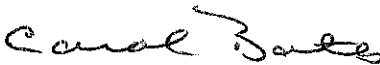


Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE**

**OFFICE OF INSPECTOR GENERAL**

December 7, 2006

TO: Jerry Bridges  
Chief Financial Officer

FROM: Carol Bates   
Assistant Inspector General for Audit

SUBJECT: OIG Report 06-34

Attached is a revised final report on the *Quality Control Review of Raffa, P.C., OMB Circular Audit of the Council of the Great City Schools, Fiscal Year ended June 30, 2005*. We are re-issuing the report for the sole purpose of adding audit resolution dates to the cover page. No other changes have been made to the report.

If you have questions, please contact Stuart Axenfeld, Audit Manager at (202) 606-9360 or myself at (202) 606-9356.

Attachment

cc: Andrew Kleine, Deputy Chief Financial Officer (Programs and Budgeting)  
Margaret Rosenberry, Director, Office of Grants Management  
Sherry Wright, Audit Resolution Coordinator



1201 New York Avenue, NW ★ Suite 830 ★ Washington, DC 20525  
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**Office of Inspector General  
Corporation for National and  
Community Service**

**QUALITY CONTROL REVIEW OF RAFFA, P.C.,  
OMB CIRCULAR A-133 AUDIT OF THE  
COUNCIL OF THE GREAT CITY SCHOOLS,  
FISCAL YEAR ENDED JUNE 30, 2005**

**OIG REPORT NUMBER 06- 34**

*Corporation for*  
**NATIONAL &  
COMMUNITY  
SERVICE**



Prepared by:

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

This report was issued to Corporation management on September 21, 2006. Under the laws and regulations governing follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than March 21, 2007, and complete its corrective actions by September 21, 2007. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

**OFFICE OF INSPECTOR GENERAL**

July 5, 2006

Raffa, P.C.  
Certified Public Accountant

**SUBJECT:** Quality Control Review of the Raffa, P.C., Certified Public Accountants, Office of Management and Budget (OMB) Circular A-133 Audit of the Council of the Great City Schools, Fiscal Year (FY) Ended June 30, 2005

The audit firm of Raffa, P.C. (Raffa) performed a single audit of the Council of the Great City Schools (CGCS) for the fiscal year ended June 30, 2005. Office of Management and Budget (OMB) Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*" requires the audit. We conducted a quality control review of the Raffa audit of the CGCS.

**RESULTS**

Raffa's audit documentation for testing did not meet generally accepted government auditing standards (GAGAS) or the requirements in the OMB Circular A-133 and its related supplements for these five areas:

- Cash Management
- Eligibility
- Matching, Level of Effort, Earmarking
- Procurement, Suspensions, and Debarments
- Reporting

**BACKGROUND**

The CGCS was established in 1956 and incorporated in 1961. The CGCS headquarters is located in Washington, DC. The CGCS is comprised of approximately 65 of the nation's largest urban public school systems. The CGCS and its member school districts are dedicated to challenging the nation's diverse student population with the highest academic standards and preparing all students to be productive national and international citizens.

The Corporation for National and Community Service (Corporation) awarded CGCS Grants Nos. 01ADNDC009 and 04NDHDC002, which became effective on September 1, 2001, and August 1, 2004, respectively. The Department of Education (DOE) awarded CGCS Grant No. S350C010120. The AmeriCorps grant (04NDHDC002) was the only



major grant for the FY ending June 30, 2005, and was the only grant selected for testing for the OMB Circular A-133 audit. For the year ended June 30, 2004 Raffa audited the DOE's grant as a major program. Raffa issued an unqualified opinion on both the June 30, 2004, and June 30, 2005, CGCS OMB Circular A-133 Audits.

## OBJECTIVE

The Office of Inspector General (OIG), Corporation for National and Community Service, performed the quality control review of the Raffa report and supporting working papers for the CGCS Fiscal Year 2005 single audit. The objectives of the quality control review were to determine the extent to which the OMB Circular A-133 Audit (single audit), was conducted in accordance with generally accepted government auditing standards (GAGAS) and the auditing and reporting requirements of OMB Circular A-133 and its related Compliance Supplement (the Supplement). OMB issues the Supplement to assist auditors in meeting the requirements of OMB Circular A-133.

## QUALITY CONTROL REVIEW PROCESS

### SCOPE AND METHODOLOGY

We conducted a quality control review of the Raffa OMB Circular A-133 single audit of the CGCS for the fiscal year ended June 30, 2005. It was performed March 1-2, 2006, at Raffa's Washington, DC offices.

In conducting our review, we assessed the audit documentation prepared by Raffa. We also discussed the audit with Raffa personnel at an exit conference on May 15, 2006. We emphasized the areas that are of major concern to the Federal Government, such as determining and auditing major program compliance and internal controls.

### SINGLE AUDIT REQUIREMENTS

The Single Audit Act and OMB Circular A-133 are designed to improve the financial management of State and local governments and nonprofit organizations. The Act and OMB Circular A-133 establish uniform auditing and reporting requirements for all Federal award recipients that are required to obtain a single audit. OMB Circular A-133 establishes policies that guide implementation of the Act and provide an administrative foundation for uniform requirements of non-Federal entities administering Federal awards. OMB Circular A-133 requires that Federal departments and agencies rely on and use the single audit work to the maximum extent practicable. Entities that expend \$500,000 or more of Federal awards in a fiscal year are subject to the Act and the audit requirements in OMB Circular A-133 and, therefore, must have an annual single or program-specific audit performed in accordance with GAGAS.

To meet the requirements of the Act and OMB Circular A-133, the auditee (non-Federal entity) submits to the Federal Audit Clearinghouse a reporting package on each single audit.

The OMB Circular A-133 policies and guide include a Supplement to assist auditors in identifying the compliance requirements that the Federal Government expects to be considered as part of the single audit. For each compliance requirement, the Supplement describes the related audit objectives for the auditor to consider in each audit conducted in compliance with OMB Circular A-133 as well as suggested audit procedures. The Supplement also describes the objectives of internal controls and characteristics that, when present and operating effectively, help ensure compliance with requirements. The following 10 compliance requirements identified in the Supplement may be material to an AmeriCorps major program:

Supplement	Description
A	Activities Allowed or Unallowed
B	Allowable Costs/Cost Principles
C	Cash Management
E	Eligibility
G	Matching, Level of Effort, Earmarking
H	Period of Availability of Federal Funds
I	Procurement and Suspension and Debarment
J	Program Income
L	Reporting
M	Subrecipient Monitoring

The American Institute of Certified Public Accountants (AICPA) Audit Guide provides guidance on auditor responsibilities for conducting audits according to the Act and OMB Circular A-133. In general, the Audit Guide provides auditors with an understanding of the unique planning, performance, and reporting considerations for single audits performed in compliance with GAGAS. In addition, the Audit Guide uses summary tables and detailed discussions to provide the auditor with an understanding of GAGAS general, fieldwork, and reporting requirements.

### REVIEW RESULTS

**Audit documentation for tests of compliance with Cash Management; Eligibility, Matching, Level of Effort, Earmarking; Procurement Suspensions, and Debarments and Reporting was not prepared in accordance with GAGAS requirements.**

GAGAS 4.22, *Field Work Standards for Financial Audits*, requires that “[a]udit documentation related to planning, conducting, and reporting on the audit should contain sufficient information to enable an experienced auditor who has had no previous connection with the audit to ascertain from the audit documentation the evidence that supports the auditors’ significant judgments and conclusions. Audit documentation

should contain support for findings, conclusions, and recommendations before auditors issue their report.”

Cash Management - The audit documentation does not provide adequate support to demonstrate that the auditor performed the audit procedures. Other than relying on the auditor’s statements, a third party would be unable to validate the auditor’s test work or determine whether the CGCS met grant cash management requirements.

Raffa’s Compliance audit program states “[w]here applicable, select a sample of reimbursement requests and trace to supporting documentation showing that the cost for which reimbursements was requested were paid prior to the date of the reimbursement request.” The workpapers indicate that the Raffa auditor randomly selected four reimbursement requests for testing, agreed reimbursement requests to the general ledger without exception, verified expenses were incurred prior to reimbursement, and reconciled draws with expenses incurred. However, the audit documentation does not provide corresponding support, such as: (1) request for funds, (2) draw down information, (3) schedule of the expenses examined, (4) time period of the expenses examined, (5) comparison of the expenses incurred and the corresponding request for funds, and (6) reconciliation of expenses to the general ledger that would demonstrate that the auditor performed the audit procedures.

Additionally, OMB A-133 Compliance Supplement, Part 3. Compliance Requirements, Section C. *Cash Management, Suggested Audit Procedures*, states that the auditor should select a sample of subgrantees to determine the appropriateness of the procedures, and determine whether the subgrantees are reimbursed in a timely manner. The audit documentation concludes that the subgrantees were reimbursed prior to the CGCS drawing down grant funds. However, the audit documentation does not include any information, such as: (1) draw down request and information, (2) subgrantee reimbursement request, (3) reimbursement checks, or (4) test schedules and documentation to validate whether reimbursement transactions were reviewed for appropriateness.

Eligibility - Raffa did not describe the type of documentation it reviewed to determine AmeriCorps eligibility. As a result, a third party would be unable to determine, other than by accepting the auditor’s statements, whether the documents reviewed for the selected members met the requirements of 45 C.F.R. § 2522.200(a) *Eligibility*; § 2522.200(b) *Written declaration regarding high school diploma*; and § 2522.200(c) *Primary documentation of status as a U.S. citizen or national*.

The Raffa Audit Manager stated that the subgrantee program directors input member application data into the Corporation’s Web Based Reporting System (WBRS) and that the subgrantees believed this process adequately demonstrated that the programs had received the requisite documentation to certify and approve applicants. The Audit Manager also stated she requested that the program directors furnish the supporting documentation to verify eligibility for the selected members. She stated that she reviewed driver’s licenses and birth certificates, but she did not maintain any of the

documentation reviewed. Therefore, there was no audit documentation available to determine that the auditor properly determined member eligibility. At a minimum, the audit documentation should have identified the documents the auditor reviewed and observed to verify member eligibility.

AmeriCorps Special Provisions, (2005) B.14.b provides the following:

Verification. To verify U.S. citizenship, U.S. national status or, U.S. lawful permanent resident alien status, the Grantee must obtain and maintain documentation as required by 45 C.F.R. § 2522.200(b) and (c). The Corporation does not require programs to make and retain copies of the actual documents used to confirm age or citizenship eligibility requirements, such as a driver's license, or birth certificate, as long as the Grantee has a consistent practice of identifying the documents that were reviewed and maintaining a record of the review.

Although a driver's license might be adequate documentation to verify an applicant's age, it is not adequate documentation to verify U.S. Citizenship, U.S. national status, or U.S. lawful permanent resident alien status according 45 C.F.R. § 2522.200(c) *Primary documentation of status as a U.S. citizen or national.*

Matching, Level of Effort, Earmarking - The audit documentation does not provide adequate support to demonstrate that the auditor performed the audit procedures. We cannot conclude that the CGCS's in-kind contributions complied with grant provisions and AmeriCorps Regulations.

The OMB common rule for administrative requirements for non-profit organizations, 45 C.F.R. § 2543.23(a)(1); OMB A-133 Compliance Supplement, Part 3. Compliance Requirements, Section G. *Matching, Level of Effort, Earmarking*; and AmeriCorps Special Provision B.13.c. *Matching Requirements*, provide that matching contributions, including in-kind contributions, need to be verifiable through the non-Federal entity's records. 45 C.F.R. § 2543.23(h)(5)(i) provides "[t]he following requirements pertain to the grantee's supporting records for in-kind contributions from third parties. Volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the recipient for its own employees."

Raffa's audit documentation includes narratives of discussions with the CGCS Executive Director and Director of Finance & Administration that were used as the basis for accepting the in-kind contributions. Specifically, the audit documentation provides that the Executive Director stated that he worked with subgrantees for approximately 10 days and the Director of Finance stated that she provided accounting work for approximately 40 days. This discussion does not meet the requirements of 45 C.F.R. § 2543.23 or AmeriCorps Provisions for determining and documenting in-kind contributions.

Based on the requirements, adequate audit documentation to verify in-kind contributions should include the nature of the in-kind contribution, and a review of the in-kind contribution based on approved timesheets.

Procurement, Suspensions, and Debarments - Raffa did not provide adequate support to document the required OMB Circular procedures described below. Specifically, there is no evidence of the procurement transactions' universe, sample size, or attribute testing results. As a result, a third party would have difficulty verifying the results and developing the same conclusions regarding the CGCS's compliance with grant provisions.

OMB A-133 Compliance Supplement, Part 3. Compliance Requirements, Section I. *Procurement and Suspension and Debarment, Suggested Audit Procedures – Compliance*, states that the auditor will determine compliance with the following:

4. Select a sample of procurements and perform the following:
  - a. Examine contract files and verify that they document the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract price.
  - b. Verify that procurements provide full and open competition.
  - c. Examine documentation in support of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified.
  - d. Verify that contract files exist and ascertain if appropriate cost or price analysis was performed in connection with procurement actions, including contract modifications, and that this analysis supported the procurement action.
  - e. Verify that the Federal awarding agency approved procurements exceeding \$100,000 when such approval was required. Procurements (1) awarded by noncompetitive negotiation, (2) awarded when only a single bid or offer was received, (3) awarded to other than the apparent low bidder, or (4) specifying a "brand name" product, may require prior Federal awarding agency approval.
  - f. Verify compliance with other procurement requirements specific to an award.

Reporting - The audit documentation does not provide sufficient support to document that the OMB Circular A-133 Supplement requirements for *financial reports and special reports* and the auditor's audit objectives were achieved. As a result, a third party would



have difficulty verifying the results and drawing the same conclusions regarding the CGCS's compliance with grant provisions.

OMB A-133 Compliance Supplement, Part 4. Agency Program Requirements – Corporation for National Service, III.L.1. *Compliance Requirements, Reporting, Financial Reports*, lists the SF-269A, *Financial Status Report*, as a report required from AmeriCorps grantees. AmeriCorps Special Provision B.16.a., *Reporting Requirements, Financial Status Reports*, requires that AmeriCorps grantees submit semiannual cumulative financial status reports summarizing expenditures during the reporting period.

To determine the CGCS's compliance with this provision, the Raffa auditor examined the timeliness of the CGCS's submission of Financial Status Reports (FSRs) and Progress Reports. The audit documentation provides that the CGCS submitted its FSR and Progress Reports in a timely manner. However, neither the actual FSRs or Progress Reports, nor the FSR and Progress Report attributes (such as the date the FSR was due and date the FSR was submitted) were maintained in Raffa's files. As a result, we could not verify that FSRs or Progress Reports were submitted in a timely manner.

OMB A-133 Compliance Supplement, Part 4. Agency Program Requirements – Corporation for National Service, III.L.3. *Compliance Requirements, Reporting, Special Reports* provides that the grantee is responsible for submitting the *National Service Enrollment Form* and the *Corporation for National Service End of Term/Exit Form*. The Corporation uses these forms to support post-service education award eligibility. We determined that the audit documentation was insufficient to validate information contained on the forms. As such, we could not determine or verify whether selected members' qualifications for a post-service education award were tested and whether the CGCS complied with its grant provisions.

*The Corporation for National Service End of Term/Exit Form* – This form is used by grantees to certify, to the Corporation, the number of service hours that each member completed, and whether the AmeriCorps member is eligible for a post-service education award. The audit documentation provides that the program director certify members' service hours and enter them into the AmeriCorps WBRS system. The Raffa auditor reviewed on-line certifications for the same 10 members that were reviewed for eligibility and were tested without exception. However, there is insufficient evidence to determine whether the certifications were reviewed. At a minimum, the audit documentation should indicate the service hours observed for each member, and whether the members qualified for an education award.

At the exit conference, Raffa stated that it had hired a consultant to improve audit efficiency including, eliminating unnecessary documentation maintained in its audit files. The manner in which the A-133 workpapers were prepared was part of Raffa's effort to improve efficiency.

### Recommendation

We recommend that the Raffa auditors provide sufficient information to enable an experienced auditor, who has no connection with the audit, to ascertain from the audit documentary evidence that supports the Raffa auditor's significant judgments and conclusions.

### Raffa's Response

Raffa disagrees with the conclusions, and believes that the working papers have been prepared in accordance with GAGAS requirements. Raffa states that GAGAS does not require copies of documents be included in the working papers, only stipulating that the working papers include "sufficient information to enable an experienced auditor who has had no previous connection with the audit to ascertain from the audit documentation the evidence that supports auditors' significant judgments and conclusions."

### OIG Comments

The recommendation remains unchanged. We agree that copies of documents do not have to be maintained in the working papers. However, this issue was not part of our recommendation. It stated that Raffa's audit documentation did not contain sufficient information to support its conclusions.

Raffa's response (Attachment 1) is voluminous and we have not responded to each of its comments. We responded to two areas, eligibility and procurement, that illustrate deficiencies in the documentation.

Eligibility - Raffa's audit documentation was limited and only included the following in the working paper files:

"We had access to the on-line information for all CGCS AmeriCorps participants. It is our understanding that this information is entered into the AmeriCorps system by the program director and that by entering this information into the system, the program director is certifying that he/she had received the necessary information to determine that the person is a US citizen, national or lawful permanent resident and at least 17 years old at the time of enrollment in the program. We selected 10 individuals and requested that CGCS provide the support that was obtained for these individuals. We examine(d) for the following individuals without exception." Raffa listed the 10 members and came to the conclusion that CGCS complied with the eligibility requirements. This is the extent of the material contained in the working papers regarding eligibility.

Raffa's response to the draft audit report states, "As stated in the working papers, Raffa reviewed for the individuals tested, birth certificates which show that the individuals were born in the U.S." The response also states that Raffa reviewed Social Security cards and driver's licenses. However, Raffa's working papers only included the information contained in the preceding paragraph and did not state that birth certificates or any other types of documents had been reviewed. Raffa's response to draft audit report contains

more descriptive information than what is contained in the working papers. We also note that driver's licenses do not prove citizenship and are not adequate to test eligibility.

Procurement - Raffa's working papers contain the following procedure:

"Select a sample of procurements and test for compliance with the Federal requirements.

"Verify that the contract files exist and that they document a significant history of procurement including the following:" [A list of specific procedures, to be performed, is included]

Raffa informed us at the exit conference that testing of specific procurement transactions was performed. Raffa's response to the draft audit report states, "Therefore, procurement ... compliance requirements did not apply to CGCS."

From the working paper content, we can not determine what testing, if any, was conducted. If Raffa tested procurements, as the working papers state, the content of the working papers gives us no reasonable assurance of the universe of procurements, how the testing sample was selected, the attributes that were tested, the amounts of each transaction, and the transaction dates.

The Raffa response indicates that it may not have a complete understanding of the grant and the compliance requirements. On page 10 of the response, Raffa states, "The Compliance Supplement does not provide any suggested audit procedures nor does it state the number of hour[s] that are required for enrollment to become eligible for a post-award benefit." This information is contained in the AmeriCorps grant agreement and is readily available to an auditor. It should have been reviewed as part of the A-133 audit.

Additionally, Raffa states in its response, on page 10, that it reviewed the on-line timesheets in the system to ensure that the timesheets were clerically accurate and that the timesheets for the individuals were tested and approved and certified for accuracy by the program director. However, the extent of Raffa's audit step, per its audit documentation, was limited to a review of data that was entered into the AmeriCorps WBRS system by the grantee. Absent the testing of actual hardcopy timesheets and reviewing member and supervisor signatures, this procedure could not fully verify the accuracy of the member service hours or determine whether the member actually earned an education award.

In summary, we recommend that Raffa provide sufficient, documentary information to support their significant judgments and conclusions.



Carol Bates  
Assistant Inspector General for Audit

## **REPORT DISTRIBUTION**

### **Independent Audit Firm**

Raffa, P.C.

### **Audited Organization**

Council of the Great City Schools

### **Federal Office of Inspector General**

Department of Education

### **Corporation for National and Community Service**

Chief Financial Officer

Deputy Chief Financial Officer for Planning & Program Management

Director, Office of Grants Management

**ATTACHMENT 1**

**RAFFA Response**



August 3, 2006

**R A F F A**

CONSULTING  
ACCOUNTING  
TECHNOLOGY

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

Dear Ms. Bates:

I am in receipt of your draft report dated July 19, 2006 with respect to the Quality Control Review that was performed on our June 30, 2005 Office of Management and Budget (OMB) Circular A-133 audit of the Council of the Great City Schools. Upon reading the report, it appears that it is CNCS's initial assessment that our audit did not meet the requirements of generally accepted government auditing standards (GAGAS), as copies of supporting documents were not maintained in the file. We disagree with this conclusion and have documented the basis for our conclusion on the attached document. Specifically, we believe that our working papers have been prepared in accordance with GAGAS Paragraphs 4.23 through 4.24. GAGAS does not require that copies of documents be included in the working papers. As stated in Paragraph 4.22, GAGAS only requires that the working papers include "sufficient information to enable an experienced auditor who has had no previous connection with the audit to ascertain from the audit documentation the evidence that supports the auditors' significant judgments and conclusions." We believe that the working papers provide such information. Furthermore, as GAGAS provides no further guidance as to the extent of working paper documentation, Raffa used the guidance provided in Statement on Auditing Standards No. 96, *Audit Documentation*, which was issued by the American Institute of Certified Public Accountants. As stated in the attached document, SAS No. 96 does not require auditors to include copies of all items reviewed in the working papers. SAS No. 96 only requires that the working papers include "identification of the items tested". SAS No. 96 also provides specific examples of what is required to be included in the working papers when samples are selected on a haphazard, random or systematic basis and when a threshold is used for sample selection. Accordingly, we believe that our working papers are appropriately documented and, therefore, disagree with the conclusions in the CNCS report. We also disagree with certain other findings included in the CNCS draft report and believe that, while already documented in the working papers, further explanations and clarification may be warranted. As a result, we have also provided such explanations and clarification in the attached document.

If you have any questions or would like to discuss our interpretation of the authoritative literature, the issues identified by CNCS or our responses which are included in the attached document, please do not hesitate to contact me. I look forward to hearing from you soon and to the resolution of the items noted.

Sincerely,

Kimberly D. Robertson  
KDR/dyp

Enclosures

*Embracing Your Vision*

**Council for the Great City Schools (CGCS)  
Corporation for National & Community Service (CNCS) —Response to Draft OIG Report  
Number 06-34  
For the Year Ended June 30, 2005**

**CNCS COMMENT**

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*Results.* The second paragraph of CNCS's draft report indicates that CNCS believes that Raffa's audit did not meet the documentation requirements of GAGAS or the requirements in OMB Circular A-133 and its related supplement.

*Audit Documentation.* The audit documentation for test of compliance with Cash Management; Eligibility; Matching, Level of Effort, Earmarking; Procurement, Suspensions and Debarment; and Reporting was not prepared in accordance with GAGAS requirements.

**RAFFA RESPONSE**

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Raffa disagrees with this comment. As explained in this document, Raffa appropriately applied and adhered to the requirements of GAGAS, OMB Circular A-133 and its related supplement, as well as pronouncements issued by the American Institute of Certified Public Accountants (AICPA). Raffa's basis for this statement is disclosed throughout this document, with specific references in the Audit Documentation section.

Raffa's audit documentation met all of the requirements of GAGAS as well as the requirements issued by the American Institute of Certified Public Accountants (AICPA). These requirements are stated in GAGAS 4.22 through 4.24 as well as Statement on Auditing Standards (SAS) No. 96 issued by the AICPA.

GAGAS 4.22 states that audit documentation related to planning, conducting, and reporting on the audit should contain sufficient information to enable an experienced auditor who has had no previous connection with the audit to ascertain from the audit documentation the evidence that supports the auditors' significant judgments and conclusions. Audit documentation should contain support for findings, conclusions, and recommendations before auditors issue their reports.

GAGAS 4.23 states that the quantity, type, and content of audit documentation are a matter of the auditors' professional judgment. GAGAS 4.24 further states that the preparation of audit documentation should be appropriately detailed to provide a clear understanding of its purpose and source and the conclusions the auditors reached, and it should be appropriately

**CNCS COMMENT****RAFFA RESPONSE**

organized to provide a clear link to the findings, conclusions, and recommendations contained in the audit report.

In determining the nature and extent of the documentation to be included in the working papers, which, as stated in GAGAS 4.23 is the auditors' professional judgment, Raffa used the guidance provided in SAS 96. Specifically, Paragraph 8 of SAS 96 states that audit documentation should include abstracts or copies of significant contracts or agreements that were examined to evaluate the accounting for significant transactions. Additionally, audit documentation of tests of operating effectiveness of controls and substantive tests of details that involve inspection of documents or confirmation should include an identification of the items tested.

Footnote 5 to Paragraph 8 further states that the identification of the items tested may be satisfied by indicating the source from which the items were selected and the specific criteria, for example:

- When a haphazard or random sample is selected, the documentation should include identifying characteristics (for example, the specific invoice numbers of the items included in the sample).
- When all items over a specified dollar amount are selected from a listing, the documentation need describe only the scope and the identification of the listing (for example, all invoices over \$25,000 from the December sales journal).
- When a systematic sample is selected from a population of documents, the documentation need only provide an identification of the source of the documents and an indication of the starting point and the sampling interval (for example, a systematic sample of shipping reports was selected from the shipping log for the period from X to Y, starting with report number 14564 and selecting every 250th report from that point).



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**CNCS COMMENT**

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**Cash Management.** The audit documentation does not provide adequate support to demonstrate that the auditor performed the audit procedures. Other than relying solely on the auditor's statements, a third party would be unable to validate the auditor's test work or determine whether CGCS met grant cash management requirements. Additionally, the audit documentation does not provide corresponding support, such as: (1) request for funds, (2) draw down information, (3) schedule of expenses examined, (4) time period of the expenses examined, (5) comparison of the expenses incurred and the corresponding request for funds, and (6) reconciliation of the expenses to the general ledger that would demonstrate that the auditor performed the audit procedures.

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**RAFFA RESPONSE**

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The individual findings of the CNCS auditors regarding documentation centered on the fact that copies of items examined were not maintained in the working papers. While copies were not maintained, the scope of the testing, the items examined and conclusions were properly documented in the working papers, as required by SAS 96, such that an experienced auditor who had no previous connection with the audit could identify the audit documentation that was examined and could reperform the procedures documented and come to the same conclusion as stated in the working papers.

For the CNCS grants, CGCS uses the reimbursement method to request funds. According to the OMB Compliance Supplement and as documented in our audit program, in such instances the auditor should select a sample of reimbursement requests and trace the sample to supporting documents which show that the costs for which reimbursement is requested were paid prior to the date of the reimbursement request.

As stated in our working papers, CGCS prepares one Request for Reimbursement Form per month which generally covers all of the expenses incurred in the prior month. Raffa haphazardly selected the Request Reimbursement Forms dated September 20, 2004, January 25, 2005, April 22, 2005 and June 7, 2005 and ensured that the expenses stated on the forms tied into the general ledger for the periods stated (item #5). Raffa also verified that the expenses were incurred prior to the date of the forms and reconciled the amount of the draws with the expenses incurred (item #6). Our working papers also indicate that we examined the draws for the months of September 2004 and January and April 2005 (item #2). Copies of the actual request forms (item #1) are maintained by and can be obtained from CGCS. The request form documents the period of the expenses (item #4). The copy of the general ledger detail which supports the expenses included on the request form is attached to the copy of the form maintained by CGCS (item #3).

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**CNCS COMMENT**

For subgrantees, the audit documentation does not include any supporting documentation, such as: (1) draw down request and information, (2) subgrantee reimbursement request, (3) reimbursement checks, or (4) test schedules and documentation to validate whether reimbursement transactions were reviewed for appropriateness.

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**RAFFA RESPONSE**

Based upon the above, we believe that the procedures performed and our documentation of such are in accordance with GAGAS, OMB Circular A-133 and its related supplement and SAS 96 and would enable an experienced auditor, who had no previous connection with the audit knowledge of the items examined, the ability to reperform the procedures documented and come to the same conclusion as stated in the working papers. There are no provisions within GAGAS, OMB or SAS 96 which require that the items cited in CNCS's draft report be maintained in the working papers.

The OMB Compliance Supplement requires that the auditor (1) select a sample of subgrantees to determine the appropriateness of the procedures and (2) determine whether the subgrantees were reimbursed in a timely manner. As stated on our working papers, for draws requested during the months of September 2004 and January and April 2005, we noted by examination of the Request for Reimbursement Form and the attached general ledger detail that CGCS had paid the subgrantees prior to requesting the reimbursement (item #1). The Compliance Supplement does not require that we examine, as part of our cash management testwork, subgrantee reimbursement requests and reimbursement checks (items # 2 and 3). However, such items were tested in our cash disbursement test procedures, which include the examination of copies of checks and invoices/payment request forms. During our cash disbursement testwork, we also ensured that the expenses were recorded in the proper period, recorded in the proper general ledger account, that the invoice or payment request was clerically accurate, that the invoice or payment request was approved by an authorized signer, that the cancelled check was signed by an authorized signer and that the cancelled check was endorsed by the payee. As stated in our workpapers, CGCS issued less than 100 checks which related to the CNCS programs during the year ended June 30, 2005. Of these 100 checks, Raffa performed all of the aforementioned procedures on 15 of the checks. All 15 checks

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**CNCS COMMENT**

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**Eligibility.** Raffa did not describe the type of documentation it reviewed to determine AmeriCorps eligibility. As a result, a third party would be unable to determine, other than by accepting the auditor's statements, whether the documents reviewed for the selected members met the requirements of 45 C.F.R. Sect. 2522.200(a).

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**RAFFA RESPONSE**

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were payments to subgrantees under the CNCS grant.

Based upon the above, we believe that the procedures performed and our documentation of such are in accordance with GAGAS, OMB Circular A-133 and its related supplement and SAS 96 and would enable an experienced auditor, who had no previous connection with the audit knowledge of the items examined, the ability to reperform the procedures documented and come to the same conclusion as stated in the working papers. There are no provisions within GAGAS, OMB or SAS 96 which require that the items cited in CNCS's draft report be maintained in the working papers.

According to the OMB A-133 Compliance Supplement, AmeriCorps members must be citizens, nationals, or lawful permanent resident aliens of the United States and must be not less than 17 years old at the time of enrollment in the program. As stated in the working papers, Raffa reviewed for the individuals tested, birth certificates which showed that the individuals were born in the U.S. (there were no nationals or lawful permanent resident aliens), U.S. passports, U.S. social security cards, and state issued driver's licenses. In instances where a social security card was provided, Raffa also examined a copy of the state issued driver's license for identification purposes and to verify the individual's age. All of these documents are government issued documents and reliance is placed on the validity of such items nationwide. In fact, all of these items are on the list of acceptable documents issued by the U.S. Department of Homeland Security, U.S. Citizenship and Immigration Service, for immigration purposes.

There are no provisions within GAGAS, OMB or SAS 96 which require that copies of the items examined be maintained in the working papers. Additionally, AmeriCorps Special Provisions, (2005) B.24b states that to verify U.S. citizenship, U.S. national status or U.S. lawful permanent resident alien status, grantees (CGCS)

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**CNCS COMMENT**

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**RAFFA RESPONSE**

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must obtain and maintain documentation as required by 45 C.F.R. Section 2522.200(b) and (c). Section B.24b further states that CNCS does not require programs to make and retain copies of the actual documents used to confirm age or citizenship eligibility requirements, such as a driver's license, or birth certificate, as long as the grantee (CGCS) has a consistent practice of identifying the documents that were reviewed and maintaining a record of the review. As stated in our workpapers, CGCS has a consistent practice of identifying the documents that were reviewed and maintaining a record of the review. This practice is documented by the CGCS program director certifying that he/she has examined the application form and certifying that he/she has examined and received the necessary information to determine that the person is a U.S. citizen, national or lawful permanent resident and has determined that the individual is at least 17 years old at the time of enrollment in the program. Although not required by AmeriCorps Special Revisions B.24.b, copies of all supporting documents are maintained by CGCS.

Based upon the above, we believe that the procedures performed and our documentation of such are in accordance with GAGAS, OMB Circular A-133 and its related supplement and SAS 96 and would enable an experienced auditor, who had no previous connection with the audit knowledge of the items examined, the ability to reperform the procedures documented and come to the same conclusion as stated in the working papers.

**Matching.** The audit documentation does not provide adequate support to demonstrate that the auditor performed the audit procedures. We can not conclude that CGCS's in-kind contributions complied with grant provisions and AmeriCorps Regulations.

The CGCS has a requirement to meet a match of \$236,932 on the FY 05/06 grant and \$159,661 on the FY 04/05 grant. The OMB common rule states that matching contributions, including in-kind contributions, need to be verifiable through the non-Federal entity's (CGCS) records. 45 C.F.R. Section 2543.23(h)(5)(i) further states that volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the recipient (CGCS) for its own employees.

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**CNCS COMMENT**

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**RAFFA RESPONSE**

As stated in our audit working papers, for the FY 05/06 grant, by June 30, 2005, CGCS had met \$49,258 of the \$256,932 required match. For the FY 04/05 grant, the working papers state that CGCS received in-kind services totaling \$196,309, which exceeded the matching requirement of \$159,661. As documented in the working papers, Raffa agreed the \$196,309 to the amount included on the final Financial Status Report that was submitted to CNCS. This Financial Status Report was tested during our reporting compliance textwork. As stated in our workpapers for reporting compliance, we ensured that the total expenses stated on the final Financial Status Report agreed to the general ledger. We also noted that the general ledger reported in-kind expenses of \$196,309. The note on our working papers stating that approximately 10 days of the Executive Director's time and approximately 40 days of the Director of Finance's time were included in the in-kind expenses reported in the general ledger merely documents an observation that we made while determining the nature of the in-kind services. During our testing of CGCS's payroll system, which is documented in payroll testing section, we determined that reliance could be placed on the system and that the hours stated on timesheets agreed to the amounts and programs charged in the general ledger. As stated in our payroll testing working papers, we examined the payroll journals and checks, agreed the hours on the timesheets to the payroll journals, ensured that the time charges in the general ledger agreed with the timesheets for each grant or program, ensured that the payroll allocation entries were charged to the proper grant/program and ensured that the timesheets were approved by an authorized supervisor and signed by the employee. The Director of Finance's timesheets were selected during this testing and no exceptions were noted. Therefore, we were able to determine that reliance could be placed on CGCS's payroll system and that all time charged in the general ledger was properly supported by timesheets and could then conclude that the time of the Executive Director and the Director of Finances was appropriate and supportable by timesheets.

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**CNCS COMMENT**

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***Procurement, Suspensions and Debarment.***

Raffa did not provide adequate support to document the procurement transactions universe, sample size, or attributed results. As a result, a third party would have difficulty verifying the results and developing the same conclusion regarding CGCS's compliance with grant provisions.

***Reporting.*** The documentation does not provide sufficient support to document that the OMB Circular A-133 Supplement requirements for financial reports and special reports and the auditor's audit objectives were achieved. Neither the actual FSR's or Progress Reports nor the FSR and Progress Report attributes were maintained in Raffa's files. As a result, we could not verify that FSR's or Progress Reports were submitted in a timely manner.

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**RAFFA RESPONSE**

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Based upon the above, we believe that the procedures performed and our documentation of such are in accordance with GAGAS, OMB Circular A-133 and its related supplement and SAS 96 and would enable an experienced auditor, who had no previous connection with the audit knowledge of the items examined, the ability to reperform the procedures documented and come to the same conclusion as stated in the working papers. There are no provisions within GAGAS, OMB or SAS 96 which require that the items cited in CNCS's draft report be maintained in the working papers.

CGCS did not procure any services above the \$25,000 small purchase threshold, which is fixed by 41 U.S.C. (403)11. Additionally, as documented in our testing of the eligibility compliance requirement, the general ledger detail for the AmeriCorps grants reflect that the only expenditures under these grants were sub-grant payments to the entities listed in the AmeriCorps grant agreements, as well as internal charges for salaries, fringe benefits, telephone and administrative expenses. As stated previously, the sub-grant payments were tested during our cash disbursements testing and is documented in our working papers. Therefore, procurement, suspension and debarment compliance requirements did not apply to CGCS.

According to the OMB Circular A-133 Compliance Supplement, for financial, performance and special reports, the auditor is required to ensure that the appropriate basis of accounting was used, ensure that the amounts on the reports agree with the accounting records, test any underlying documents for mathematical accuracy and obtain a written representation from management that the reports provided were true copies of what was submitted. As documented on the working papers, Raffa ensured that the amounts on the financial reports agreed to the general ledger. We also documented which reports were required to be filed and the respective due dates and

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**CNCS COMMENT**

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We determined that the audit documentation was insufficient to validate information contained on the National Service Enrollment Form and the Corporation for National Service End of Term/Exit Form. As a result, we could not determine or verify whether selected members' qualifications for a post-service education award were tested and whether CGCS complied with its grant provisions.

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**RAFFA RESPONSE**

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documented that, based on the dates of the reports, it appeared that the reports were filed in a timely manner. Additionally, as required in the Compliance Supplement, we obtained a written representation from management that the reports provided were true copies of what had been filed.

Based upon the above, we believe that the procedures performed and our documentation of such are in accordance with GAGAS, OMB Circular A-133 and its related supplement and SAS 96 and would enable an experienced auditor, who had no previous connection with the audit knowledge of the items examined, the ability to reperform the procedures documented and come to the same conclusion as stated in the working papers. There are no provisions within GAGAS, OMB or SAS 96 which require that the items cited in CNCS's draft report be maintained in the working papers.

Based on the Compliance Supplement, the National Service Enrollment Form is used by CNCS to enroll participants in the AmeriCorps program. The Supplement also states that the key line item (i.e., line item containing critical information) on the enrollment form is Part 3-*AmeriCorps Member Enrollment Information*. The Compliance Supplement does not provide any suggested audit procedures.

As documented in our working papers and as stated above, member enrollment information was tested during our eligibility compliance testing. Additionally, as stated in the special reporting requirements compliance section of our working papers, we documented that we examined the eligibility forms on the AmeriCorps on-line system. Additionally, as stated previously, we noted that the CGCS program director certified the enrollment form and certified that he/she examined and received copies of the documents which proved U.S. citizenship status and the age at the enrollment date. We also ensured that the forms were

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**CNCS COMMENT**

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There is insufficient evidence to determine whether the Corporation for National Service End of Term/Exit Form was reviewed.

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**RAFFA RESPONSE**

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approved by the program director and submitted to AmeriCorps. Neither the Compliance Supplement nor the CNCS agreement provide any suggested procedures.

Based on OMB Circular A-133 Compliance Supplement, the Corporation for National Service End of Term Exit Form is used by grantees to certify to CNCS the number of hours that each AmeriCorp member completed and whether the AmeriCorps member is eligible for a post-service benefit. The Compliance Supplement states that the key line item (i.e., line item containing critical information) is in Part 3- *Service hours completed by an AmeriCorps member and the AmeriCorps member's entitlement to an education benefit*. The Compliance Supplement does not provide any suggested audit procedures nor does it state the number of hour that are required for enrollment to become eligible for a post-service award benefit.

As documented in our working papers during our special reporting requirements compliance section, we reviewed the on-line time sheet in the system to ensure that the timesheets were clerically accurate and that the timesheets for the individuals tested were approved and certified for accuracy by the program director of the site tested.