 7, 2006, through April 7, 2006.

The contents of this report were disclosed to and discussed with the Commission and the Corporation at an exit conference on June 28, 2006. In addition, we provided a draft of this report to the Commission and to the Corporation for comment on July 20, 2006. Their responses are included in their entirety as Appendices A and B, respectively.

Grant Programs Audited

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

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
AmeriCorps – Formula	03AFHOK002	09/01/03 – 08/31/06	09/01/03 – 09/30/05
AmeriCorps – Competitive	03ACHOK001	08/06/03 – 08/05/06	08/06/03 – 09/30/05
Administrative	04CAHOK001	01/01/04 – 12/31/06	01/01/04 – 12/31/05
Disability	04CDHOK001	01/01/04 – 12/31/06	01/01/04 – 12/31/05
Learn & Serve America	03KCHOK001	10/01/03 – 09/30/06	10/01/03 – 12/31/05
PDAT	05PTHOK001	01/01/05 – 12/31/06	01/01/05 – 12/31/05

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

<u>Description</u>	<u>Amount</u>	<u>Percentage of Budget/Claimed</u>
Award Budget	\$ 7,995,781	-
Claimed Costs	3,848,152	48.1
Questioned Grant Costs	4,703	0.1
Questioned Match Costs	\$ 372,686	-

Costs Questioned

The following summarizes the costs questioned on these awards:

AmeriCorps Grants

Living Allowances Claimed Exceeding the AmeriCorps Limit	\$ 679
Living Allowances Paid To Members Not Enrolled in WBRs	1,280
Over-Claimed Member Health Care Benefits	2,451
Costs Incurred Not Within Grant Period	83
Unallowable Depreciation Expenses	<u>210</u>
Total Grant Costs Questioned	\$ <u>4,703</u>

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 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:

1. Over-claimed and unallowable members' living allowances.
2. Program costs claimed not in accordance with the AmeriCorps Provisions and applicable cost principles.
3. Late submission of required program documents.
4. Unallowable and unallocable match costs.
5. Administrative cost percentage exceeded maximum allowable.

Internal Controls

Compliance findings numbered 1 through 5 are also considered internal control weaknesses. In addition, we noted the following internal control reportable conditions:

6. The Commission did not have adequate controls in place to safeguard Federal funds.
7. Program expenditures have not been properly booked into accounting records.
8. Advance payments were not deposited into a Federally-insured interest bearing account.

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 Commission and its subgrantees, and the U.S. Congress.



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Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITOR'S REPORT

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

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
AmeriCorps – Formula	03AFHOK002	09/01/03 – 08/31/06	09/01/03 – 09/30/05
AmeriCorps – Competitive	03ACHOK001	08/06/03 – 08/05/06	08/06/03 – 09/30/05
Administrative	04CAHOK001	01/01/04 – 12/31/06	01/01/04 – 12/31/05
Disability	04CDHOK001	01/01/04 – 12/31/06	01/01/04 – 12/31/05
Learn & Serve America	03KCHOK001	10/01/03 – 09/30/06	10/01/03 – 12/31/05
PDAT	05PTHOK001	01/01/05 – 12/31/06	01/01/05 – 12/31/05

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 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 the issues related to the \$4,703 in grant questioned costs discussed previously, the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A through C and related Schedules) referred to above present fairly, in all material respects, the costs claimed for the period August 6, 2003, to December 31, 2005, in conformity with generally accepted accounting standards in the United States of America.

In accordance with the *Government Auditing Standards*, we have also issued our Independent Auditor's Report, dated April 7, 2006, on our consideration of the Commission's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report

is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 Commission and its subgrantees, and the U.S. Congress.

Mayer Hoffman McCann P.C.

Mayer Hoffman and McCann, PC
Conrad Government Services Division
Irvine, California
April 7, 2006

**Corporation for National and Community Service Awards
Oklahoma Community Service Commission**

Consolidated Schedule of Award Costs

August 6, 2003, to December 31, 2005

<u>Award Number</u>	<u>Program</u>	<u>Approved Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Reference</u>
03AFHOK002	AmeriCorps-Formula	\$ 2,787,939	1,476,533	3,365	
03ACHOK001	AmeriCorps-Competitive	<u>3,558,858</u>	<u>1,500,255</u>	<u>1,338</u>	
	Total AmeriCorps	<u>6,346,797</u>	<u>2,976,788</u>	<u>4,703</u>	Exhibit A
04CAHOK001	Administrative	<u>456,933</u>	<u>381,959</u>	-	Exhibit B
04CDHOK001	Disability	<u>65,480</u>	<u>37,167</u>	-	
03KCHOK001	Learn & Serve America	<u>998,451</u>	<u>387,429</u>	-	Exhibit C
05PDHOK001	PDAT	<u>128,120</u>	<u>64,809</u>	-	
	Totals	<u>\$ 7,995,781</u>	<u>3,848,152</u>	<u>4,703</u>	

**Corporation for National and Community Service Awards
Oklahoma Community Service Commission**

Notes to Consolidated Schedule of Award Costs

August 6, 2003, to December 31, 2005

Reporting Entity

The accompanying Consolidated Schedule of Award Costs includes amounts budgeted, claimed, and questioned under the grants awarded to the Commission by the Corporation for the period from August 6, 2003, to December 31, 2005.

The Commission awards its AmeriCorps and Learn and Serve America Community-Based grant funds to subgrantees that administer the programs and report financial and programmatic results to the Commission.

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 Commission while used in the program for which it was purchased or in other future authorized programs. However, the Corporation has a reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds there from, is subject to Federal regulations.

Inventory

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

EXHIBIT A

SCHEDULE OF AWARD COSTS:
AMERICORPS GRANTS

**Oklahoma Community Service Commission
 Schedule of Award Costs
 Corporation for National and Community Service
 Award Numbers 03AFHOK002 and 03ACHOK001
 (AmeriCorps – Formula & Competitive)
 August 6, 2003, through September 30, 2005**

<u>Detail Audits of AmeriCorps Programs</u>	<u>Claimed Costs</u>	<u>Questioned Claimed Costs</u>	<u>Reference</u>
<u>AmeriCorps – Formula 03AFHOK002</u>			
Oklahoma Community Service Commission	\$ 90,299	-	
<u>Subgrantees</u>			
Youth Services for Stephen County	128,205	-	
Town of Okeene *	468,278	1,078	Schedule A-1
Communities in Schools *	430,702	2,287	Schedule A-2
Little Dixie Community Action	120,287	-	
Seminole County Youth Promise Foundation	119,033		
Oklahoma Conference of the United Methodist Church	<u>119,729</u>	<u>-</u>	
Total	<u>\$ 1,476,533</u>	<u>3,365</u>	
<u>AmeriCorps – Competitive 03ACHOK001</u>			
<u>Subgrantees</u>			
Oklahoma State Service Council – American Red Cross *	\$ 465,169	1,045	Schedule A-3
United Way of Ponca City *	614,982	293	Schedule A-4
Tulsa Housing Authority	123,198	-	
Seminole County Youth Promise Foundation	<u>296,906</u>	<u>-</u>	
Total	<u>\$ 1,500,255</u>	<u>1,338</u>	

* Subgrantee selected for detailed testing.

Oklahoma Community Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 03AFHOK002 and 03ACHOK001
(AmeriCorps – Formula & Competitive)
September 1, 2003, through September 30, 2005

Town of Okeene

		<u>Reference</u>
Approved Budget (Federal Funds)	\$ <u>512,711</u>	Note 1
Claimed Costs	\$ <u>468,278</u>	Note 2
Questioned Costs		
Member Not Enrolled in WBR Over Claimed Member's Health Benefits	\$ 235	Note 3
	<u>843</u>	Note 4
Total Questioned Costs	\$ <u>1,078</u>	
Questioned Match Costs	\$ <u>41</u>	Note 3

Notes

1. According to budget schedules for the AmeriCorps grants, the Town of Okeene's total approved Federal-funded budget is \$512,711 under the award 03AFHOK002 (\$230,111 in Program Year 2003-2004 and \$282,600 in Program Year 2004-2005).
2. Claimed costs represent Town of Okeene's reported expenditures for the period September 1, 2003, through September 30, 2005.
3. Based on our review of members' living allowances for the entire universe in Program Year 2003-2004, we noted one individual who made a commitment to join the AmeriCorps program but was never enrolled. Nonetheless, living allowances were paid to the individual and claimed as Corporation funds since the individual had contributed 31.5 service hours prior to leaving the program. Therefore, we have questioned the related living allowances and fringe benefits which totaled \$276, of which \$235 was claimed to Federal share and \$41 to subgrantee's match (*see Compliance Finding No. 1*).
4. Health care benefits were paid to a less than full-time member using Corporation funds in Program Year 2003-2004. The subgrantee had enrolled the member as a half-time member with the understanding that the member would be serving in a full-time capacity for a sustained period of time. (*see Compliance Finding No. 2*).

**Oklahoma Community Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 03AFHOK002 and 03ACHOK001
(AmeriCorps – Formula & Competitive)
September 1, 2003, through September 30, 2005**

Communities in Schools

		<u>Reference</u>
Approved Budget (Federal Funds)	\$ <u>455,164</u>	Note 1
Claimed Costs	\$ <u>430,702</u>	Note 2
Questioned Costs		
Living Allowances Exceeding the AmeriCorps Limits	\$ 679	Note 3
Member Benefits Over-claimed	<u>1,608</u>	Note 4
Total Questioned Costs	\$ <u>2,287</u>	
Questioned Match Costs	\$ <u>4,450</u>	Note 5

Notes

1. According to budget schedules for the AmeriCorps grants, Communities in Schools' (CIS) total approved Federal-funded budget is \$455,164 under the award 03AFHOK002 (\$243,200 in Program Year 2003-2004 and \$211,964 in Program Year 2004-2005).
2. Claimed costs represent CIS's reported expenditures for the period September 1, 2003, through September 30, 2005.
3. During our Maximum Living Allowance testing on 44 members, we noted that one member's total living allowance claimed under Federal share exceeded 85 percent of the minimum living allowance. The living allowance and related payroll taxes are questioned as follows (*see Compliance Finding No. 1*):

<u>Program Year</u> <u>2004-2005</u>	<u>Living</u> <u>Allowance</u> <u>Questioned</u>	<u>Related</u> <u>FICA of</u> <u>7.65%</u>	<u>Total Federal</u> <u>Questioned</u> <u>Costs</u>
Member A (MT)	\$ 631	\$ 48	\$ 679
MT – Minimal Time (300 hours)			

4. We noted an error overstating costs of \$1,608 claimed to the Corporation for Program Year 2004-2005 for member health care benefits. The subgrantee had overstated one extra member's health care costs compared to what was actually expended. The over-claimed amount was \$134 per month for 12 months (*see Compliance Finding No. 2*).
5. A review of the subgrantee in-kind matching contribution indicated \$4,450 of in-kind match that was not adequately supported by documentation to determine if the costs were allowable, allocable, and reasonable per the OMB Circulars. As a result, the in-kind matching contribution has been questioned (*see Compliance Finding No. 4*).

Oklahoma Community Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 03AFHOK002 and 03ACHOK001
(AmeriCorps – Formula & Competitive)
August 6, 2003, through September 30, 2005

Oklahoma State Services Council – American Red Cross

		<u>Reference</u>
Approved Budget (Federal Funds)	\$ <u>503,114</u>	Note 1
Claimed Costs	\$ <u>465,169</u>	Note 2
Questioned Costs		
Members Not Enrolled in WBRs	\$ <u>1,045</u>	Note 3
Questioned Match Costs	\$ <u>185</u>	Note 3

Notes

1. According to budget schedules for the AmeriCorps grants, American Red Cross' total approved Federal-funded budget is \$503,114 under the award 03ACHOK001 (\$247,208 in Program Year 2003-2004 and \$255,906 in Program Year 2004-2005).
2. Claimed costs represent American Red Cross' reported expenditures for the period August 6, 2003, through September 30, 2005.
3. Based on our review of members' living allowances for the entire universe in Program Year 2003-2004, we noted one individual who made a commitment to join the AmeriCorps program but never actually enrolled. Nonetheless, living allowances were paid to the individual and claimed as Corporation funds since the member had contributed 220.50 service hours prior to exiting the program. Therefore, we have questioned the related living allowances and fringe benefits which totaled \$1,230, of which \$1,045 was claimed to Federal share and \$185 to the subgrantee's match costs (*see Compliance Finding No. 1*).

Oklahoma Community Service Commission
 Schedule of Award Costs
 Corporation for National and Community Service
 Award Numbers 03AFHOK002 and 03ACHOK001
 (AmeriCorps – Formula & Competitive)
 August 6, 2003, through September 30, 2005

United Way of Ponca City

		<u>Reference</u>
Approved Budget (Federal Funds)	\$ <u>750,795</u>	Note 1
Claimed Costs	\$ <u>614,982</u>	Note 2
Questioned Costs		
Cost Incurred Outside Grant Period	\$ 83	Note 3
Depreciation Expenses	<u>210</u>	Note 4
Total Questioned Costs	<u>\$ 293</u>	
Questioned Match Costs		
Cost Incurred Outside Grant Period	\$ 83	Note 3
Depreciation Expenses	<u>208</u>	Note 4
Total Questioned Match Costs	<u>\$ 291</u>	

Notes

1. According to budget schedules for the AmeriCorps grants, United Way of Ponca City's (United Way) total approved Federal-funded budget is \$750,795 under the award 03ACHOK001 (\$367,152 in Program Year 2003-2004 and \$383,643 in Program Year 2004-2005).
2. Claimed costs represent United Way's reported expenditures for the period August 6, 2003, through September 30, 2005.
3. Based on our testing of other direct operating costs, we noted \$166 (\$83 Federal share and \$83 subgrantee's match) claimed to the grant for utility expenses which were incurred in July and August of 2003 which was not within the grant award period (*see Compliance Finding No. 2*).
4. Depreciation expense of \$418 (\$210 Federal share and \$208 subgrantee's match costs) was claimed in Program Year 2003-2004. However, the equipment being depreciated was already claimed as Federal share when originally purchased (*see Compliance Finding No. 2*).

EXHIBIT B

SCHEDULE OF AWARD COSTS:
ADMINISTRATIVE GRANTS

Oklahoma Community Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Number 04CAHOK001
(Administrative Grants)
January 1, 2004, through December 31, 2005

		<u>Reference</u>
Approved Budget (Federal Funds)	\$ <u>456,933</u>	Note 1
Claimed Costs	\$ <u>381,959</u>	Note 2
Questioned Match Costs	\$ <u>286,522</u>	Note 3

Notes

1. According to budget schedules for the Administrative grants, the Commission's total approved Federal-funded budget is \$456,933 under the award 04CAHOK001.
2. Claimed costs represent the Commission's reported expenditures for the period January 1, 2004, through December 31, 2005.
3. During our testing of all grant match provided by the Commission, we noted a majority of match was related to news stories and public service announcements broadcast through various local radio stations and local newspapers. The purported value of this media was used by the Commission as an in-kind contribution to match its Administrative grant. The costs were planned for as Advertising and Promotion expense in the budget; however, based on our review of the supporting documentation, we noted that a majority of these in-kind contributions were inadequately documented to determine if they were (1) allowable and allocable, (2) related to the Corporation's programs (such as AmeriCorps, Learn & Serve, etc.), (3) the base values of the contributions were reasonable and allowable, and (4) the news stories, articles, or public service announcements were requested by the Commission to promote and support its programs (*see Compliance Finding No. 4*).

EXHIBIT C

SCHEDULE OF AWARD COSTS:
LEARN AND SERVE AMERICA COMMUNITY-BASED GRANTS

**Oklahoma Community Service Commission
 Schedule of Award Costs
 Corporation for National and Community Service
 Award Number 03KCHOK001
 (Learn and Serve America Community-Based Grants)
 October 1, 2003, through December 31, 2005**

Audit of Learn & Serve Program (Grants 03KCHOK001)	<u>Claimed</u> <u>Costs</u>	Questioned <u>Claimed</u> <u>Costs</u>	<u>Reference</u>
Oklahoma Community Service Commission	\$ 80,130	-	
<i><u>Subgrantees</u></i>			
Camp Fire of Oklahoma Council	55,722	-	
Communities in Schools *	65,961	-	Schedule C-1
Great Plains Youth & Family Service	81,007	-	
Oklahoma 4-H Foundation	59,831	-	
Oklahoma State University	12,465	-	
YMCA of Greater Tulsa	<u>32,313</u>	<u>-</u>	Schedule C-2
Total	<u>\$ 387,429</u>	<u>-</u>	

* Subgrantee selected for detailed testing.

Oklahoma Community Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Number 03KCHOK001
(Learn and Serve America Community-Based Grants)
January 1, 2004, through December 31, 2005

Communities in Schools

		<u>Reference</u>
Approved Budget (Federal Funds)	\$ <u>80,000</u>	Note 1
Claimed Costs	\$ <u>65,961</u>	Note 2
Questioned Match Costs	\$ <u>37,860</u>	Note 3

Notes

1. According to budget schedules for the Learn & Serve America grants, Communities in Schools' (CIS) total approved Federal-funded budget is \$80,000 under the award 03KCHOK001 (\$40,000 in Program Year 2003-2004 and \$40,000 in Program Year 2004-2005).
2. Claimed costs represent CIS's reported expenditures for the period January 1, 2004, through December 31, 2005.
3. A review of the subgrantee in-kind matching contribution indicated that \$37,860 of in-kind match was not adequately supported by documentation to determine if the costs were allowable, allocable, and reasonable per the OMB Circulars. As a result, the in-kind matching contribution has been questioned (*see Compliance Finding No. 4*).

Oklahoma Community Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Number 03KCHOK001
(Learn and Serve America Community-Based Grants)
January 1, 2004, through December 31, 2005

YMCA of Greater Tulsa

		<u>Reference</u>
Approved Budget (Federal Funds)	\$ <u>80,000</u>	Note 1
Claimed Costs	\$ <u>32,313</u>	Note 2
Questioned Match Costs	\$ <u>43,337</u>	Note 3

Notes

1. According to budget schedules for the Learn & Serve America grants, YMCA of Greater Tulsa's (YMCA) total approved Federal-funded budget is \$80,000 under the award 03KCHOK001 (\$40,000 in Program Year 2003-2004 and \$40,000 in Program Year 2004-2005).
2. Claimed costs represent YMCA's reported expenditures for the period January 1, 2004, through December 31, 2005.
3. A review of the subgrantee program match costs indicated that \$43,337 of match costs were not adequately supported by documentation to determine if the costs were allowable, allocable, and reasonable per the OMB Circulars. As a result, the match costs have been questioned (*see Compliance Finding No. 4*).



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 Corporation for National and Community Service

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL
 CONTROLS OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
 FINANCIAL SCHEDULES PERFORMED IN ACCORDANCE WITH
 GOVERNMENT AUDITING STANDARDS**

We have audited the Schedules of Award Costs, as presented in Exhibits A through C, that summarize the claimed costs of the Commission under the Corporation awards listed below, and have issued our report thereon, dated April 7, 2006.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
AmeriCorps – Formula	03AFHOK002	09/01/03 – 08/31/06	09/01/03 – 09/30/05
AmeriCorps – Competitive	03ACHOK001	08/06/03 – 08/05/06	08/06/03 – 09/30/05
Administrative	04CAHOK001	01/01/04 – 12/31/06	01/01/04 – 12/31/05
Disability	04CDHOK001	01/01/04 – 12/31/06	01/01/04 – 12/31/05
Learn & Serve America	03KCHOK001	10/01/03 – 09/30/06	10/01/03 – 12/31/05
PDAT	05PTHOK001	01/01/05 – 12/31/06	01/01/05 – 12/31/05

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

Compliance with laws, regulations, and the provisions of the awards is the responsibility of Commission 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, noncompliance with which could have a direct and material effect on the determination of the amounts on the financial schedules. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the Compliance Findings section of this report. Instances of noncompliance include non-adherence to requirements, or violations of prohibitions contained in statutes, regulations, and award provisions.

Compliance Findings

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

Finding No. 1 – Over Claimed and Unallowable Members’ Living Allowances

(A) Living Allowances Claimed Exceeding the AmeriCorps Limit

The Commission did not have adequate procedures in place to monitor a subgrantee’s living allowances paid to the AmeriCorps members. During our review of 44 members’ living allowances at one AmeriCorps subgrantee, Communities in School, we noted one member who was paid living allowances and the amount claimed as the Federal share exceeded 85 percent of the minimum living allowance. Living allowances and related payroll benefits questioned are as follows: (Also see Schedule A-2, Note 3).

Program Year	Living Allowance Questioned	Related FICA of 7.65%	Total Federal Questioned Costs
2004-2005			
Member A (MT)	\$ 631	\$ 48	\$ 679
MT – Minimal Time (300 hours)			

(B) Non-Member Paid Living Allowances

Based on our review of living allowances for the entire universe of members in program year 2003–2004 at two AmeriCorps subgrantees, Town of Okeene and American Red Cross, we noted one individual from each subgrantee who had a commitment to join AmeriCorps but never actually enrolled in the program. Nonetheless, living allowances were paid to the individuals and claimed as Federal share since the individuals had contributed minimal service hours prior to leaving the program.

Subgrantee	Questioned Federal Share	Questioned Match Costs	
Town of Okeene	\$ 235	\$ 41	(Also see Schedule A-1, Note 3)
American Red Cross	1,045	185	(Also see Schedule A-3, Note 3)
Total	\$ 1,280	\$ 226	

AmeriCorps Provisions, B. Special Provisions, Number 11 – Living Allowances, Other In-Service Benefits and Taxes, states:

- a. Living allowances. The Corporation will only fund up to 85 percent of the minimum living allowance. A minimum of 15 percent must be matched by non-Federal sources. A program that wants to provide a living allowance in excess of the stated minimum must provide a Grantee match for all funds over 85 percent of that stated amount. If the program is permitted to provide a living allowance that is less than the stated minimum, the Corporation will only fund 85 percent of the actual amount.

AmeriCorps Provisions, Section B – Special Provisions, Number 8 – Terms of Service, c. Notice to the Corporation’s National Service Trust, states:

The Grantee must notify the Corporation’s National Service Trust within 30 days upon entering into a commitment with an individual to serve, a member’s enrollment in, completion of, lengthy or indefinite suspension from, or release from, a term of service.

AmeriCorps Provisions, Section B – Special Provisions, Number 8 – Terms of Service, d. Member Enrollment Procedures, states:

- iii. Member Commitment: Within 30 calendar days of entering into a commitment with an individual, the grantee or subgrantee will notify the Corporation of the commitment via WBRs.
- iv. Member Enrollment: Within 30 calendar days of the member’s starting service, the program must complete and approve the enrollment form in WBRs.
- v. If a commitment does not result in a member actually being enrolled, the program must cancel the commitment in WBRs within 30 calendar days of the member’s expected start date.

For condition (A) referenced above, the Commission did not properly monitor its subgrantees to ensure they had proper policies and procedures in place to control the living allowances paid to members. The subgrantee was expecting the members to serve in the subsequent term after the end of the first program term, and therefore, continued to make two more living allowance payments to the members after they had exited the program. However, the members did not fulfill their commitment, resulting in an overpayment of living allowances.

For condition (B), the subgrantee did not enter the member enrollment data and hours served into the WBRs database as it was not able to access WBRs for approximately 29 days. During that period of time, the member exited the program and a replacement member was enrolled that fulfilled the subgrantee’s total allotment of members. As such, the subgrantee did not enter the departing member into WBRs as there was no remaining space available under the terms of its AmeriCorps budget. Not entering the members in WBRs limits the Corporation from properly monitoring AmeriCorps activities, and may result in the Corporation using funds to pay living allowances for members who are not properly enrolled.

Recommendation

- 1A. We recommend that the Corporation instruct the Commission to develop and implement adequate controls and procedures to ensure its subgrantees properly monitor and review living allowances paid to the AmeriCorps members to ensure they are reasonable, allowable, allocable, and in compliance with the AmeriCorps provisions.
- 1B. We also recommend that the Corporation determine the allowability of the costs questioned and recoup costs from subgrantees that are not allowable and allocable to the grants.

Commission’s Response

(A) Living Allowances Claimed Exceeding the AmeriCorps Limit

The Commission conducts a financial and programmatic monitoring site visit for each

program when payroll and living allowance figures are examined. During the 2004-2005 Program Year, Communities in Schools overpaid a 300 hour minimum time member by \$679 by failing to complete the exit documentation in a timely manner. This overpayment was not included in the sampling of financial documents reviewed by the Commission staff.

The Commission agrees that Communities in Schools should repay these funds and this adjustment will be reflected on the next Financial Status Report (FSR) for the period ending September 30, 2006. Procedures will be developed for properly ensuring the reconciliation of living allowance expenses to enrollment reports.

(B) Member not recorded in WBRS

During the 2003-2004 program year, two subgrantees, Town of Okeene and American Red Cross each paid members who were not enrolled in the Web-Based Reporting System (WBRS). Both of these programs started on September 1, 2003, but their Grantee Information Profiles (GIP) were not uploaded into WBRS by the Corporation until October 11, 2003 and September 29, 2003, respectively. It was impossible to enroll members into WBRS without the GIP in place. Each program had a member who began the term of service on September 1, 2003, but ended the term of service before their information could be entered into WBRS.

The Commission believes that these two errors were a result of the delay in uploading the Grantee Information Profiles into WBRS and the new rule going into effect for the first time that prohibited refilling positions. There have not been repeated occurrences of this issue.

The Commission agrees that the subgrantees should repay the questioned costs, and these adjustments will be reflected on their next Financial Status Report (FSR) for the period ending September 30, 2006, and prior to closeout of this current three-year award.

Auditor's Comment

We recognize and concur with the Commission's response to develop procedures to reconcile living allowances to enrollment reports. However, the Commission should also develop procedures to ensure living allowances are claimed for eligible and properly enrolled members.

In addition, we recognize the Corporation's response (see Appendix B of this report) regarding the eGrants and WBRS interface problem, and recommend that the Commission work with the Corporation to resolve the questioned costs.

Finding No. 2 – Program Costs Claimed Not In Accordance With the AmeriCorps Provisions and Applicable Cost Principles

(A) Over Claimed Member Health Care Benefits

Health care benefits were paid to a less than full-time member using Federal share in Program Year 2003-2004 by one AmeriCorps subgrantee, Town of Okeene. The subgrantee had enrolled the member as a half-time member with the understanding that the member would be serving in a full-time capacity for the remaining period of time. However, the member never performed at full-time capacity. In addition, we noted an error that overstated member health care costs by \$1,608 claimed as Federal share in Program Year 2004-2005. The subgrantee had overstated one extra member's health care costs compared to what was actually expended. The over-claimed amount was \$134 per month for 12 months. As a result, health benefits claimed to the program have been questioned as follows:

<u>Subgrantee</u>	<u>Questioned Federal Share</u>	
Town of Okeene	\$ 843	(Also see Schedule A-1, Note 4)
Communities in Schools	<u>1,608</u>	(Also see Schedule A-2, Note 4)
Total	<u>\$ 2,451</u>	

(B) Costs Incurred Not Within Grant Period

Based on our sample of expenditures tested for an AmeriCorps subgrantee, United Way of Ponca City, we noted \$166 (\$83 Federal share and \$83 subgrantee's match) claimed to the grant for utility expenses which were incurred in July and August of 2003, which was not within the grant award period (Also see Schedule A-4, Note 3).

(C) Unallowable Depreciation Expenses

During our testing of expenditures for United Way of Ponca City, we noted depreciation expense of \$418 (\$210 Federal share and \$208 subgrantee's match costs) claimed in Program Year 2003-2004. However, the equipment being depreciated was already claimed as Federal share when originally purchased (Also see Schedule A-4, Note 4).

Americorps Provisions, Section B – Special Provisions, Number 11(e) Health Care Coverage, states:

The Corporation will not cover health care costs for family members or for less than full-time members. Half-time members who are serving in a full-time capacity for a sustained period of time may be eligible for health care benefits supported with Corporation funds, although that coverage must be approved in the Grant.

OMB Circular A-110 Subpart C # 28, states:

Where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

OMB Circular 122 – Attachment B- 11 part c, states:

- c. The computation of use allowances or depreciation will exclude:
 - (2) Any portion of the cost of buildings and equipment borne by or donated by the Federal Government irrespective of where title was originally vested or where it presently resides...

The Commission did not ensure that its subgrantees maintained adequate systems to keep track of program costs claimed and matched to the programs. In addition, the subgrantee was unfamiliar with the AmeriCorps provisions and the applicable cost principles. As a result, costs claimed and matched to the program are questioned.

Recommendation

- 2A. We recommend that the Corporation instruct the Commission to develop and implement adequate controls and procedures to ensure its subgrantees properly monitor and review costs claimed and matched to the AmeriCorps program to ensure they are reasonable, allowable, allocable, and in compliance with the AmeriCorps provisions and the applicable cost principles.
- 2B. We also recommend that the Corporation determine the allowability of the costs questioned and recoup costs from subgrantees that are not allowable and allocable to the grants.

Commission's Response

(A) Over-claimed Member Health Care Benefits

The Town of Okeene requested permission from the Corporation to pay health care benefits for a part-time member serving in a full-time capacity in Program Year 2003-2004. This request was approved by the Corporation; however the program director failed to ensure that the member served consistently on a full-time basis.

The Commission agrees that the Town of Okeene should repay \$843 and Communities in Schools should repay \$1,608 for excess health care expenditures. These adjustments will be reflected on their next financial status report (FSR) for the period ending September 30, 2006, and prior to closeout of the current three-year award.

(B) Cost Incurred Not Within Grant Period

The United Way of Ponca City claimed a total of \$166 for July and August, 2003 utility expenses to the program year that actually began on September 1, 2003, under the new grant number 03ACHOK001. These costs should have been charged to the AmeriCorps grant 00ASCOK037 that ended August 31, 2003, and has been closed. We need direction on the action required to resolve this finding.

(C) Unallowable Depreciation Expenses

The United Way of Ponca City claimed depreciation expense of \$418 (\$210 Federal Share, \$208 subgrantee match). Their books were adjusted at the instruction of an outside accounting firm when the expense of the equipment was deducted from the

Periodic Expense Report, and the depreciation expense was added. The depreciation expense has been corrected and is reflected on the FSR dated March 31, 2006.

Auditor’s Comment

We acknowledge the Commission has taken responsibility for the findings. However, the Commission needs to develop policies and procedures to ensure future program costs claimed are in accordance with AmeriCorps provisions and applicable cost principles. We also recommend that the Commission work with the Corporation to determine the best methodology to recoup the questioned costs, particularly the utility costs claimed for the grant award.

Finding No. 3: – Late Submission of Required Program Documents

The Commission did not ensure that it and its subgrantees submitted required reports in a timely manner. We found numerous instances where both the Commission and its subgrantees had not submitting documents within established time frames. Among the late reports were Financial Status and Progress Reports, Member Enrollment Forms, Member Change of Status Forms, and Member Exit Forms. The following summarizes the instances of noted late submissions:

<u>Commission & Subgrantees</u>	<u>Total Members Enrolled</u>	<u>Late FSR</u>	<u>Late Progress Reports</u>	<u>Late Enrollment, Change, and/or Exit Forms</u>
Commission (1)	-	6	-	-
Town of Okeene (2)	63	2	-	7
Communities in School (2)	87	5	2	21
United Way of Ponca City (2)	78	1	-	21
American Red Cross (2)	40	-	-	12

(1) – Related to AmeriCorps, PDAT, and Administrative Grants.

(2) – Related to AmeriCorps program only.

AmeriCorps Provisions, B. Special Provisions, Number 16, Reporting Requirements, states:

a. Financial Status and Progress Reports. . . . Grantees are required to review, analyze, and follow up on progress reports it receives from AmeriCorps subgrantees or operating sites... The Corporation expects each Grantee to set its own Subgrantee reporting requirements. Grantees are responsible for monitoring Subgrantee activities and training needs, tracking progress toward objectives, and identifying challenges. Subgrantees must adhere to the reporting requirements outlined and communicated by its Grantees for the program year.

* * *

i. Financial Status Reports. Financial Status Reports will be due April 30 for the period ending March 31 and October 31 for the period ending September 30.

* * *

ii. Progress Reports.

b. AmeriCorps Member-Related Forms. The Grantee is required to submit the following documents to the National Service Trust at the Corporation on forms provided by the Corporation. Grantees and subgrantees may use WBRs to submit these forms electronically. Programs using WBRs must also maintain hard copies of the forms:

i. Enrollment Forms. Enrollment forms must be submitted no later than 30 days after a member is enrolled.

ii. Change of Status Forms. Member Change of Status Forms must be submitted no later than 30 days after a member's status is changed.

iii. Exit/End-of-Term-of-Service Forms. Exit/End-of-Term-of-Service Forms must be submitted no later than 30 days after a member exits the program or finishes his/her term of service.

PDAT and Administrative Grants Provisions, Section B - Special Provisions, Number 5 - Reporting Requirements, a. Financial Status Reports, states:

The grantee shall submit semi-annual cumulative financial status reports summarizing expenditures during the reporting period using eGrants

Financial Status Report deadlines are:

<u>Due Date</u>	<u>Reporting Period Covered</u>
July 31	Start of grant through June 30
January 31	July 1 – December 31

The Commission's system for submitting Financial Status Reports faltered during the early transition from WBRs to eGrants. Commission staff was unclear about the transition procedure and did not submit the FSRs on time. In addition, the subgrantees experienced difficulties in entering member information into WBRs since the Corporation had delayed its uploading of the Grantee Information Profile into WBRs. As such, the WBRs system was not available for submission of enrollment forms for an approximately 30-day period past the due date. By not submitting the documents within the established time frames, the Commission cannot properly review, track, and monitor the subgrantee's activities and objectives of the AmeriCorps program. Timely submission of reports would assist the Commission to properly monitor and correct any errors and/or deficiencies noted.

Recommendation

3. We recommend that the Corporation instruct the Commission to develop adequate procedures and to train and monitor its own staff and subgrantees, as necessary, to ensure all required documents are submitted in a timely manner.

Commission's Response

The Commission has reviewed with program directors the requirement to submit within 30 days into WBRS the enrollment, change of status and exit forms. Some of the forms were late because the Corporation had not uploaded the Grantee Information Profile into WBRS at a time appropriate to enroll members during the 30-day period. Another was late due to human error.

At the beginning of each program year, programs are given the dates that Financial Status Reports and Progress Reports are due to the Commission. The Commission staff will remind the programs prior to the due date so that all required documents are reported in a timely manner.

FSRs were submitted late to the Commission by subgrantees. The Corporation's due dates were missed during the same period of time that FSR reporting was first transitioning from WBRS into eGrants. This is not a common practice and should not occur. Procedures have been reviewed and are in place to ensure that the Commission will meet all reporting deadlines in the future.

Auditor's Comment

We acknowledge and concur with the Commission's response to develop new procedures to ensure all reporting deadlines are met in the future.

Finding No. 4: – Unallowable and Unallocable Match Costs

During the audit we noted some match costs that were either unsupported or inadequately supported with source documentation. As a result, we have questioned match costs as follows:

<u>Commission and Subgrantee</u>	<u>Program</u>	<u>Questioned Match Costs</u>	<u>Note</u>
Commission	Administrative	\$ 286,522	(A)
Communities in School	AmeriCorps	4,450	(B)
Communities in School	Learn & Serve	37,860	(B)
YMCA of Greater Tulsa	Learn & Serve	<u>43,337</u>	(C)
	Total	<u>\$ 372,169</u>	

(A) Commission

During our testing of all grant match provided by the Commission, we noted a majority of grant match was related to news stories and public service announcements broadcast through various local radio stations and local newspapers.

The purported value of this media was used by the Commission as in-kind contributions to match the Administrative grant. Documentation provided to support the costs included newspaper clippings and/or summary charges from local radio stations. However, based on our review, we noted that, in some cases, the newspaper clippings did not specifically promoting AmeriCorps, but featured a person's community involvement, which included AmeriCorps. Also there was no additional detail breakdown or source documentation to support the charges provided by the local radio stations. As such, we were unable determine if (1) the costs were allowable and allocable, (2) costs were related to the Corporation's programs (such as AmeriCorps, Learn & Serve America, etc.), (3) the base values of the contributions were reasonable and allowable, and (4) the news stories, articles, or public service announcements were requested by the Commission to promote and support its programs (Also see Exhibit B, Note 3).

(B) Communities in Schools

A review of the subgrantee in-kind matching contribution indicated that \$4,450 of in-kind match to the AmeriCorps program and \$37,860 of in-kind match to the Learn & Serve America program was not adequately supported with source documentation to determine if the costs were allowable, allocable, and reasonable per the OMB Circulars. The only documentation provided as support was a spreadsheet indicating the estimated amount of match costs to be provided. As a result, the in-kind matching contributions have been questioned (Also see Schedule A-2, Note 5 and Schedule C-1, Note 3).

(C) YMCA of Greater Tulsa

A review of the subgrantee program match costs indicated that \$43,337 of match costs were not adequately supported with source documentation to determine if the costs were allowable, allocable, and reasonable per OMB Circulars. Specifically, the subgrantee was unable to provide actual match costs to the Commission prior to its submission of FSRs to the Corporation. Therefore, the Commission estimated the subgrantee's matching costs based on verbal conversations with the subgrantee. The estimated amounts were reported in the FSRs to the Corporation without any follow-up adjustments to reflect the actual match costs incurred. No additional source documentation to support the actual match was provided (Also see Schedule C-2, Note 3).

Administrative Grant Provisions, Section C - General Provisions, Number 12 (and Learn and Serve America General Grants Provisions, Section B, General Provisions, Number 8) - Financial Management Provisions, states:

- a. General. 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.

b. Source documentation. The Grantee must maintain adequate supporting documents for its expenditures (Federal and non-Federal) and in-kind contributions made under this Grant. Costs must be shown in books or records [e.g., a disbursement ledger or journal], and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

Code of Federal Regulations 2543.23, h, states:

(5) The following requirements pertain to the recipient's supporting records for in-kind contributions from third parties.

I. Volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the recipient for its own employees.

II. The basis for determining the valuation for personal service, material, equipment, buildings and land shall be documented.

For condition (A) referenced above, the Commission had a different interpretation of the cost principles in regard to in-kind match contributions defined in the CFR. The Commission believed that any news articles or public service announcements that are related to the Corporation programs can be used as in-kind contribution, even if they are not at the Commission's request.

For condition (B), the Commission lacked procedures to ensure that its subgrantees maintained proper supporting documentation for match costs claimed to the grants. Furthermore, the subgrantees did not have an adequate system of retaining records to support match costs claimed.

For condition (C), the Commission reported match costs based on an estimated amount, and adjustments to reflect actual incurred costs were not made.

As a result, funds used as match costs have been questioned as unallowable. In addition, matching costs claimed are not in compliance with CFR requirements and applicable grant provisions.

Recommendations

4A. We recommend that the Corporation determine the allowability of the match costs questioned and calculate the effect of the disallowed costs on the reimbursed Federal share.

4B. Because Commission staff is not fully aware of the applicable cost principles with respect to the requirements for match costs, we also recommend that the Corporation instruct the Commission and its subgrantees to review the applicable regulations and develop policies and procedures to ensure claimed match costs are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations.

Commission's Response

(A) Commission – Administrative Match \$286,522

The Commission utilized the commercial equivalency of publications and broadcasts generated by requests from the Commission and its programs as Administrative Match. The print media is documented by press releases and e-mail requests to local newspapers. There are several instances that news stories and the value of the commercial benefit is presented, but there may be no evidence of the request when the publicity was generated by personal or telephone contact with local media. Public service announcements are documented by letters requesting air time and a list of the stations and number of broadcasts actually aired during a certain period. Without specific guidance from the Corporation to the contrary, the Commission believes that the documentation previously obtained from third parties is sufficient evidence to support the amount of matching funds recorded by the Commission.

(B) Communities in Schools – AmeriCorps Match \$4,450

Commission staff was aware of the two line items in question and had determined that the evaluation needed additional documentation and the training match was not allowable. Other sources of match were to be used for training, but the follow-up to the monitoring of this issue was not completed. The subgrantee had other sources of match that are more easily documented and that should be used, and these adjustments will be made in the PER and FSR for the period ending September, 30, 2006. This subgrantee is in the process of implementing a new accounting system that more accurately aligns with national service budget line items for the preparation of financial statements.

Communities in Schools Learn & Serve Match - \$37,860

The subgrantee needs to utilize different sources of match in order to more easily document the match for the Learn and Serve program. The new accounting system, along with utilization of different sources of match, will eliminate the questions surrounding the documentation of this match.

(C) YMCA of Greater Tulsa Learn & Serve Match - \$43,337

Match costs for one subgrantee were recorded for the period in which they occurred rather than the date that the expenditure occurred, and policies and procedures have been put in place to eliminate this occurrence in the future.

Auditor's Comment

(A) We acknowledge that print media was provided as documentation. However, some of the print media provided consisted of news stories that promoted the achievements of a person who happened to be an AmeriCorps member, and did not specifically promote the AmeriCorps program. We also acknowledge reviewing the Commission's air time listing of public service announcements. However, there was no additional documentation to support the dollar value determined as match. As such, questioned costs remain as stated. We recommend the Commission work with the Corporation to determine the allowability of the costs and develop procedures to properly document match costs in the future.

Finding No. 5: – Administrative Cost Percentage Exceeded Maximum Allowable

Based on our testing of one Learn & Serve America subgrantee, Communities in Schools, administrative costs claimed to the Corporation exceeded the prescribed limit of 5 percent of total Corporation costs. The percentage of administrative cost category claimed to the Corporation was 5.45 percent. The percentage is calculated as follows:

Total Administrative Costs Claimed:	3,662	divided by
Total Audited Corporation Expenditures	67,184	equals
		5.45 percent

Learn & Serve America General Grant Provisions, Section B - General Provisions, Number 9 - Administrative Costs, states:

- b. Limitation by Statute. Administrative costs cannot exceed 5 percent of total Corporation funds actually expended under this award.

- c. Fixed 5 percent. If approved on a case-by-case basis by the Corporation, the grantee may charge, for administrative costs, a fixed 5 percent of the total of the Corporation funds expended. In order to charge this fixed 5 percent, the grantee match for administrative costs may not exceed 10 percent of all direct cost expenditures. These rates may be used without supporting documentation and are in lieu of an indirect cost rate.

The Commission did not ensure that its subgrantees were in compliance with the Learn & Serve America requirements with respect to administrative costs claimed. In addition, the subgrantee did not have a policy in place to review and ensure administrative costs claimed were in compliance with Learn & Serve provisions. As a result, the subgrantee erroneously over-claimed administrative costs in excess of 5 percent on several claims submitted to the Commission in Program Year 2004-2005. In addition, no personnel reviewed the claimed costs before submission to the Commission. Excess costs claimed to the administrative cost category at the subgrantee level may affect the overall computation of the allowable costs claimed at the grantee level, causing noncompliance with program provisions.

Recommendation

- 5. We recommend that the Corporation instruct the Commission to train and monitor its subgrantees to properly develop and implement adequate procedures to ensure administrative costs claimed are within the prescribed limit of five percent of the total Corporation costs.

Commission's Response

Of the total funds of \$387,429 expended in the Learn and Serve America grant, less than one percent was claimed in Administrative costs during the two-year period under review. Additionally, the subgrantee would not be allowed to exceed their individual budget for any line item over a three-year life of the grant award.

Auditor's Comment

We acknowledge that the Commission's Learn and Serve America programs spent a total of \$387,429. However, the finding was specific to the subgrantee, Communities in Schools. Our scope and methodology was to apply AmeriCorps provisions at the subgrantee level. As such, costs claimed as administrative costs by Communities in Schools exceeded five percent. Therefore, we continue to recommend the Commission develop policies and procedures to ensure administrative costs are within the prescribed limitation.

Internal Controls Over Financial Reporting

In planning and performing our audit of award costs as presented in Exhibits A through C for the period August 6, 2003, to December 31, 2005, we considered the Commission's internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide an opinion on the internal controls over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, 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. Compliance findings numbered 1 through 5, as set forth in the Compliance Section of this report, are also considered to be material weaknesses. In addition, we noted the following reportable conditions:

Finding No. 6 - The Commission Did Not Have Adequate Controls In Place to Safeguard Federal Funds.

During our review of the Commission's cash disbursement, payroll disbursement, and reimbursement cycles, we noted the following inadequate controls:

- AmeriCorps funds drawn from Department of Health and Human Services (DHHS) have not been reconciled to AmeriCorps expenditures reported through eGrants.
- The bank reconciliations are not reviewed and approved by a direct supervisor periodically, but rather on a sample basis only. In addition, there is no documentation to support that the bank reconciliations have been performed.
- An inventory of equipment purchased with Federal funds is not performed at least once every two years to verify the existence of the property.
- The Executive Director's timesheets are reviewed and approved by the Administrative Assistant instead of a direct supervisor, as required by the Commission's policies and procedures.

- The Commission did not ensure that subgrantees had adequate segregation of duties. At United Way of Ponca City, we found that the Program Director performs the following incompatible duties within the cash disbursements cycle:
 - a. Approves her own purchases.
 - b. Posts transactions in the general ledger.
 - c. Has access to blank checks.
 - d. Has access to printed checks.
 - e. Signs checks.

Code of Federal Regulations (CFR) Sec. 2541.20 (b)(3), states:

Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

Code of Federal Regulations Sec. 2543.34 Equipment, (f)(3), states:

A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

AmeriCorps Provisions, Section C - General Provisions, Number 22 - Financial Management Provisions, c. Time and Attendance Record, (i)(a), states:

... salaries and wages charged directly to this Grant or charged to matching funds must be supported by signed time and attendance records for each individual employee regardless of position, and by documented payrolls approved by a responsible official of the Grantee...

The Commission's Internal Policy and Procedure Manual, states:

...Time sheets will be submitted by each employee at the end of each pay period and approved by the appropriate supervisor...

- The Commission assumed that the funds drawn and the expenditures reported in eGrants would agree without additional reconciliation. The lack of a reconciliation between funds drawn and expenditures reported could result in grant funds being overdrawn as adjustments can be made to the Commission's accounting records after the funds have been drawn down from DHHS. As such, an overpayment situation may occur.
-
- Due to the limited number of personnel at the Commission, the Executive Director relied on the Administrative Assistant to prepare bank reconciliations, and believed that reviewing the bank reconciliations on a sample basis was sufficient. In addition, since bank reconciliations were prepared through the Commission's accounting system, the Executive Director was not aware that a confirmation for review of the bank reconciliation was necessary. Without periodic review, approval, and documentation of

the bank reconciliations, unauthorized use of Federal funds may go undetected and uncorrected.

- Due to the size of the Commission, its management believed that inventory verification of the equipment purchased was not necessary since missing equipment would be easily detected. However, without verification of the equipment, the Commission is unable to provide assurance that it is being properly safeguarded.
- Since the Commission's Board of Committees could not verify the Executive Director's daily activities, the Commission believed the Administrative Assistant would be a more appropriate person to approve her time sheets. In addition, the Commission indicated the condition was not considered a finding on any previous audits of the Commission.
- The subgrantee was unaware of the weakness in its internal control over cash disbursements. There is no established segregation of duties safeguarding the use of funds because the person who verifies the use of the funds also has access to all documentation needed to initiate the use of funds. This lack of segregation would allow any unauthorized use of funds to go undetected

Recommendation

6. We recommend that the Corporation instruct the Commission to develop and implement adequate controls and procedures to ensure:
 - Grant funds drawn are reconciled to the expenditures reported in eGrants.
 - Bank reconciliations are prepared periodically, properly approved, and documented.
 - Verification of equipment is conducted at least once every two years.
 - The Commission follows its internal policy for timesheet authorization and ensures a direct supervisor reviews and approves the time sheets of the Executive Director.
 - Subgrantees have a system of internal controls in place to ensure that an adequate segregation of duties exists for the safeguarding of AmeriCorps funds.

Commission's Response

(A) - All funds drawn from the Division of Payment Management system are reimbursements of the actual expenditures on the various grant awards. The information gathered to complete the Financial Status Reports in eGrants and to complete the PSC 272 for the Division of Payment Management is attached to the PSC 272 on a quarterly basis upon reconciliation of funds drawn versus expenditures.

(B) - Accounting software shows the last dates of reconciliation of bank accounts and is viewed by the direct supervisor on a regular basis and in accordance with the Commission's Policy and Procedure manual.

(C) - The Commission does maintain a cumulative list of fixed assets – with information reflecting the date acquired, the date disposed, the serial number, and award number. The Commission's independent auditors maintain a detailed depreciation schedule that is updated

annually for additions and deletions. As of December 31, 2005, the net book value of fixed assets owned by the Commission was \$16,778.

(D) - The Executive Director's timesheets are signed in this manner as a result of the most recent audits and standards reviews by Corporation staff and/or consultants when this practice was suggested.

(E) - The subgrantee has incorporated the suggested segregation of duties to strengthen internal controls.

Auditor's Comment

(A) - We acknowledge and concur with the Commission's procedures for drawing down funds and reporting expenditures on the FSR. However, during the audit we noted adjustments were made to the accounting records after funds were drawn down and prior to the completion of the FSRs, which led to immaterial differences. It would strengthen the Commission's internal controls, if procedures were developed requiring the Commission to periodically reconcile total amounts drawn from DHHS to total expenditures claimed on the grant.

(B) We acknowledge the accounting system shows the date of the reconciliation; however, there was no documentation the review was performed and reviewed periodically. It would strengthen the Commission's internal controls if procedures were developed requiring documentation of the bank reconciliation being performed and reviewed on a periodically.

(C) We acknowledge that the Commission maintains a listing of the fixed assets purchased. However, there is no policy or procedure instructing the Commission to perform an inventory check to ensure all assets exist. The annual update of the depreciation schedule is only beneficial for identifying known deletions of assets. Performing an inventory check would identify all deletions, plus voluntary and unknown losses. As such, our recommendation remains as stated.

(D) We did not review the audit and review by the Corporation and, as such, we are unable to comment about the recommendation made in that report. Nonetheless, internal controls would be enhanced if a direct supervisor, such as a Board Member, signed the Executive Director's timesheet. The purpose of the timesheet is to certify a person's time allocation with a supervisor approving the allocation. The Administrative Assistant, who is the Executive Director's direct subordinate, may not be fully aware of all of the Executive Director's duties and thereby may be unable to properly approve the timesheet. As such, the recommendation remains as stated.

(E) We acknowledge the subgrantee's decision to incorporate the suggested segregation of duties. However, we will recommend that the Commission monitor the subgrantee to ensure the duties remain segregated.

Finding No. 7 – Program Expenditures Have Not Been Properly Booked into Accounting Records

The Commission did not ensure that all subgrantee program expenditures had been properly booked into the accounting records. At one subgrantee, Communities in Schools, we noted that program expenditures reported for the AmeriCorps and the Learn & Serve America programs were not all recorded in the subgrantee's accounting records. A reconciliation of costs had not been performed between its books and the program expenditures reported to the Corporation. In addition, administrative costs claimed were not recorded in the subgrantee's books.

AmeriCorps Provisions, Section C - General Provisions, Number 22 - Financial Management Provisions, b. Source Documentation and Learn and Serve America General Grant Provisions, Section B, General Provisions, Number 8 - Financial Management Provisions, b. Source Documentation, states:

The Grantee must maintain adequate supporting documents for its expenditures (Federal and non-Federal) and in-kind contributions made under this grant. Costs must be shown in books or records (e.g. a disbursement ledger or journal), and must be supported by a source document, such as receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

As a result, the subgrantee's books did not properly reflect actual program expenses. However, costs were not questioned for the difference since the subgrantee was able to provide satisfactory supporting documentation for expenditures claimed to the Corporation.

Recommendation

- 7A. We recommend that the Corporation instruct the Commission to develop and implement adequate controls and procedures to ensure its subgrantees' program expenditures are properly recorded in their accounting records and reconciled to costs claimed.
- 7B. We recommend that the Corporation instruct the Commission and the subgrantees to develop a corrective action plan to re-construct its accounting records to reflect actual program costs incurred.

Commission's Response

The subgrantee is in the process of renovating the accounting system through new software. An accounting system has been in place and documentation of expenditures have been evident through examination of a spreadsheet, files and monthly reports generated by an outside accounting firm.

Auditor's Comment

We acknowledge the subgrantee's decision to implement a new accounting system so that all expenditures are properly recorded. However, we recommend that the Commission continue to monitor the subgrantee to ensure the system is properly utilized and captures all allowable expenditures.

Finding No. 8 – Advance Payments Have Not Been Deposited Into a Federally-Insured Interest Bearing Account.

The Commission did not ensure that all subgrantees that received advance payments were in compliance with the AmeriCorps requirements. At one subgrantee, Communities in Schools, we noted the subgrantee received advance payments exceeding the \$120,000 per program year threshold established in the AmeriCorps provisions. In addition, the advance payments were not deposited into a Federally-insured interest bearing account. The amount for each program year was as follows:

<u>Program Year</u>	<u>Total Advance Received</u>
2003-2004	\$ 174,013
2004-2005	\$ 181,600

AmeriCorps Provisions, Section C - General Provisions, Number 26 - Payments Under The Grant, d. Interest-Bearing Accounts, states:

The Grantee must deposit advance funds received from the Corporation in Federally-insured, interest-bearing accounts. The exceptions to this requirement follows: i. Institutions of High Education and Other Non-Profit Organizations. If a Grantee is covered by 45 C.F.R. 2543, it must maintain advance funds in interest bearing accounts unless: (a) it receives less than \$120,000 in Federal funds per year; (b) The best reasonably available account would not be expected to earn interest in excess of \$250 per year on Federal cash balances.

The Commission did not properly monitor and oversee the subgrantees to ensure that they were in compliance with the AmeriCorps provisions regarding advance payments received. Since cash advances were not deposited into an interest bearing account, the advances were not earning interest to offset administrative expenses. Although support was provided by the subgrantee to document the necessity of the advanced funds and that interest earned would have been less than \$250, the documentation was not prepared until it was requested during the audit.

Recommendation

8. We recommend that the Corporation instruct the Commission to develop and implement adequate controls and procedures to ensure the Commission or its subgrantees are in compliance with AmeriCorps provisions for advance payments received.

Commission's Response

The Communities in Schools board of directors has approved this action, and the new account will be opened by September 1, 2006. Policies and procedures have been put in place to ensure that all subgrantees deposit Federal funds into interest bearing accounts in the future.

Auditor's Comment

We acknowledge the subgrantee's decision to implement new policies so that funds are deposited in Federally insured interest bearing accounts. However, we recommend that the Commission continue to monitor the subgrantee to ensure all funds continue to be deposited in the account, and that all interest earned is properly recorded and netted against expenditures, as necessary.

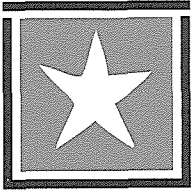
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. We believe all of the reportable conditions identified above represent material weaknesses.

Mayer Hoffman McCann P.C.

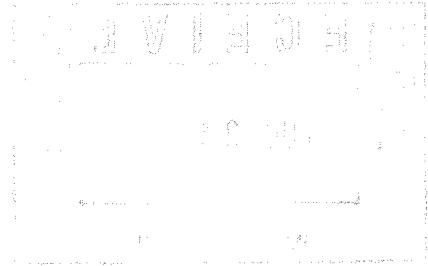
Mayer Hoffman and McCann, PC
Conrad Government Services Division
Irvine, California
April 7, 2006

Appendix A

Response of Oklahoma Community Service Commission



Oklahoma
Community
Service
Commission



Commissioners:

Kevin Abel
Pam Ballard
Rafael J. Elias
Gini Fox
Elizabeth Frame
Sandy Garrett
Jack Herron
Beverly Hoster
Kaye Kirk
W. Hershel Lamirand, III
Theresa D. Long
Joi McKinley
Kevin Pipes
Gary D. Rader
Danny Rennels
LeeAnn Shelton
Linda Soos-Davis
James Stovall
Marie Trenary
Be Van Tu
Sharon Voorhees

August 23, 2006

Mr. Ronald F. Huritz
Office of the Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW, Suite 830
Washington, DC 20525

Dear Mr. Huritz:

The Oklahoma Community Service Commission has reviewed the Draft Report on the results of the recent audit of grants awarded to the Commission by the Corporation for National and Community Service. The Commission's response to this report is enclosed.

We appreciate the opportunity to respond to the Draft Report. Please do not hesitate to contact me at 405-235-7278 or nsharrock@okamericorps.com should you have any questions or need additional information.

Sincerely,

Nancy C. Sharrock
Executive Director

Commission Staff:

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

Audit Response
Oklahoma Community Service Commission

08/24/2006

Finding No. 1 – Over-Claimed and Unallowable Members’ Living Allowances

(A) Living Allowances Claimed Exceeding the AmeriCorps Limit

The Commission conducts a financial and programmatic monitoring site visit for each program when payroll and living allowance figures are examined. During the 2004-2005 program year, Communities in Schools overpaid a 300 hour minimum time member by \$679 by failing to complete the exit documentation in a timely manner. This overpayment was not included in the samplings of financial reviewed by the Commission staff.

The Commission agrees that Communities in Schools should repay these funds and this adjustment will be reflected on the next Financial Status Report (FSR) for the period ending 09/30/2006. Procedures will be developed for properly ensuring the reconciliation of living allowance expenses to enrollment reports.

(B) Member not recorded in WBRS

During the 2003-2004 program year, two subgrantees, Town of Okeene and American Red Cross each paid members who were not actually enrolled in the Web-Based Reporting System (WBRS). Both of these programs started on 09/01/2003, but their Grantee Information Profiles (GIP) were not uploaded into WBRS by the Corporation for National and Community Service until 10/11/2003 and 09/29/2003, respectively. It was impossible to enroll members into WBRS without the GIP in place. Each program had a member who began the term of service on 09/01/03 but ended the term of service before their information could be entered into WBRS.

The Commission believes that these two errors were a result of the delay in uploading the Grantee Information Profiles into WBRS and the new rule going into effect for the first time that prohibited refilling positions. There have not been repeated occurrences of this issue.

The Commission agrees that the subgrantees should repay the \$1,782 in question, and these adjustments will be reflected on their next Financial Status Report (FSR) for the period ending 09/30/2006 and prior to closeout of this current three-year award.

Finding No. 2 – Program Costs Claimed Not In Accordance With the AmeriCorps Provisions and Applicable Cost Principles

(A) Over-claimed Member Health Care Benefits

The Town of Okeene requested permission from the Corporation to pay health care benefits on a part-time member serving in a full-time capacity in program year 2003-2004. This request was approved by the Corporation; however the program director failed to ensure that the member served consistently on a full-time basis.

The Commission agrees that the Town of Okeene should repay \$843 and Communities in Schools should repay \$1,608 for excess health care expenditures. These adjustments will be reflected on their next financial status report (FSR) for the period ending 09/30/2006 and prior to closeout of the current three-year award.

(B) Cost Incurred Not Within Grant Period

The United Way of Ponca City claimed a total of \$166 for July and August, 2003 utility expenses to the program year that actually began on 09/01/2003 under the new grant number 03ACHOK001. These costs should have been charged to the AmeriCorps grant 00ASCOK037 that ended 08/31/2003 and has been closed. We need direction on the action required to resolve this finding.

(C) Unallowable Depreciation Expenses

The United Way of Ponca City claimed a depreciation expense of \$418 (\$210 Federal Share, \$208 subgrantee match). Their books were adjusted at the instruction of an outside accounting firm when the expense of the equipment was deducted from the Periodic Expense Report, and the depreciation expense was added. The depreciation expense has been corrected and is reflected on the FSR dated 03/31/2006.

Finding No. 3 – Late Submission of Required Program Documents

The Commission has reviewed with program directors the requirement to submit within 30 days into WBRS the enrollment, change of status and exit forms. Some of the forms were late because the Corporation had not uploaded the Grantee Information Profile into WBRS at a time appropriate to enroll members during the 30 day period. Another was late due to human error.

At the beginning of each program year, programs are given the dates that Financial Status Reports and Progress Reports are due to the Commission. The Commission staff will remind the programs prior to the due date so that all required documents are reported in a timely manner.

FSRs were submitted late to the Commission by subgrantees. The Corporation's due dates were missed during the same period of time that FSR reporting was first transitioning from WBRS into eGrants. This is not a common practice and should not occur. Procedures have been reviewed and are in place to ensure that the Commission will meet all reporting deadlines in the future.

Finding No. 4 – Unallowable and Unallocable Match Costs

(A) Commission – Administrative Match \$286,522

We utilized the commercial equivalency of publications and broadcasts generated by requests from the Commission and its programs as Administrative Match. The print media is documented by press releases and email requests to local newspapers. There are several instances that news stories and the value of the commercial benefit is presented, but there may be no evidence of the request when the publicity was generated by personal or telephone contact with local media. Public service announcements are documented by letters requesting air time and a list of the stations and number of broadcasts actually aired during a certain period. Without specific guidance from the Corporation to the contrary, the Commission believes that the documentation previously obtained from third parties is sufficient evidence to support the amount of matching funds recorded by the Commission.

(B) Communities in Schools – AmeriCorps Match \$4,450

Commission staff was aware of the two line items in question and had determined that the evaluation needed additional documentation and the training match was not allowable. Other sources of match were to be used for training, but the follow-up to the monitoring of this issue was not completed. The subgrantee had other sources of match that are more easily documented that should be used, and these adjustments will be made in the PER and FSR for the period ending 09/30/2006. This subgrantee is in the process of implementing a new accounting system that more accurately aligns with national service budget line items for the preparation of financial statements.

Communities in Schools Learn & Serve Match - \$37,860

The subgrantee needs to utilize different sources of match in order to more easily document the match for the Learn and Serve program. The new accounting system along with utilization of different sources of match will eliminate the questions surrounding the documentation of this match.

(C) YMCA of Greater Tulsa Learn & Serve Match - \$43,337

Match costs for one subgrantee were recorded for the period in which they occurred rather than the date that the expenditure occurred, and policies and procedures have been put in place to eliminate this occurrence in the future.

Finding No. 5 – Administrative Cost Percentage Exceeded Maximum Allowable

Of the total funds of \$387,429 expended in the Learn and Serve America grant, less than 1% was claimed in Administrative costs during the two-year period under review. Additionally, the subgrantee would not be allowed to exceed their individual budget for any line item over a three-year life of the grant award.

Finding No. 6 – The Commission Did not Have Adequate Controls in Place to Safeguard Federal Funds

All funds drawn from the Division of Payment Management system are reimbursements of the actual expenditures on the various grant awards. The information gathered to complete the Financial Status Reports in eGrants and to complete the PSC 272 for the Division of Payment Management is attached to the PSC 272 on a quarterly basis upon reconciliation of funds drawn versus expenditures.

Accounting software shows the last dates of reconciliation of bank accounts and is viewed by the direct supervisor on a regular basis and in accordance with the Commission's Policy and Procedure manual.

The Commission does maintain a cumulative list of fixed assets – with information reflecting the date acquired, the date disposed, the serial number, and award number. The Commission's independent auditors maintain a detailed depreciation schedule that is updated annually for additions and deletions. As of December 31, 2005, the net book value of fixed assets owned by the Commission was \$16,778.

The Executive Director's timesheets are signed in this manner as a result of the most recent audits and standards reviews by Corporation staff and/or consultants when this practice was suggested.

The subgrantee has incorporated the suggested segregation of duties to strengthen internal controls.

Finding No. 7 – Program Expenditures Have Not Been Properly Booked into Accounting Records

The subgrantee is in the process of renovating the accounting system through new software. An accounting system has been in place and documentation of expenditures have been ultimately evident through examination of a spreadsheet, files and monthly reports generated by an outside accounting firm.

Finding No. 8 – Advance Payments Have Not Been Deposited Into a Federally-Insured Interest Bearing Account.

The Communities in Schools board of directors has approved this action, and the new account will be opened by 09/01/2006. Policies and procedures have been put in place to ensure that all subgrantees deposit federal funds into interest bearing accounts in the future.

Appendix B

Response of the Corporation for National and Community Service

Corporation for
**NATIONAL &
COMMUNITY
SERVICE**

To: Carol Bates, Assistant Inspector General for Audits

From: Margaret Rosenberry, Director of Grants Management

Cc: Kristin McSwain, Director of AmeriCorps
Sherry Wright, Audit Resolution Coordinator, Office of the CFO

Date: August 26, 2006

Subject: Response to OIG Draft Audit Report: Audit of Corporation for National and Community Service Grants Awarded to the Oklahoma Community Service Commission

Thank you for the opportunity to review the draft audit report of the Corporation's grants awarded to the Oklahoma Community Service Commission. We are pleased to note that questioned costs totaled only about .1 % of grant funds expended. The Commission addressed many of these questioned costs in its response and, in some cases, has already corrected expenditure reports.

We are addressing only one finding at this time. As noted in the response from the Oklahoma Commission, the delay in entering member enrollments in WBRS did not result from tardiness on the part of the programs. In 2003, the Corporation launched its eGrants system and the interface with WBRS was not working properly. We authorized programs to enroll members if they had their grant award, but could not yet access the related member enrollment component in WBRS. This occurred for the Oklahoma program. Therefore, questioned costs related to members enrolled during that period, but not entered into WBRS, may be allowed.

We will respond to all findings and recommendations in our management decision when the final audit is issued; we have reviewed the findings in detail; and worked with the Oklahoma Commission to resolve the audit.

