Office of the Inspector General
Corporation for National and Community Service
Report Number 01-05

Audit of Corporation for National and Community Service Grant Numbers 94SCSDE008, 94ASCDE008, 95PDSDE008, and 95LCSDE002 Awarded to Delaware Community Service Commission New Castle, Delaware

Financial Schedules
and
Independent Auditor's Reports

For the Period
January 14, 1994 to March 31, 2000

Prepared by
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This report was issued to Corporation management on January 11, 2001. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than July 11, 2001, and complete its corrective actions by January 11, 2002. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

CORPORATION
FOR NATIONAL
SERVICE

Office of the Inspector General
Corporation for National and Community Service

Audit of Corporation for National and Community Service Grant Numbers 94SCSDE008, 94ASCDE008, 95PDSDE008, and 95LCSDE002 Awarded to Delaware Community Service Commission New Castle, Delaware OIG Audit Report 01-05

CNS OIG engaged the independent auditing firm, Leonard G. Birnbaum and Company to perform a program-specific incurred cost audit of Corporation funds awarded to the Delaware Community Service Commission for the period January 14, 1994 to March 31, 2000. The scope of the audit extended to costs incurred by subgrantees through Commission grants funded by CNS. It included procedures to determine whether costs reported to the Corporation were documented and allowable in accordance with laws, regulations, and grant provisions and considered internal control issues revealed by CNS OIG's pre-audit survey, OIG Report 00-06: *Pre-Audit Survey of the Delaware Community Service Commission*, issued May 18, 2000.

The Auditors found both unsupported and unallowable costs and numerous compliance and internal controls issues. Consequently, their report questions approximately $370 thousand (11 percent) of the $3.5 million in costs claimed against the grants and contains more than 30 recommendations for corrective actions and improvement at the Commission and its subgrantees. The report also recommends that the Corporation follow up to ensure that the corrective actions are appropriately and effectively implemented.

We have reviewed the report and the work papers supporting its conclusions and agree with the findings and recommendations presented.

Responses to this report by the Delaware Community Service Commission and the Corporation are included as Appendices A and B of this report. The DCSC response disagreed with a number of the findings but reported corrective action for some of them. The Auditors have summarized the Commission's responses to the individual findings within the report itself.

The Corporation's response contends that the ". . .report generally did not provide sufficient information related to the findings to allow the Corporation to agree or disagree at this time." Appendix C includes the Auditor's comments on CNS' response – including CNS' statements responding to findings that three subgrantees failed to maintain AmeriCorps member documentation required by the grant provisions, by indicating that 17 of 18 members described in the report as having missing time sheets were found by CNS staff to be enrolled in the National Service Trust Fund. CNS OIG agrees with the Auditor's comments. Further, we continue to recommend, as we have since 1998, that the Corporation emphasize the importance of sufficient documentation for all hours applied toward earning an education award as well as the importance of proper monitoring and supervisory review to ensure that time reporting systems are functioning properly.

Inspector General
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Office of the Inspector General
Corporation for National and Community Service
Audit of Delaware Community Service Commission
Grant Numbers 94SCSDE008, 94ASCDE008, 95PDSDE008, and 95LCSDE002

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REPORT SUMMARY AND HIGHLIGHTS

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Inspector General
Corporation for National Service

This report is issued under an engagement to audit the costs claimed by Delaware Community Service Commission (DCSC) and its subrecipients from January 14, 1994 through March 31, 2000. This report focuses on the audit of claimed costs, instances of noncompliance with Federal laws, applicable regulations or award conditions, and internal control weaknesses disclosed during the audit at DCSC and its subrecipients. Our audit of DCSC covered the following funds awarded by the Corporation for National Service (Corporation):

Program	Award Number	Award Period	Audit Period
Administration	94SCSDE008	Jan 14, 94 - Dec 31, 00	Jan 14, 94 - Mar 31, 00
AmeriCorps	94ASCDE008	Aug 1, 94 - Dec 30, 00	Aug 1, 94 - Mar 31, 00
PDAT	95PDSDE008	Jan 1, 95 - Feb 28, 00	Jan 1, 95 - Mar 31, 00
Learn & Serve	95LCSDE002	Oct 1, 95 - Dec 31, 00	Oct 1, 95 - Mar 31, 00

Our audit of the costs claimed by DCSC for the awards referenced above disclosed the following:

Administration

	Period	Amount	Percentage of Total Award
Award Budget	1/94 - 12/00	$ 896,053	-
Claimed Costs	1/94 - 3/00	737,529	82%
Questioned Costs	1/94 - 3/00	32,836	4%

AmeriCorps

	Period	Amount	Percentage of Total Award
Award Budget	8/94 - 12/00	$2,909,344	-
Claimed Costs	8/94 - 3/00	2,388,630	82%
Questioned Costs	8/94 - 3/00	306,123	13%

PDAT

	Period	Amount	Percentage of Total Award
Award Budget	1/95 - 2/00	$ 277,735	-
Claimed Costs	1/95 - 3/00	193,716	70%
Questioned Costs	1/95 - 3/00	282	<1%

Learn & Serve

	Period	Amount	Percentage of Total Award
Award Budget	10/95 - 12/00	$ 194,497	-
Claimed Costs	10/95 - 3/00	133,354	69%
Questioned Costs	10/95 - 3/00	30,411	23%

SUMMARY OF AUDIT RESULTS

As a result of our audit of the aforementioned awards, we are questioning costs as summarized below and detailed in Exhibits A through D to the Independent Auditor's report. Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the award, or those costs which require additional support by the grantee or require interpretation of allowability by the Corporation.

The following summarizes the costs questioned on these awards by reason:

Explanation	CNS Funds[1]	Exhibit
Administration		
- Undocumented labor costs claimed by DCSC	$ 31,618	A
- Undocumented contract service and travel costs claimed by DCSC	1,218	A
AmeriCorps		
- Overcharge to health care by Delaware Center for Educational Technology	196	B
- Undocumented living allowances claimed by Dover Housing Authority	109,862	B
- Undocumented other Member costs claimed by Dover Housing Authority	7,559	B

[1]We have not questioned any matching costs.

- Undocumented labor costs claimed by Dover Housing Authority	105,635	B
- Undocumented operational costs claimed by Dover Housing Authority	5,103	B
- Undocumented other Member costs claimed by Perinatal Association of Delaware	4,966	B
- Undocumented operational costs claimed by Perinatal Association of Delaware	53,069	B
- Undocumented internal evaluation costs claimed by Perinatal Association of Delaware	2,500	B
- Administration costs in excess of grant ceiling	17,233	B
PDAT		
- Travel costs ($53) reclassified to contract services	-	C
- Travel costs in excess of amounts allowed under Federal Travel Regulations	282	C
Learn & Serve		
- Undocumented labor costs claimed by DCSC	7,814	D
- Undocumented contract service claimed by subrecipients	22,597	D
Total Questioned Costs	$ 369,652	

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 have 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:

- DCSC established appropriation codes to track the Corporation funded and expended amounts; however, the appropriation codes are not used to record the amounts by program year. Instead, the appropriation amounts remain valid until the entire amount of funding has been expended. As such, we were unable to determine if the amounts were incurred during the grant period during our testing of claimed costs. This caused DCSC to have substantially more carryover funds, especially under the AmeriCorps Program (94ASCDE008), than has been reported to the Corporation. Based on our calculations, we determined that DCSC has approximately $357,000 (this amount does not take into consideration, the amounts incurred but not paid to the University of Delaware) more in carryover funds at the end of program year 98/99 than was reported to the Corporation. (Independent Auditor's Report on Compliance, Finding No. 1)

- DCSC did not perform comparisons of actual vs. budgeted expenditures. Accordingly, DCSC was unable to track the funded and expended amounts. In addition, the financial management system of DCSC was not utilized to produce reports by budget line items as stipulated in the grant. (Independent Auditor's Report on Compliance, Finding No. 2)

- DCSC did not submit Financial Status Reports (FSRs) of Administration, Professional Development and Training Funds on a timely basis, as stipulated in AmeriCorps Provision No. 17. (Independent Auditor's Report on Compliance, Finding No. 3)

- DCSC did not submit Financial Cash Transaction Reports (FCTRs) on a timely basis. Our review of FCTRs disclosed that 4 out of 25 reports were submitted after the due dates. (Independent Auditor's Report on Compliance, Finding No. 4)

- Staff timesheets were not maintained by DCSC under the Administration Fund, and the Learn & Serve Program. (Independent Auditor's Report on Compliance, Finding No. 5)

- Financial Status Reports were not submitted on a timely basis by Delaware Center for Educational Technology, Dover Housing Authority, Perinatal Association of Delaware and University of Delaware, as stipulated in AmeriCorps Provision No. 17. (Independent Auditor's Report on Compliance, Finding No. 6)

- The University of Delaware did not properly utilize its financial management system's capabilities resulting in an ineffective system. (Independent Auditor's Report on Compliance, Finding No. 7)

- Dover Housing Authority did not maintain financial information and data for five years as required by the Grant Agreement. (Independent Auditor's Report on Compliance, Finding No. 8)

- Member timesheets were not maintained by the Delaware Community Service Commission, Dover Housing Authority, Perinatal Association of Delaware and University of Delaware. In addition, the staff timesheets were not maintained by the Dover Housing Authority. (Independent Auditor's Report on Compliance, Finding No. 9)

- Dover Housing Authority and Perinatal Association of Delaware did not maintain Progress Reports for all the program years. Delaware Center for Educational Technology did not indicate the submission dates on the Progress Reports as required. AmeriCorps Provision No. 17 stipulates that Progress Reports are to be submitted within 30 days after the end of the reporting period. Our testing disclosed that University of Delaware did not submit one progress report on a timely basis and five reports did not include submission dates. (Independent Auditor's Report on Compliance, Finding No. 10)

- Delaware Center for Educational Technology, Dover Housing Authority, Perinatal Association of Delaware and University of Delaware did not maintain documentation regarding all Members as required by AmeriCorps Provision No. 15. (Independent Auditor's Report on Compliance, Finding No. 11)

- Delaware Center for Educational Technology and Perinatal Association of Delaware did not maintain completed Member contracts as required by AmeriCorps Provision No.8. (Independent Auditor's Report on Compliance, Finding No. 12)

- Written evaluations of each Member's mid-term and end-of-term performance evaluations are required by AmeriCorps Provision No.8. Documentation of these evaluations was incomplete. (Independent Auditor's Report on Compliance, Finding No. 13)

- Enrollment and End-of-Term/Exit forms were not submitted on a timely basis by Delaware Center of Educational Technology, Dover Housing Authority, Perinatal Association of Delaware and University of Delaware. (Independent Auditor's Report on Compliance, Finding No. 14)

- Our testing of the living allowance indicates that Dover Housing Authority did not pay the full amount of living allowance to five Members for a total amount of $2,979. The shortages ranged between $331 and $662. (Independent Auditor's Report on Compliance, Finding No. 15)

- Dover Housing Authority did not remit the interest earned as required by AmeriCorps Provision No. 27. (Independent Auditor's Report on Compliance, Finding No. 16)

INTERNAL CONTROLS

Our audit disclosed the following weaknesses in DCSC's internal controls:

- DCSC did not reconcile the amounts reported to the Corporation on the Financial Status Report with the amounts reported to HHS on the Federal Cash Transaction Report. (Independent Auditor's Report on Internal Controls, Finding No. 1)

- DCSC did not record some grants/amendments or the amounts in the accounting system properly. (Independent Auditor's Report on Internal Controls, Finding No. 2)

- DCSC did not properly monitor subrecipients. (Independent Auditor's Report on Internal Controls, Finding No. 3)

- Deficiencies noted in pre-audit survey (OIG Audit Report No. 00-06, Pre-Audit Survey Report of the Delaware Community Service Commission) were substantiated. (Independent Auditor's Report on Internal Controls, Finding No.4)

PURPOSE AND SCOPE OF AUDIT

Our audit covered the costs claimed under Grant Nos. 94SCSDE008, 94ASCDE008, 95PDSDE008, and 95LCSDE002 as previously described. The objectives of our audit were to determine whether:

1. Financial reports prepared by DCSC presented fairly the financial condition of the award;

2. The internal controls were adequate to safeguard Federal funds;

3. DCSC and the subrecipients had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, award conditions and that Member services were appropriate to the programs;

4. The award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions; and

5. DCSC has established adequate oversight and informed subrecipients of the Corporation's GPRA goals.

We performed the audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether

the amounts claimed against the award, as presented in the schedules of award costs (Exhibits A through D), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibits A through D. 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 working papers prepared by the independent public accountants for the state commission and its subrecipients in accordance with the requirements of OMB Circular A-133. Our audit also included a follow up on the Pre-Award Survey Report of DCSC dated October 8, 1999 (CNS OIG Report 00-06). We believe our audit provides a reasonable basis for our opinion.

The contents of this draft report were disclosed to and discussed with DCSC at an exit conference on November 2, 2000. In addition, we provided a draft of this report to DCSC and to the Corporation for comment on November 21, 2000 and received responses from both DCSC and the Corporation on December 21, 2000. In its response (included in this report as Appendix A) DCSC disagreed with many of the findings, but reported corrective actions for some of them. DCSC's responses to specific findings and the auditor's analysis of them are also included within the body of this final report. In its response (Appendix B) the Corporation either agreed with the report's findings or expressed the view that insufficient details were presented in the report. The auditor's analysis of CNS' comments is included as Appendix C.

Both DCSC and the Corporation indicated in their responses that they had requested access to, and will request additional access to, the auditor's workpapers in order to resolve the findings in this report. CNS OIG policy provides for access on a limited basis to resolve specific questions. We have communicated this to both DCSC and the Corporation. On December 7, 2000, CNS OIG provided information from the workpapers to the Corporation in answer to questions from the Corporation's Deputy Chief Financial Officer. On December 18, 2000, CNS OIG provided information from the workpapers to DCSC. Further requests for information from or access to the workpapers must be coordinated with CNS OIG.

BACKGROUND

The Corporation for National and Community Service, pursuant to the authority of the National and Community Service Act, as amended, awards grants and cooperative agreements to state commissions, and other entities to assist in the creation of full and part time national and community service programs.

DCSC has received approximately $4.5 million in funding from the Corporation since 1995, including AmeriCorps formula funds, AmeriCorps competitive funds, Learn and Serve funds, PDAT funds, Promise Fellowship funds and Administration funds. Of this amount, approximately $3.4 million was distributed to subgrantees. The majority of DCSC's subgrantees are state agencies.

REPORT RELEASE

This report is intended for the information and use of the Corporation's Office of the Inspector General, as well as the management of the Corporation, DCSC, and its subrecipients. However, this report is a matter of public record and its distribution is not limited.

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Inspector General
Corporation for National Service

INDEPENDENT AUDITOR'S REPORT

We have audited the costs incurred by the Delaware Community Service Commission for the award numbers listed below. These costs, as presented in the schedules of award costs (Exhibits A through D), are the responsibility of the Delaware Community Service Commission's (DCSC) management. Our responsibility is to express an opinion on Exhibits A through D based on our audit.

Program	Award Number	Award Period	Audit Period
Administration	94SCSDE008	Jan 14, 94 - Dec 31,00	Jan 14,94 - Mar 31,00
AmeriCorps	94ASCDE008	Aug 1, 94 - Dec 30,00	Aug 1,94 - Mar 31,00
PDAT	95PDSDE008	Jan 1,95 - Feb 28,00	Jan 1,95 - Mar 31,00
Learn & Serve	95LCSDE002	Oct 1,95 - Dec 31,00	Oct 1,95 - Mar 31,00

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), 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 $369,652 in questioned costs, the schedules of award costs (Exhibits A through D) referred to above present fairly, in all material respects, the costs claimed for the period January 1, 1994 to March 31, 2000, in conformity with the award agreements.

MEMBER OF THE DIVISION FOR CPA FIRMS, PRIVATE COMPANIES PRACTICE SECTION
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Inspector General
Corporation for National Service

This report is intended for the information and use of the Corporation's Office of the Inspector General, as well as management of the Corporation and the Delaware Community Service Commission and its subrecipients. However, this report is a matter of public record and its distribution is not limited.

Leonard G. Birnbaum and Company

Alexandria, Virginia
September 7, 2000

Delaware Community Service Commission
Schedule of Award Costs
Corporation for National Service Award No. 94SCSDE008 (Administration)
From January 14, 1994 to March 31, 2000
(Note 1)

Cost Category	Approved Budget	Claimed Costs	Questioned Costs	Notes
Salaries and Benefits	$ 521,171	$ 324,456	$ 31,618	2
Contract Services	136,228	350,964	1,206	3
Travel	48,905	13,354	12	3
Supplies/Materials	58,062	12,274	-	
Other Direct Costs	131,687	36,481	-	
CORPORATION FUNDS	896,053	737,529	32,836	
MATCHING FUNDS	386,397	-	-	
TOTAL FUNDS	$ 1,282,450	$ 737,529	$ 32,836	

Delaware Community Service Commission
Corporation for National Service Award No. 94SCSDE008 (Administration)

Notes to Exhibit A

1. This exhibit presents amounts budgeted, claimed, and questioned under the Corporation for National Service award number 94SCSDE008 for Administration.

2. Questioned costs represent labor amounts claimed under this grant for which no time sheets were maintained, nor was there any detailed information to verify whether staff maintained their time properly.

3. Questioned costs represent amounts claimed under this grant for which documentation was not available.

Delaware Community Service Commission's Comments

DCSC disagrees with the costs questioned in Note 1 because the State of Delaware does not require timesheets for other than seasonal casual (contractual) employees. DCSC disagrees with the costs questioned in Note 2 because (1) it now has documents supporting contract services questioned of $1,206, and (2) it does not have documentation to substantiate the $12 of travel costs questioned.

Auditor's Response

Notwithstanding the requirements of the State of Delaware with respect to timekeeping practices, AmeriCorps Provision No. 23 provides that "salaries and wages charged directly to the Grant or charged to matching funds must be supported by signed time and attendance records for each employee regardless of position." Similarly, until we have been provided an opportunity to review the documentation in support of questioned contract services, our position on these costs remains unchanged. CNS' Office of Grants Management is responsible for evaluating documents that DCSC has now found, but that were not available at the time of our audit.

Delaware Community Service Commission
Schedule of Award Costs
Corporation for National Service Award No. 94ASCDE008 (AmeriCorps)
From October 1, 1994 to March 31, 2000
(Note 1)

Cost Category	Approved Budget	Claimed Costs	Questioned Costs	Notes
Member Support Costs:				
Living Allowance	$ 1,183,829	$ 1,100,122	$ 109,862	2
FICA & Workers Comp.	151,303	134,199	-	
Health Care	119,690	61,186	196	3
Subtotal	1,454,822	1,295,507	110,058	
Other Member Costs:				
Training & Education	141,584	75,431	6,825	2
Uniforms	5,280	5,699	1,980	4
Other	32,396	17,484	3,720	5
Subtotal	179,260	98,614	12,525	
Staff:				
Salaries	668,662	585,491	105,635	6
Benefits	130,551	117,955	-	
Training	21,525	922	-	
Other	16,555	44,331	-	
Subtotal	837,293	748,699	105,635	
Operational:	282,203	142,132	58,172	7
Internal Evaluation:	29,586	21,950	2,500	8
Administration:	126,180	81,728	17,233	9,11
CORPORATION FUNDS	2,909,344	2,388,630	306,123	
MATCHING FUNDS	1,671,778	1,940,403	-	10,11
TOTAL FUNDS	$ 4,581,122	$ 4,329,033	$ 306,123	

Delaware Community Service Commission
Corporation for National Service Award No. 94ASCDE008 (AmeriCorps)

Notes to Exhibit B

1. This exhibit presents amounts budgeted, claimed, and questioned under the Corporation for National Service award number 94ASCDE008 for AmeriCorps. For details by subrecipient, please refer to Schedules B-1 through B-4.

2. Questioned costs represent amounts claimed by the Dover Housing Authority for which documentation was not available (Schedule B-2).

3. Delaware Center for Educational Technology overcharged health care in the amount of $196 which the subrecipient elected to correct by charging it to matching funds. We consider this appropriate (Schedule B-1).

4. Questioned costs represent $514 claimed by the Dover Housing Authority (Schedule B-2) and $1,466 claimed by the Perinatal Association of Delaware (Schedule B-3) for which documentation was not available.

5. Questioned costs represent $220 claimed by the Dover Housing Authority (Schedule B-2) and $3,500 claimed by the Perinatal Association of Delaware (Schedule B-3) for which documentation was not available.

6. Questioned costs represent labor amounts claimed by the Dover Housing Authority for which no time sheets were maintained, nor was there any detailed information to verify whether staff maintained their time properly (Schedule B-2).

7. Questioned costs represent $5,103 of operational costs claimed by the Dover Housing Authority (Schedule B-2) and $53,069 of operational costs claimed by the Perinatal Association of Delaware (Schedule B-3) for which documentation was not available.

8. Questioned costs represent amounts claimed by the Perinatal Association of Delaware for which documentation was not available (Schedule B-3).

Delaware Community Service Commission
Corporation for National Service Award No. 94ASCDE008 (AmeriCorps)

Notes to Exhibit B

9. Questioned costs represent the amount of administration costs claimed by the Perinatal Association of Delaware (Schedule B-3) in excess of the ceiling specified in the grant of five percent of total costs, including administration.

10. While the audit disclosed a questioned amount of $9,646 in matching funds claimed by Perinatal Association of Delaware (Schedule B-3) for which documentation was not available, as well as, $196 which was charged to matching funds for the Delaware Center for Educational Technology (Schedule B-1) as discussed in Note 3, the aggregate of these is not presented as questioned costs because matching costs incurred significantly exceeded the amount budgeted.

11. Absent supporting documentation we could not determine the amount of administration costs incurred, as well as the amount of funds matched by the Dover Housing Authority (Schedule B-2).

Delaware Community Service Commission's Comments re: Dover Housing Authority

DCSC disagrees with the costs questioned related to Dover Housing Authority (aggregate - $228,159) because it has been able to locate documentation which reportedly evidences programmatic activity during the operation of the AmeriCorps program, together with some financial documentation. DCSC also is attempting to identify questioned costs with greater specificity.

Auditor's Response

First, the question of whether evidence of programmatic activity is sufficient to offset costs questioned due to inadequate supporting financial records or transactional data requires a determination by the Grants Officer. Second, since we have not been provided any of the financial documents which have been located, we are not in a position to determine whether such documents relate to the costs questioned. Accordingly, the costs questioned, as originally presented, remain unchanged.

Delaware Community Service Commission
Corporation for National Service Award No. 94ASCDE008 (AmeriCorps)

Notes to Exhibit B

Delaware Community Service Commission's Comments re: Perinatal Association of Delaware

DCSC disagrees with the costs questioned related to Perinatal Association of Delaware (aggregate - $87,414) for essentially the same reasons as those related to Dover Housing Authority.

Auditor's Response

Please refer to the response to comments related to Dover Housing Authority. The costs questioned, as originally presented, remain unchanged.

Schedule B-1

Delaware Community Service Commission
Corporation for National Service Award No. 94ASCDE008 (AmeriCorps)
Delaware Center for Educational Technology
Schedule of Award Costs
From September 1, 1996 to March, 31, 2000

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 316,487	$ 324,758	$ -
FICA & Workers Comp.	42,133	28,302	-
Health Care	43,546	21,575	196
Subtotal	402,166	374,635	196
Other Member Costs:			
Training & Education	29,811	6,710	-
Uniforms	-	813	-
Other	23,478	12,718	-
Subtotal	53,289	20,241	-
Staff:			
Salaries	170,354	151,307	-
Benefits	33,557	40,062	-
Training	870	207	-
Other	16,555	-	-
Subtotal	221,336	191,576	-
Operational:	50,733	17,367	-
Internal Evaluation:	6,480	3,000	-
Administration:	7,000	-	-
CORPORATION FUNDS	741,004	606,819	196
MATCHING FUNDS	587,042	1,126,463	(196)
TOTAL FUNDS	$ 1,328,046	$ 1,733,282	$ -

Schedule B-2

Delaware Community Service Commission
Corporation for National Service Award No. 94ASCDE008 (AmeriCorps)
Dover Housing Authority
Schedule of Award Costs
From October 1, 1994 to November 30,1996

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 224,945	$ 204,456	$ 109,862
FICA & Workers Comp.	27,183	46,045	-
Health Care	40,800	29,135	-
Subtotal	292,928	279,636	109,862
Other Member Costs:			
Training & Education	47,378	14,760	6,825
Uniforms	4,000	2,445	514
Other	-	1,141	220
Subtotal	51,378	18,346	7,559
Staff:			
Salaries	67,000	105,635	105,635
Benefits	16,750	-	-
Training	1,000	448	-
Other	-	-	-
Subtotal	84,750	106,083	105,635
Operational:	28,525	15,160	5,103
Internal Evaluation:	-	-	-
Administration:	23,419	-	-
CORPORATION FUNDS	481,000	419,225	228,159
MATCHING FUNDS	178,261	-	-
TOTAL FUNDS	$ 659,261	$ 419,225	$ 228,159

Delaware Community Service Commission
Corporation for National Service Award No. 94ASCDE008 (AmeriCorps)
Perinatal Association of Delaware
Schedule of Award Costs
From October 1, 1995 to September 30, 1999

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	507,566	408,068	-
FICA & Workers Comp.	55,886	45,604	-
Health Care	25,918	7,343	-
Subtotal	589,370	461,015	-
Other Member Costs:			
Training & Education	515	925	-
Uniforms	1,280	2,441	1,466
Other	6,806	3,625	3,500
Subtotal	8,601	6,991	4,966
Staff:			
Salaries	176,373	181,978	-
Benefits	33,996	35,059	-
Training	-	267	-
Other	-	-	-
Subtotal	210,369	217,304	-
Operational:	87,035	62,812	53,069
Internal Evaluation:	8,500	9,200	2,500
Administration:	49,832	53,905	17,233
CORPORATION FUNDS	953,707	811,227	77,768
MATCHING FUNDS	310,183	291,252	9,646
TOTAL FUNDS	$ 1,263,890	$ 1,102,479	$ 87,414

Delaware Community Service Commission
Corporation for National Service Award No. 94ASCDE008 (AmeriCorps)
University of Delaware
Schedule of Award Costs
From November 1, 1996 to March 31, 2000

Cost Category	Approved Budget	Claimed Costs	Questioned Costs
Member Support Costs:			
Living Allowance	$ 134,831	$ 162,840	$ -
FICA & Workers Comp.	26,101	14,248	-
Health Care	9,426	3,133	-
Subtotal	170,358	180,221	-
Other Member Costs:			
Training & Education	63,880	53,036	-
Uniforms	-	-	-
Other	2,112	-	-
Subtotal	65,992	53,036	-
Staff:			
Salaries	254,935	146,571	-
Benefits	46,248	42,834	-
Training	19,655	-	-
Other	-	44,331	-
Subtotal	320,838	233,736	-
Operational:	115,910	46,793	-
Internal Evaluation:	14,606	9,750	-
Administration:	45,929	27,823	-
CORPORATION FUNDS	733,633	551,359	-
MATCHING FUNDS	596,292	522,688	-
TOTAL FUNDS	$ 1,329,925	$ 1,074,047	$ -

Delaware Community Service Commission
Schedule of Award Costs
Corporation for National Service Award No. 95PDSDE008 (Professional Development and Training)
From January 1, 1995 to March 31, 2000
(Note 1)

Cost Category	Approved Budget	Claimed Costs	Questioned Costs	Notes
Salaries	$ 63,000	$ -	$ -	
Contract Services	116,785	99,749	53	2
Travel	26,480	27,940	229	3
Supplies/Materials	13,000	21,935	-	
Other Direct Costs	58,470	44,092	-	4
CORPORATION FUNDS	277,735	193,716	282	
MATCHING FUNDS	-	-	-	
TOTAL FUNDS	$ 277,735	$ 193,716	$ 282	

Delaware Community Service Commission
Corporation for National Service Award No. 95PDSDE008
(Professional Development and Training)

Notes to Exhibit C

1. This exhibit presents amounts budgeted, claimed, and questioned under the Corporation for National Service award number 95PDSDE008 for Professional Development and Training.

2. Questioned costs represent $53 in travel expenses improperly classified as contract services.

3. Questioned costs represent $282 in per diem costs claimed in excess of amounts allowed under federal travel regulations, as well as, a $53 charge to travel as discussed in Note 2.

Delaware Community Service Commission's Comments

DCSC disagrees with the costs questioned because (1) it does not have the details related to $53 of questioned costs related to contract services, (2) travel costs are thoroughly reviewed by State and Commission fiscal agents, and (3) the equipment costs questioned falls within an allowable 10% budget line item adjustment.

Auditor's Response

Paragraph 41.b of Attachment B to OMB Circular A-87, with respect to lodging and subsistence, requires use of a written governmental policy or, absent such a policy, the use of Federal Travel Regulations. Since the details related to these questioned costs were provided to DCSC and since DCSC's response did not demonstrate that the claimed costs were in accordance with a written governmental policy, the costs questioned, as originally presented, remain unchanged. We have eliminated the amount questioned as equipment cost, not because it is within a permissible budget variation, but because it is below the threshold for required approval articulated in §21 of Attachment B to OMB Circular A-87.

Delaware Community Service Commission
Schedule of Award Costs
Corporation for National Service Award No. 95LCSDE002 (Learn and Serve)
From October 1, 1995 to March 31, 2000
(Note 1)

Cost Category	Approved Budget	Claimed Costs	Questioned Costs	Notes
Salaries and Benefits	$ -	$ 16,284	$ 7,814	2
Contract Services	-	57,952	22,597	3
Travel	-	1,957	-	
Supplies/Materials	-	758	-	
Other Direct Costs	-	56,403	-	
CORPORATION FUNDS	194,497	133,354	30,411	
MATCHING FUNDS	70,472	51,231	-	
TOTAL FUNDS	$ 264,969	$ 184,585	$ 30,411	

Delaware Community Service Commission
Corporation for National Service Award No. 95LCSDE002 (Learn and Serve)

Notes to Exhibit D

1. This exhibit presents amounts budgeted, claimed, and questioned under the Corporation for National Service award number 95LCSDE002 for Learn and Serve. The original award, and amendments to it, arrayed costs by function (e.g. meetings, workshops, etc.) rather than by category of costs, while the state commission accumulated costs in more traditional cost categories (e.g. salaries, travel, contract services, etc.).

2. Questioned costs represent labor amounts claimed under this grant for which no time sheets were maintained, nor was there any detailed information to verify whether staff maintained their time properly.

3. Questioned costs represent amounts claimed by subrecipients under this grant for which documentation was not available.

Delaware Community Service Commission's Comments

DCSC disagrees with the salaries and benefits questioned because of its timekeeping practices as articulated in response to similar costs questioned on Exhibit A. DCSC disagrees with the contract services questioned for the same reason and requested workpapers to identify the specific costs questioned.

Auditor's Response

Our response to the comment on salaries and benefits questioned is the same as our response to the comment on similar costs questioned on Exhibit A. Accordingly, the costs questioned, as originally presented, remain unchanged. Contract services were questioned simply because DCSC could not provide any documentation to support the costs. Accordingly, the costs questioned, as originally presented, remain unchanged.

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Inspector General
Corporation for National Service

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

We have audited the schedules of award costs, as presented in Exhibits A through D, which summarize the claimed costs of the Delaware Community Service Commission (DCSC) under the Corporation for National Service (Corporation) awards listed below, and have issued our report thereon dated September 7, 2000.

Program	Award Number	Award Period	Audit Period
Administration	94SCSDE008	Jan 14, 94 - Dec 31, 00	Jan 14, 94 - Mar 31, 00
AmeriCorps	94ASCDE008	Aug 1, 94 - Dec 30, 00	Aug 1, 94 - Mar 31, 00
PDAT	95PDSDE008	Jan 1, 95 - Feb 28, 00	Jan 1, 95 - Mar 31, 00
Learn & Serve	95LCSDE002	Oct 1, 95 - Dec 31, 00	Oct 1, 95 - Mar 31, 00

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), 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.

Compliance with laws, regulations, and the provisions of the awards is the responsibility of DCSC's 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. However, our objective was not to provide an opinion on overall compliance with such provisions.

MEMBER OF THE DIVISION FOR CPA FIRMS, PRIVATE COMPANIES PRACTICE SECTION
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, and the provisions of the award. The results of our tests of compliance disclosed the following instances of noncompliance:

Finding No.1

DCSC established appropriation codes to track the Corporation funded and expended amounts; however, the appropriation codes are not used to record the amounts by program year. Instead, the appropriation amounts remain valid until the entire amount of funding has been expended. As such, we were unable to determine if the amounts were incurred during the grant period during our testing of claimed costs. This caused DCSC to have substantially more carryover funds, especially under the AmeriCorps Program (94ASCDE008), than has been reported to the Corporation. Based on our calculations, we determined that DCSC has approximately $357,000 (this amount does not take into consideration, the amounts incurred but not paid to the University of Delaware) more in carryover funds at the end of program year 98/99 than was reported to the Corporation.

Recommendation

We recommend that DCSC establish policies and procedures to utilize the appropriation codes for tracking the funded and expended amount by program year.

Delaware Community Service Commission's Comments

DCSC's comments assert that it complies with federal mandates and, when appropriate, carryover funds were reported to the Corporation.

Auditor's Response

The audit disclosed significant unreported carryover funds which DCSC has not acknowledged. DCSC may have, since this weakness was identified, instituted remedial controls. Since DCSC has not identified corrective action, we are not in a position to comment on their adequacy.

Finding No.2

DCSC did not perform comparisons of actual vs. budgeted expenditures. Accordingly, DCSC was unable to track the funded and expended amounts. In addition, the financial management system of DCSC was not utilized to produce reports by budget line items as stipulated in the grant.

Recommendation

We recommend that DCSC establish policies and procedures to ensure that comparisons of actual vs. budget expenditures be performed periodically. In addition, procedures should be established to enable DCSC to perform these comparisons by budget line item.

Delaware Community Service Commission's Comments

DCSC has stated that is has implemented procedures to track expenditures against budgets by line item.

Auditor's Response

DCSC's indicated remedial procedures are considered adequate. DCSC and CNS' Office of Grants Management should evaluate their implementation to determine that the corrective actions have been effectively implemented.

Finding No.3

DCSC did not submit Financial Status Report (FSRs) of Administration, Professional Development and Training Funds on a timely basis. AmeriCorps Provision No.17 stipulates that the FSRs are to be submitted within 30 days after the end of the reporting period. 26 of the FSRs were submitted after due dates as follows:

Project No.	Quarter Ended	Days Late
2695	December 31, 1994	25
	December 31, 1995	50
	March 31, 1996	7
	June 30, 1996	27
2394	March 31, 1994	12
	September 30, 1994	40
	December 31, 1994	25
	March 31, 1996	7
2395	June 30, 1995	1
	December 31, 1995	35
	March 31, 1996	7

2394/2395/2396	June 30, 1996	27
	September 30, 1996	105
	December 31, 1996	123
2394/2395/2396/2397	March 31, 1997	33
	June 30, 1997	28
	September 30, 1997	49
2398	June 30, 1998	245
	September 30, 1998	153
	December 31, 1998	61
2795/2796	June 30, 1996	27
	September 30, 1996	105
	December 31, 1996	46
	March 31, 1997	10
	June 30, 1997	141
	September 30, 1997	49

Of the 59 FSRs, 10 reports were not available for review and 3 did not include submission dates. In addition, some of the FSRs were completed improperly.

Recommendation

We recommend that DCSC establish and implement policies and procedures to ensure that FSRs are submitted on a timely basis, and are properly completed prior to submission.

Delaware Community Service Commission's Comments

DCSC has stated that it has implemented procedures to ensure that Financial Status Reports are submitted on a timely basis.

Auditor's Response

DCSC's indicated remedial procedures are considered adequate. DCSC and CNS' Office of Grants Management should evaluate their implementation to determine that the corrective actions have been effectively implemented.

Finding No. 4

DCSC did not submit Federal Cash Transaction Reports (FCTRs) on a timely basis. Our review of FCTRs disclosed that 4 out of 25 reports were submitted after the due dates.

Recommendation

We recommend that DCSC establish policies and procedures to ensure that the FCTRs are submitted on a timely basis.

Delaware Community Service Commission's Comments

DCSC has stated that it will implement procedures to ensure that Federal Cash Transaction Reports are submitted on a timely basis.

Auditor's Response

DCSC's indicated remedial procedures are considered adequate. DCSC and CNS' Office of Grants Management should evaluate their implementation to determine that the corrective actions have been effectively implemented.

Finding No.5

Staff timesheets were not maintained by DCSC under the Administration Fund, and the Learn & Serve Program. AmeriCorps Provision No. 23 states, in part, that "salaries and wages charged directly to the Grant or charged to matching funds must be supported by signed time and attendance records for each individual employee regardless of position." The employee's signature represents acknowledgment that the hours reported reflect an accurate depiction of the hours worked.

Recommendation

We recommend that DCSC implement policies and procedures requiring that timesheets be signed by employees and their supervisors.

Delaware Community Service Commission's Comments

DCSC disagrees with this finding because the State of Delaware requires signed timesheets for seasonal casual (contractual) employees only. Further, DCSC has requested audit workpapers to determine specifically which position are in question.

Auditor's Response

Notwithstanding the requirements of the State of Delaware with respect to timekeeping practices, AmeriCorps Provision No. 23 provides that "salaries and wages charged directly to the Grant or charged to matching funds must be supported by signed time and attendance records for each employee regardless of position." Similarly, until we have been provided an opportunity to review the documentation in support of questioned contract services, our position on these costs remains unchanged. A listing of missing timesheets and other requested information was provided to CNS on December 7, 2000 and to DCSC on December 18, 2000.

Finding No. 6

Financial Status Reports were not submitted on a timely basis by Delaware Center for Educational Technology, Dover Housing Authority, Perinatal Association of Delaware and University of Delaware. AmeriCorps Provision No. 17 stipulates that the FSRs are to be submitted within 30 days after the end of the reporting period.

Subrecipients	Project No.	Quarter Ended	Days Late
Delaware Center of EducationTechnology	2597	October 31, 1997	13
		December 31, 1997	17
Dover Housing Authority	2595 & 2596	December 31, 1995	37
		September 30, 1996	33
Perinatal Association Delaware	2596 & 2597	December 31, 1995	9
		August 31, 1997	37
University of Delaware	2996	December 31, 1996	8
		March 31, 1997	23
		June 30, 1997	34
		September 30, 1997	48
University of Delaware	2998	March 31, 1998	109
		June 30, 1998	18
University of Delaware	2499	December 31, 1999	9

During our testing, we were unable to locate thirteen FSRs as follows:

Subrecipient	No. of FSRs missing
Delaware Center of Education Technology	6
Dover Housing Authority	2
Perinatal Association of Delaware	1
University of Delaware	4

In addition, out of 5 subgrantees of DCSC's AmeriCorps programs, 4 of them submitted Financial Status Reports that did not accurately reflect cumulative Federal expenditures incurred as of March 31, 2000 (or sooner if the grant term had ended).

Recommendation

We recommend that DCSC establish and implement procedures to ensure that its subrecipients (a) complete FSRs properly prior to submission, (b) submit them on a timely basis, and (c) retain the appropriate documentation.

Delaware Community Service Commission's Comments

DCSC seems to disagree with this finding because it lacks the details related to Financial Status Reports (FSRs) which were not produced during the audit. Notwithstanding, DCSC has stated that it has implemented procedures to ensure timely submission of FSRs by its subgrantees.

Auditor's Response

DCSC's indicated remedial procedures are considered adequate. DCSC and CNS' Office of Grants Management should evaluate their implementation to determine that the corrective actions have been effectively implemented.

Finding No. 7

Office of Management and Budget (OMB) Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Subpart C, Section .21(b)(3) states, in part, that "Recipients' financial management systems shall provide effective control and accountability for all funds." The University of Delaware did not properly utilize its financial management system's capabilities resulting in an ineffective system. Once expenses are recorded in the accounting system, the grant database is "dumped" to an EXCEL workbook. In effect, this "dump" represents the general ledger transaction detail. It is then used to analyze the expenses and matching costs attributable to the grant and to make necessary adjustments and reclassifications.

Recommendation

We recommend that DCSC establish and implement procedures to ensure that its subrecipients utilize the existing financial management system effectively to keep track of accounting records; as required by OMB Circular A-110.

Delaware Community Service Commission's Comments

DCSC has stated that the University of Delaware has implemented the necessary improvements in its accounting procedures.

Auditor's Response

DCSC's indicated remedial procedures are considered adequate. DCSC and CNS' Office of Grants Management should evaluate their implementation to determine that the corrective actions have been effectively implemented.

Finding No. 8

Dover Housing Authority did not maintain financial information and data for five years as required by the Grant Agreement. According to the agreement, "contractor shall also maintain the financial information and data used by contractor in the preparation of support of its bid or proposal. Contractor shall retain this information for a period of five (5) years from the date services were rendered by the Contractor." Our testing disclosed that Dover Housing Authority did not maintain the information for five years as required.

Recommendation

We recommend that DCSC establish and implement procedures to ensure that its subrecipients retain financial information and data required by the Grant Agreements.

Delaware Community Service Commission's Comments

DCSC disagrees with the finding because it has been able to locate documentation which reportedly evidences programmatic activity during the operation of the AmeriCorps program, together with some financial documentation. DCSC has, however, stated that it will develop procedures to ensure that records are maintained for the required (by Delaware) five year period.

Auditor's Response

DCSC's indicated remedial procedures are considered adequate. DCSC and CNS' Office of Grants Management should evaluate their implementation to determine that the corrective actions have been effectively implemented.

Finding No. 9

Member timesheets were not maintained by the Delaware Community Service Commission, Dover Housing Authority, Perinatal Association of Delaware and University of Delaware. In addition, the staff timesheets were not maintained by the Dover Housing Authority. AmeriCorps Provision No. 23 states, in part, that "time and attendance records must be signed by both the Member and by an individual with oversight responsibilities for the Member." This provision further states that "salaries and wages charged directly to the Grant or charged to matching funds must be supported by signed time and attendance records for each individual employee regardless of position." The Member's or employees' signature represents acknowledgment that the hours reported reflect an accurate depiction of the hours served for the program. A supervisor's signature indicates approval and concurrence of the hours recorded by the Member/employee.

Recommendation

We recommend that DCSC establish procedures to ensure that its subrecipients (a) require timesheets to be completed and signed by all employees/Members and their supervisors and (b) retain the appropriate documentation.

Delaware Community Service Commission's Comments

DCSC disagrees with this finding primarily because during the past two years its subgrantee monitoring procedures were strengthened to ensure that subgrantees require and retain signed timesheets. DCSC also states that it has evidence that its subrecipients maintained timesheets.

Auditor's Response

The fact that DCSC recognizes that timesheets were unavailable at the time of audit and its strengthening of procedures monitoring the maintenance of timesheets is responsive to the finding. DCSC should monitor its subrecipients to ensure that the new control procedures are properly implemented and remain effective.

Finding No. 10

Dover Housing Authority and Perinatal Association of Delaware did not maintain Progress Reports for all the program years. Delaware Center for Educational Technology did not indicate the submission dates on the Progress Reports as required. AmeriCorps Provision No. 17 stipulates that Progress Reports are to be submitted within 30 days after the end of the reporting period. Our testing disclosed that University of Delaware did not submit one progress report on a timely basis and five reports did not include submission dates.

Recommendation

We recommend that DCSC establish and implement procedures to ensure that its subrecipients submit Progress Reports, which include submission dates, on a timely basis and retain the appropriate documentation.

Delaware Community Service Commission's Comments

DCSC states that stricter internal procedures have been developed and are being implemented to ensure that Progress Reports are submitted on a timely basis.

Auditor's Response

DCSC should ensure that the new procedures are effectively implemented and remain effective.

Finding No.11

Delaware Center for Educational Technology, Dover Housing Authority, Perinatal Association of Delaware and University of Delaware did not maintain documentation regarding all Members as required by AmeriCorps Provision No. 15. This provision states, in part, that " the Grantee must maintain verifiable records which document each Member's eligibility to serve based upon citizenship or lawful permanent residency, birth date, level of educational attainment, date of high school diploma or equivalent certificate (if attained), participation start date and end date, hours of service per week, location of service activities and project assignment." Our testing of the Member files disclosed the following number of instances where required documentation was not maintained:

Lacking Documentation For:	Number of Files Lacking Documentation	Subrecipient
Eligibility to enroll	1 of 18 sampled Member files not found 2 of 22 sampled 0 of 30 sampled	Delaware Ctr. for Educational Technology Dover Housing Authority Perinatal Association of Delaware University of Delaware
Enrollment Form	2 of 18 sampled Member files not found 1 of 22 sampled 0 of 30 sampled	Delaware Ctr. for Educational Technology Dover Housing Authority Perinatal Association of Delaware University of Delaware
End-of-Term/Exit Form	5 of 18 sampled Member files not found 2 of 22 sampled 1 of 30 sampled	Delaware Ctr. for Educational Technology Dover Housing Authority Perinatal Association of Delaware University of Delaware
Member Contract	1 of 18 sampled Member files not found 2 of 22 sampled 6 of 30 sampled	Delaware Ctr. for Educational Technology Dover Housing Authority Perinatal Association of Delaware University of Delaware

Recommendation

We recommend that DCSC establish procedures to ensure that its subrecipients obtain and retain documentation regarding its Members as required by AmeriCorps Provision No. 15.

Delaware Community Service Commission's Comments

DCSC did not respond to the finding. Instead, DCSC articulated its policies and procedures which are intended to ensure that documentation related to Members is properly maintained.

Auditor's Response

The finding and recommendation, as originally presented, remain unchanged.

Finding No. 12

Delaware Center for Educational Technology and Perinatal Association of Delaware did not maintain completed Member contracts as required by AmeriCorps Provision No.8. This paragraph states, in part, that "the Grantee must require that Members sign contracts that stipulate the following:

(a) the minimum number of service hours and other requirements (as developed by the Program) necessary to be eligible for educational award;
(b) acceptable conduct;
(c) prohibited activities;
(d) requirements under the Drug-Free Workplace Act (41 U.S.C. §701 *et seq.*);
(e) suspension and termination rules;
(f) the specific circumstances under which a Member may be released for cause;
(g) the position description;
(h) grievance procedures."

Our testing of the Delaware Center for Educational Technology's Member contracts disclosed that for program years 96/97 and 97/98 Member contracts did not include all of the stipulated provisions. During our testing of the Member contracts for the Perinatal Association of Delaware, we noted that for all four program years the Member contracts did not include the requirements under the Drug-Free Workplace Act.

Recommendation

We recommend that DCSC establish procedures to ensure that its subrecipients incorporate all of the required provisions into its Member contracts as required by AmeriCorps Provision No. 8.

Delaware Community Service Commission's Comments

DCSC did not respond to the finding. Instead, DCSC articulated its policies and procedures which are intended to ensure that documentation related to Members is properly maintained.

Auditor's Response

The finding and recommendation, as originally presented, remain unchanged.

Finding No.13

Written evaluations of each Member's mid-term and end-of-term performance evaluations are required by AmeriCorps Provision No. 8. This provision states, in part, that "the Grantee must conduct at least a mid-term and end-of-term written evaluation for each Member's performance, focusing on such factors as:

a. whether the Member has completed the required number of hours;

b. whether the Member has satisfactorily completed assignments; and

c. whether the Member has met other performance criteria that were clearly communicated at the beginning of the terms of service."

Our testing of the Member files resulted in the following:

Subrecipients	Evaluation	No. Tested	No. Missing
Delaware Ctr of Edu. Tech.	Mid-Term	18	11
Delaware Ctr of Edu. Tech	End-of-Term	18	15
Dover Housing Authority	Mid-Term	Member files not found	
Dover Housing Authority	End-of-Term	Member files not found	
Perinatal Assoc. of Delaware	Mid-Term	22	15
Perinatal Assoc. of Delaware	End-of-Term	22	20
University of Delaware	Mid-Term	30	20
University of Delaware	End-of-Term	30	20

Recommendation

We recommend that DCSC establish and implement procedures to ensure that its subrecipients conduct and document the required mid-term and end of term evaluations of each Member's performance.

Delaware Community Service Commission's Comments

DCSC did not respond to the finding. Instead, DCSC articulated its policies and procedures which are intended to ensure that documentation related to Members is properly maintain.

Auditor's Response

The finding and recommendation, as originally presented, remain unchanged.

Finding No. 14

Enrollment and End-of-Term/Exit forms were not submitted on a timely basis by Delaware Center of Educational Technology, Dover Housing Authority, Perinatal Association of Delaware and University of Delaware. AmeriCorps Provision No. 17 states that "Grantee must submit Member Enrollment Forms to the Corporation no later than 30 days after a Member is enrolled", "Grantee must submit Member Exit/End-of-Term Forms to the Corporation no later than 15 days after a Member exits the program or finishes his/her term of service." Our testing resulted in the following:

Subrecipients	No. of sample tested	No. of Enrollment Forms Submitted Late	No . End-of-Term Forms Submitted Late
Delaware Center For Education Technology	18	-	5
Dover Housing Authority	Member files not found		
Perinatal Association of Delaware	22	4	6
University of Delaware	30	14	14

Recommendation

We recommend that DCSC establish and implement procedures to ensure that its subrecipients submit Enrollment and End-of-Term/Exit Forms on a timely basis.

Delaware Community Service Commission's Comments

DCSC did not respond to the finding. Instead, DCSC articulated its policies and procedures which are intended to ensure that documentation related to Members is properly maintain.

Auditor's Response

The finding and recommendation, as originally presented, remain unchanged.

Finding No. 15

Our testing of the living allowance indicates that Dover Housing Authority did not pay the full amount of living allowance to five Members for a total amount of $2,979. The shortages ranged between $331 and $662.

Recommendation

We recommend that DCSC establish and implement procedures to ensure that, in the future, its subrecipients pay the correct amount of living allowances to its Members.

Delaware Community Service Commission's Comments

DCSC did not respond to the finding. Instead, DCSC articulated its policies and procedures which are intended to ensure that payments to Members are proper.

Auditor's Response

The finding and recommendation, as originally presented, remain unchanged.

Finding No. 16

Dover Housing Authority did not remit the interest earned as required by AmeriCorps Provision No. 27 that requires interest earned on Federal funds in excess of $250 per annum to be remitted annually to the Department of Health and Human Services. Grantees may keep up to $250 of interest per year to offset administrative expenses. Our testing indicates that Dover Housing Authority kept all the interest earned.

Recommendation

We recommend that DCSC establish and implement policies to ensure that its subrecipients remit all interest earned in excess of $250 as required by AmeriCorps Provision No. 27. We further recommend that the Delaware Community Service Commission remit $390.95 ($157.29 for program year 94/95 and $233.66 for program year 95/96) of interest earned to the Department of Health and Human Services (HHS).

Delaware Community Service Commission's Comments

DCSC and Dover Housing Authority are reviewing their records to confirm whether the finding is accurate. If so, DCSC will collect and remit any interest earned on Federal funds in excess of $250.

Inspector General
Corporation for National Service

Auditor's Response

CNS' Office of Grants Management should determine the appropriateness of DCSC's review of this matter.

Except as described above, our tests of compliance with other provisions referred to in the third paragraph of this report did not yield negative results. We considered the previously mentioned instances of noncompliance in forming our opinion on whether Exhibit A through D is presented fairly in all material respects, in conformity with Corporation policies and procedures, and this report does not affect our report dated September 7, 2000, on this financial schedule.

This report is intended for the information and use of the Corporation's Office of the Inspector General, as well as management of the Corporation and the Delaware Community Service Commission and its subrecipients. However, this report is a matter of public record and its distribution is not limited.

Leonard G. Birnbaum and Company

Alexandria, Virginia
September 7, 2000

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Inspector General
Corporation for National Service

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS

We have audited the schedule of award costs, as presented in Exhibit A through D, which summarizes the claimed costs of the Delaware Community Service Commission (DCSC) under the Corporation for National Service (Corporation) awards listed below, and have issued our report thereon dated September 7, 2000.

Program	Award Number	Award Period	Audit Period
Administration	94SCSDE008	Jan 14, 94 - Dec 31, 00	Jan 14, 94 - Mar 31, 00
AmeriCorps	94ASCDE008	Aug 1, 94 - Dec 30, 00	Aug 1, 94 - Mar 31, 00
PDAT	95PDSDE008	Jan 1, 95 - Feb 28, 00	Jan 1, 95 - Mar 31, 00
Learn & Serve	95LCSDE002	Oct 1, 95 - Dec 31, 00	Oct 1, 95 - Mar 31, 00

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), 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.

In planning and performing our audits of Exhibits A through D for the period January 1, 1994 to March 31, 2000, we considered the grantee's internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedule and not to provide assurance on the internal controls.

DCSC's management is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs on internal control policies and procedures. The objective of internal

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controls is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial schedules in accordance with generally accepted accounting principles. Because of inherent limitations in any internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

We noted the following matters involving the internal controls that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls, that, in our judgement, could adversely affect the entity's ability to record, possess, summarize and report financial data consistent with the assertions of management in the financial schedules.

Finding No. 1

DCSC did not reconcile the amounts reported to the Corporation on the Financial Status Report with the amounts reported to HHS on the Federal Cash Transaction Report.

Recommendation

We recommend that DCSC establish policies and procedures to conduct the reconciliation of the amounts reported on Financial Status Reports to the amounts reported on the Federal Cash Transaction Report.

Delaware Community Service Commission's Comments

DCSC has stated that it will reconcile the amounts reported to the Corporation on Financial Status Reports with the amounts reported on Federal Cash Transaction Reports.

Auditor's Response

We recommend that CNS' Office of Grants Management follow-up to ensure the procedures are properly implemented.

Finding No. 2

DCSC did not record some grants/amendments or the amounts in the accounting system properly.

Recommendation

We recommend that DCSC establish procedures to ensure that the grants/amendments and the funded amount be properly recorded in the accounting system.

Delaware Community Service Commission's Comments

DCSC has stated that it will continue to develop necessary procedures to ensure grants/amendments are properly recorded in the accounting system.

Auditor's Response

We recommend that CNS' Office of Grants Management follow-up to ensure the procedures are properly implemented.

Finding No.3

DCSC did not properly monitor subrecipients. Based on our discussion with various personnel at the subrecipients sites, DCSC conducted limited reviews on subgrantees. Various site visits were conducted by DCSC; however, although at the conclusion of the visits, handwritten comments were provided, DCSC did not require its subrecipient to respond back to its comments. We were also unable to determine that DCSC communicated the Corporation's PM/GPRA goals to the subgrantees. We understand that DCSC's guidance has improved since the 98/99 program year.

Recommendation

We recommend that DCSC establish policies and procedures to improve its oversight and properly monitor its subrecipients.

Delaware Community Service Commission's Comments

DCSC disagrees with this finding and suggests that the statements made by subrecipient staff are probably in reference to site visits made prior to the major restructuring of DCSC's monitoring system which took place in 1998.

Auditor's Response

DCSC's suggestion as to the site visits referenced by subrecipient staff may be valid since our inquiries were not date specific. Nonetheless, we recommend that DCSC ensure its new monitoring procedures are properly put into place and include specific procedures to ensure adequate corrective actions when deficiencies are noted.

Finding No.4

We substantiated the following deficiencies as previously reported in DCSC's Pre-Audit Survey Report dated October 8, 1999:

Selection of Subgrantees

- DCSC did not maintain signed conflict of interest forms as required.
- Documentation was unavailable to support grant-making decisions.
- The subgrantee applicants' Financial Systems were not adequately assessed during the selection process.
- DCSC did not advertise the availability of funds for the 1998 program year.

Administering Grant Funds

- There was a lack of evidence of FSR review, including matching recalculation.
- There was an inability to determine timeliness of FSR's.
- DCSC did not maintain all required FSR's.
- DCSC lacked budget controls over Administrative and PDAT funds.

Evaluating and Monitoring Grants

- The extent of subgrantee monitoring efforts because of the lack of documentation could not be determined.
- Review of OMB Circular A-133 reports or other audit reports from subgrantees was not documented.

Recommendation

DCSC has taken recent actions to correct the deficiencies noted in the pre-audit survey; however, it is too early to evaluate the results of these actions. In addition to the recent actions taken by DCSC, we recommend the following.

Selection of Subgrantees

We recommend that non-commission Members on the review panel of the Learn and Serve program sign conflict of interest statements. We also recommend that the "Financial Risk Management Process" of DCSC, that includes an attachment for a "Financial Management Survey" be implemented. DCSC should require that subgrantees submit this survey with applications for grant funds. In addition, we recommend that Members with financial backgrounds be included on the selection committee in order to provide greater insight into the financial management aspect of the selection process.

Administering Grant Funds

We recommend that DCSC implement a revised web based reporting system under the Learn and Serve Program.

Evaluating and Monitoring Grants

We recommend that DCSC maintain detailed documentation supporting the results of site visits and reviews.

We recommend that monitoring procedures for the Learn and Serve Program be implemented.

Formal program applications should be completed for each subgrantee.

Procedures for determining that Members are not performing restricted activities could be enhanced by requiring that Members be questioned about their activities during site visits and that DCSC obtain certifications from subgrantees that the Members are not performing restricted activities.

Procedures for the review of A-133 audit reports should state specific steps to be taken to follow-up on corrective action plans.

Procedures should be established to verify the accuracy of program accomplishments, to provide evidence that progress reports were adequately reviewed and to provide feedback to the subgrantees.

Inspector General
Corporation for National Service

Delaware Community Service Commission's Comments

DCSC disagrees with these findings as it did in response to the pre-audit survey. The thrust of DCSC's disagreement is that the findings may have been valid in the past but are not representative of the controls in place at the time of the pre-audit survey or currently in place.

Auditor's Response

We incorporated the findings articulated in the pre-audit survey into this report because the period covered by our audit was January 14, 1994 through March 31, 2000 and because our audit established that the conditions which were presented in the pre-survey report did, in fact, exist during parts of the period covered by the audit. We do acknowledge that DCSC has taken steps to strengthen the controls which were previously cited as deficient. We recommend that DCSC and CNS' Office of Grants Management follow-up to determine that the reported corrective actions have been put into place and are effective.

Findings Nos. 1 through 9 set forth in our *Independent Auditor's Report on Compliance* dated September 7, 2000 are also considered findings on internal control.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses.

This report is intended for the information and use of the Corporation's Office of the Inspector General, as well as the management of the Corporation, DCSC and its subrecipients. However, this report is a matter of public record and its distribution is not limited.

Leonard G. Birnbaum and Company

Alexandria, Virginia
September 2, 2000

DELAWARE HEALTH AND SOCIAL SERVICES
Division of State Service Centers

Office of the Director

December 21, 2000

Ms. Luise Jordan, Inspector General
Office of the Inspector General
1201 New York Avenue, N.W.
Washington, D.C. 20525

Dear Ms. Jordan:

Thank you for the opportunity to provide a response to the Office of the Inspector General Audit of the Delaware Community Service Commission for the periods of January 14, 1994 - March 31, 2000. Below is our response to the draft report on the audit of the Delaware Community Service Commission.

We have worked diligently to prepare our response and present verifying documents/information and justifications for the "findings" and recommendations presented by the auditing team. Although we perform all of our functions and operations in strict compliance with federal and State of Delaware mandates and laws, we do, however, accept responsibility for the Audit and the findings for the Division of State Service Centers.

Response to Exhibit A:

1. Salaries and benefits questioned costs of $31,618:
   We disagree with this finding. The State of Delaware follows strict procedures to ensure that all employees accurately perform their hours of employment. The State of Delaware time verification system consists of requiring signed timesheets for Seasonal Casual (contractual) employees only. Timesheets are not required for State of Delaware Merit employees. Neither are timesheets required at the Commission level for federally funded positions as long as those positions are 100% funded for AmeriCorps, Learn & Serve etc. State procedures require time verification only when time off by an employee (vacation, sick, etc.) amounts to a workweek less than the required 37.5 hours. Currently, Commission staff signs in and out everyday, although no signatures are required. The Commission retains copies of all seasonal casual timesheets.

   Additional efforts are being implemented to further improve our time verification system. Staff persons which are in positions that are 100% funded for AmeriCorps, Learn & Serve, etc. shall be required to sign a time and attendance certification on a semi-annual basis. Certification forms with original signatures shall be maintained in a central file within the Fiscal Department.

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2. Contract Services questioned costs of $1,206:
   We disagree with this finding. The amount in question refers to three payments to Federal Express, Messenger Services, and Billie Ann Myers, consultant who assisted the Commission structure, etc. We have verifying documents, including the payments on State records, payment vouchers, and we are retrieving receipts (and/or other payment verification) from the vendor.

3. Travel questioned costs of $12:
   We disagree with this finding. We do not have documentation to substantiate the finding, thus we have requested the auditor's working papers to assist us in determining specifically which travel costs are in question. When further information is obtained we will develop a more specific response.

Response to Schedule B-2:
We disagree with this finding. The Dover Housing Authority (DHA) was one of Delaware's first AmeriCorps program. The DHA, during their AmeriCorps Program operation, encountered staff transition including multiple Executive Directors and Program Directors. Since their AmeriCorps Program operation, DHA has a completely new staff. Despite the amount of time passed and these instances of staff transition, DHA has been able to maintain program documentation consistent with federal and State of Delaware mandates. Recent visits to DHA by DCSC staff, where program documentation was received and reviewed, have verified this. Documentation reviewed included progress reports, member records, payment vouchers, balance sheets, contracts, member rosters, W-2's, I-9's and more.

We also are attempting to retrieve the "work papers" from the DHA's portion of our audit. These are imperative to uncovering specifics of the questioned costs. With the work papers we shall be better able to pinpoint the costs in question, and thus retrieve and present additional verifying documentation.

Response to Schedule B-3:
We disagree with this finding. The Perinatal Association's AmeriCorps program was the second of Delaware's first two AmeriCorps programs. Documentation held at the Commission level reveals that since inception, the Perinatal Association has worked diligently to stay in compliance with state and federal mandates. The Commission has conducted many site visits throughout the program's existence, including reviews of their accounting system/methods by an outside accounting firm. A-133's have been conducted without "findings" being present. We have requested the "working papers" from the Perinatal's portion of our audit. These are needed to uncover specifics of the questioned costs. With the work papers we shall be better able to pinpoint and thus present additional verifying documentation.

Response to Exhibit C:
1. Contract Services questioned cost of $53:
   We disagree with this finding. We do not have documentation to substantiate the finding. Until we receive the requested work papers specifying the costs in question

we are unable to articulate a response. With the work papers we shall be better able to pinpoint and thus retrieve additional verifying documentation.

2. Travel questioned cots of $229:
We disagree with this finding. Consistent with State of Delaware policies, All State of Delaware and Commission fiscal agents and staff perform a thorough review of travel and per diem costs. It is our understanding that we are not held to federal per diem costs, and thus not in violation of such since we do in fact operate under the State mandated travel policies.

3. Direct Costs questioned costs of $1,754:
We disagree with this finding. As allowed under federal fiscal/budgeting procedures we performed a 10% budget line item adjustment. With an accumulated total budget of $277,735, an accumulated approved line item budget of $58,470, and an adjustment of $1,754 we were well within the federal 10% line item adjustment allowance.

Response to Exhibit D:

1. Salaries and Benefits questioned cost of $7,814:
We disagree with this finding. As stated in our *Response to Exhibit A*, The State of Delaware follows strict procedures to ensure that all employees accurately perform their hours of employment. The State of Delaware time verification system consists of requiring signed timesheets for Seasonal Casual (contractual) employees only. Timesheets are not required for State of Delaware Merit employees. Neither are timesheets required at the Commission level for federally funded positions as long as those positions are 100% funded for AmeriCorps, Learn & Serve etc. State procedures require time verification only when time off by an employee (vacation, sick, etc.) amounts to a workweek less than the required 37.5 hours. Currently, Commission staff signs in and out everyday, although no signatures are required. The Commission retains copies of all seasonal casual timesheets.

2. Contract Services questioned costs of $22,597:
We disagree with this finding. We do not have documentation to substantiate the finding, thus we have assumed that these questioned costs relate to the seasonal casual position held by the Lean & Serve Coordinator. As stated in our *Response to Exhibit A*, "The State of Delaware time verification system consists of requiring signed timesheets for Seasonal Casual (contractual) employees only". "The Commission retains copies of all seasonal casual timesheets". In addition we have requested the auditor's working papers to assist us in determining specifically which contracted services are in question. With further information at hand we would be better able to present a more specific response.

Response to Finding No. 1

In compliance with State and Federal mandates, and as stated in the auditors *Finding No. 1*, "the Delaware Community Service Commission establishe[s] appropriation codes to track… Corporation funded and expended amounts". Any perceived lack of fiscal

compliance documented by the auditing team has been reviewed by the Division and Commission staff, and we feel that policies, procedures and actions taken by the Commission reveals compliance to federal mandates. When appropriate, carryover funds were reported to the Corporation. In an effort to simplify our procedures we require the reconciliation of grants at the end of each program year, and report that carryover to the Corporation. When appropriate, carryover funds are transferred to the new grant year and established in a new appropriation and State contract.

Response to Finding No. 2

The Division of State Service Centers, under the State of Delaware employs strict compliance to the Generally Accepted Accounting Principles (GAAP). Delaware AmeriCorps, and its compliance to state, federal and Commission budget tracking requirements, procedures, structures, systems etc., calls for the creation of a complex and highly sophisticated financial management system, which we at the Division of State Service Centers feel is employed. We have placed a high priority and focus on consistently updating/improving the Commission-State financial management system. Various improvements have been implemented and weekly meetings assist us in gauging its effectiveness. Any perceived or documented lack of fiscal compliance by the auditing team has been reviewed by the Division and Commission staff, and we feel that policies, procedures and actions taken by the Commission reveals compliance to federal mandates. Fiscal oversight and responsibilities over National Service/Commission grants are the responsibility of a fiscal officer who has experience and established procedures in the maintenance of federal and CNS grants. These procedures, which include tracking expenditures against the actual budgeted grants by line item are standardized procedures performed by the Commission fiscal agent.

Response to Finding No. 3

Although we perform all of our functions and operations in strict compliance with federal and State of Delaware mandates and laws, we are always seeking to improve in areas where improvement may be made. Most of our areas of improvement emphasis have been placed on programmatic and fiscal [monitoring and] oversight. As detailed in our *Response to Finding No. 6*, we have had some difficulty in ensuring that subgrantees submit FSRs in a timely manner. Unfortunately, the Commission (State of Delaware) FSRs come as a package. This means that if any one subgrantee submits an FSR late, then all of the Commission FSRs will be submitted late to CNS. Stricter internal procedures have been developed and are being implemented to ensure that Financial Status Reports are submitted on a timely basis. Sub Grantee FSRs have been automated through the WBRS system to streamline and expedite the collection of that data, and Administration FSRs are prepared using Delaware Financial Management System Reports. Hand delivery of the FSR will be used whenever practical to deliver the document internally, saving time that may be lost through the State mail delivery process. Delivery to the Corporation will utilize Overnight Express when necessary.

Response to Finding No. 4:
Delaware AmeriCorps would not have survived had it not been for the unique collaboration between federal, state and local entities. It has been this same structure that allowed us the opportunity to implement additional improvement methods for the operation of fiscal management. The Commission, as a State entity, must adhere to the State of Delaware fiscal structure and requirements. While in most cases this creates a system of fiscal checks and balances, it can also result in timeliness issues as all check and balances are being performed. The Financial Cash Transaction Reports (FCTRs) are prepared and submitted on a quarterly basis by the Department of Health and Social Services (DHSS) Program Support Center. The FCTR is completed online through the Internet.

The Division of State Service Centers will put additional procedures in place to remind (between the 18th and 24th of the last month of the quarter) the DHSS Program Support Center prior to the deadline to ensure that reports are submitted timely. The DHSS Program Support Center has agreed to provide DSSC with copies of the FCTRs on a regular, on-going basis to verify compliance.

Response to Finding No. 5:
We disagree with this finding. As stated above (*Response to Exhibit A*), "the State of Delaware follows strict procedures to ensure that all employees accurately perform their hours of employment. Currently, the State of Delaware time verification system consists of requiring signed timesheets for Seasonal Casual (contractual) employees only. Timesheets are not required for State of Delaware Merit employees. Neither are timesheets required at the Commission level for federally funded positions as long as those positions are 100% funded for AmeriCorps, Learn & Serve etc.. State procedures require time verification only when time off by an employee (vacation, sick, etc.) amounts to a workweek less than the required 37.5 hours. Currently, Commission staff signs in and out everyday, although no signatures are required. We have requested the auditor's working papers to assist us in determining specifically which position(s) are in question. When further information is obtained we will develop a more specific response. In the mean time we are reviewing AmeriCorps Provision No. 23 and OMB Circular A-87."

Response to Finding No. 6:
We disagree with this finding. Without substantiating documentation from the audit working papers identifying which FSRs were labeled as 'missing', coupled with the limited amount of time available to present a response we are unable to present a detailed response concerning each individual subgrantee. As time permits we are confident that we would be able to demonstrate that our subgrantees comply with federal mandates requiring the retaining of FSRs.

The Commission uses a multi-level check and balance system for preparing FSRs. Initially, the Commission Program Officer, who deals directly with the programs, reviews and verifies programmatic FSRs through the use of a computer program implemented by an outside accounting agency. They are checked against Request for Reimbursements for

that quarter as well as a balance sheet. Those FSRs are then forwarded to the Commission/State Fiscal Agent who reviews and prepares the programmatic and Commission FSRs. Finally, the FSRs are submitted to the Controller, who oversees all FSRs, for submittal to CNS. Although, the multi-level FSR review process performed by the Commission/State of Delaware creates an advantageous system of checks and balances, it initially may have created some timeliness issues. If a subgrantee FSR was not received by the Commission a in a timely fashion, a halt was put on the submittal of all FSRs to the next level.

Initially, the primary challenge faced by the Delaware Community Service Commission had to do with the opposing structures and fiscal reporting requirements of the State of Delaware and the Corporation for National Service. The State of Delaware uses a draw-down method whereas CNS requires a forecast method for expenditures. This had created some complications for the Delaware Community Service Commission and the State of Delaware. With the addition of the Corporation for National Service's Web-Based Reporting System, this challenge has been overcome. It allows the programs to submit their complete (forecasted) expenditures, while the State can submit to CNS their drawn-down/paid out expenditures. In addition, the Commission has implemented a system, which allows the State fiscal agents to verify FSRs using the forecast method. The Delaware Community Service Commission continues to place a great emphasis on subgrantees to submit their FSRs in a timely manner, and the importance of said timeliness.

The Commission has been implementing various policies and procedures to eliminate as an issue for subgrantees, their late submittal of FSRs. All programs are presented with written information that clearly details the Commission's expectation for program compliance and reporting. As a pre-applicant, programs/agencies are presented with program compliance and reporting expectations within the Application Guidelines. Once programs are selected, they are presented with a contract that outlines these same expectations, including due dates. Within the first quarter (at the Program Director's Orientation), programs receive a DCSC Program Director's reference Manual. The manual outlines all compliance and reporting expectations, including due dates. Finally, programs receive a copy of the DCSC Monitoring Tool, which presents in checklist form, all of the compliance issues, reporting expectations, and requirements.

Finally, we send all programs via email and/or fax, FSR due date reminder memos. These memos go out 5-7 days prior to the due date. Telephone calls (or emails in certain situations) are made to subgrantees if FSRs are not received on the due date, and letters are sent to subgrantees if they are 5 days late.

We shall continue to implement additional strategies to ensure the timeliness of subgrantee FSRs. We shall create standard policies, which shall mandate explicit punitive actions against subgrantees who consistently submit late FSRs. These actions may include reduced funding or loss of funding. We also have incorporated a process, which entails a more detailed review of grant applicants' financial management systems. Finally, we have incorporated as policy, with the advice of the auditors, that there must

be at least one accountant or other qualified fiscal expert serving on the Grant Applicant Review Panel.

This is an area where we shall continue to seek peer advice, best practices, technical assistance and CNS assistance. We anticipate that for the remainder of the 2000 program year, and most assuredly by the 2001 Program Year we shall have systems, policies and procedures in place that shall allow us (and our subgrantees) to submit FSRs in a timely fashion.

Response to Finding No 7:
The University of Delaware has been a strong supporter and subgrantee for the AmeriCorps program. Their program has won numerous accolades and consistently recruits high-quality, enthusiastic members who truly "Gets Things Done". Commission sites visits have confirmed the tone implied through this audit report's non-listing of questioned costs, which is that the University utilizes a highly effective and accountable fiscal management system. The University has implemented improvements in their accounting procedures, which will enable them to correct/eliminate the lag time in establishing proper distribution of state and federal funds into match accounts. Current contracts with members reflect the correct ratio of charges of state and federal funds to match accounts.

The Delaware Community Service Commission has established and implemented procedures and practices to ensure that its subgrantees utilize effective financial management systems to keep track of accounting records, as required by OMB Circular A-110. All programs are presented with written information that clearly details the Commission's expectation for programs' compliance and reporting, as mandated by OMB Circular A-110. As a pre-applicant, programs/agencies are presented with program compliance and reporting expectations within the Application Guidelines which clearly outlines the requirements under OMB Circular A-110. Technical Assistance meetings are held where Commission staff 'walks through' the OMB requirements and expectations. Within the first quarter of an agency being selected as a subgrantee, subgrantees receive a fiscal training held by an outside accounting agency, where OMB Circulars are presented and explained. Finally, programs receive a copy of the DCSC Monitoring Tool, which presents in checklist form, fiscal (and programmatic) compliance issues, reporting expectations, and requirements. Included in this checklist are the requirements mandated by the OMB Circulars. At least once per year subgrantees receive a records review site visit. This site visit performed by the Commission Program Officer, Training Officer and Fiscal Officer includes a daylong review of fiscal policies, procedures, practices and compliance issues. All subgrantees must respond in writing to any "findings" as a result of site visits, and compliance is confirmed at a separate site visit.

Response to Finding No 8:
We disagree with this finding. The Dover Housing Authority (DHA) was one of Delaware's first AmeriCorps program. The DHA, during their AmeriCorps Program operation, encountered staff transition including multiple Executive Directors and Program Directors. Since their AmeriCorps Program operation, DHA has a completely

new staff. Despite the amount of time passed and these instances of staff transition, DHA has been able to maintain program documentation consistent with federal and State of Delaware mandates. Recent visits to DHA by DCSC staff, where program documentation was received and reviewed, have verified this. Documentation reviewed included member records, payment vouchers, balance sheets, contracts, W-2's, I-9's and more.

The Delaware Community Service Commission goes through great measures to ensure that subgrantees retain financial (and programmatic) information and data required by grant agreements. Although, the federal mandates have established that financial and programmatic information and data should be retained for four years, the State of Delaware requires that agencies retain this information for five years. Various actions are taken at the Commission level to ensure that agencies are aware of this requirement. All subgrantees are required to sign a State of Delaware contract, which mandates that all records, be retained for five years. As a new practice we shall also create procedures that include an annual letter being sent to past subgrantees, which shall inform them to retain their records for the remainder of the five-year period.

Response to Finding No. 9:
We disagree with this finding. The Commission, as a part of its subgrantee site visit protocol reviews documented member timesheets in an effort to verify members' benefits eligibility. Thus, we disagree with finding number 9, without AmeriCorps Provision interpretation from CNS, that DCSC was in violation of Provision 23. Provision 23 does state in part that "Grantee(s) must keep time and attendance records on all AmeriCorps Members." Throughout the Provisions there is an interchangeable use between grantee, subgrantee and program. It is our understanding that Commissions are required to verify this information on an audit level type of verification, but we are unaware that Commissions are required to maintain and keep on file "all" member timesheets and attendance records. We shall consult with CNS officials and if such a requirement is applicable we shall immediately request all member timesheets and attendance records, and implement a procedure of verifying these documents.

The Delaware Community Service Commission incorporates strict measures to ensure that subgrantees require and retain signed timesheets. Subgrantee monitoring and review is the source of this insurance. The Delaware Community Service Commission has a very sound and thorough monitoring system and controls. Over the past two years a lot of effort and great detail has been placed on revising monitoring procedures.

In 1998 a complete overhaul of the monitoring system was performed. It was completely revised to include an updated monitoring tool, standardized scheduled site visits, and in-house quarterly desk audits. These processes and procedures were recorded in the Commission Policies and Procedures manual. Included within the monitoring tool are check-offs, which states the requirement that all subgrantees must have on file, member timesheets, which are signed by the member and their supervisor. Site visits performed by Commission staff includes a review of a sample of timesheets to ensure compliance to this requirement.

Dover Housing Authority has stated that they maintained member timesheets, although they were unable to locate them. However they have supplied other verifying documents including signed member progress forms which state the members' hours served and remaining. The Perinatal Association of Delaware and University of Delaware maintained member timesheets as documented by Commission site visits and mandatory submittal of such records to the Commission.

Response to Finding No 10:
Very exhaustive efforts are taken at the Commission level to ensure that our subgrantees submit and retain accurate Progress Reports on a timely basis. All programs are presented with written information that clearly details the Commission's expectation for program compliance and reporting. As a pre-applicant, programs/agencies are presented with program compliance and reporting expectations within the Application Guidelines. Once programs are selected, they are presented with a contract that outlines these same expectations, including due dates. Within the first quarter (at the Program Director's Orientation), programs receive a DCSC Program Director's reference Manual. The manual outlines all compliance and reporting expectations, including due dates. Finally, programs receive a copy of the DCSC Monitoring Tool, which presents in checklist form, all of the compliance issues, reporting expectations, and requirements.

In addition, stricter internal procedures have been developed and are being implemented to ensure that Progress Reports are submitted on a timely basis. Subgrantee Progress Reports have been automated through the Web Based Reporting System to streamline and expedite the collection, review, feedback and forwarding of that data.

Response to Finding No 11:
As a pre-applicant, programs/agencies are presented with program compliance and reporting expectations within the Application Guidelines. Technical Assistance/Pre-Bid Meetings are held to 'walk through' requirements and mandates. Once programs are selected, they are presented with a contract that outlines these same expectations. Included in the contract, which is signed by the subgrantee, is a copy of the AmeriCorps Provisions. Within the first quarter (at a Program Director's Orientation), programs receive a DCSC Program Director's reference Manual. The manual outlines all compliance and reporting expectations, including due dates. AmeriCorps Provisions are a part of that manual. In addition, as a part of the Program Director's Orientation Commission staff provides training on the AmeriCorps Provisions, including requirements pertaining to member files and documentation. Finally, programs receive a copy of the DCSC Monitoring Tool, which presents in checklist form, all of the compliance issues, reporting expectations, and requirements.

The Commission, as a part of its subgrantee site visit protocol reviews documented member information and files including eligibility to enroll documentation, enrollment and exit forms, member contracts, and member timesheets. All subgrantees must respond in writing to any "findings" as a result of site visits, and compliance is confirmed at a separate site visit.

Response to Finding No 12:
As stated previously, the Delaware Community Service Commission incorporates strict measures to ensure subgrantee compliance with state and federal requirements. Subgrantee monitoring and review is the source of this insurance. Over the past two years a lot of effort and great detail has been placed on revising monitoring procedures. In 1998 a complete overhaul of the monitoring system was performed. It was completely revised to include an updated monitoring tool, standardized scheduled site visits, and in-house quarterly desk audits. Part of the process entailed in revising the site visit monitoring tool/checklist was to scan the AmeriCorps Provisions into one computer file. A blank chart/table was then created where the individual Provision requirements were placed into separate/individual spaces. Included in this monitoring checklist are explicit references to the requirements of member contracts and the required information to be included therein, including service hours, acceptable conduct, prohibited activities, Drug Free Workplace Act requirements, suspension rules, member release rules, position description requirements, and grievance procedures. Compliance with each one of these requirements is verified at the on site visit by reviewing samples of member files, including their member contracts. All subgrantees must respond in writing to any "findings" as a result of site visits, and compliance is confirmed at a separate site visit.

Response to Finding No 13:
As stated throughout this document, strict monitoring procedures are followed to ensure subgrantee compliance with state and federal mandates. The Delaware Community Service Commission Monitoring Tool/Checklist is the foundation to our on site monitoring system. Included in the monitoring checklist are explicit references to the requirements of member contracts and the required information to be included therein, including the performance of mid and end-of-term member evaluations. Compliance with these requirements is verified at the on site visit by reviewing samples of member files. All subgrantees must respond in writing to any "findings" as a result of site visits, and compliance is confirmed at a separate site visit.

Response to Finding No 14:
Because the timely submittal of enrollment and exit forms are important to a member's successful enrollment, service and benefits, the Delaware Community Service Commission employs strict internal procedures to ensure that enrollment and exit forms are submitted on a timely basis. All Program Directors are made aware of the importance of timeliness for enrollment and exit forms. They are provided with this information as a part of their orientation, where each form is presented and explained. The Directors are then given an opportunity to complete exercises on the proper completion of enrollment and exit forms.

In addition, enrollment and exit forms have been automated through the Web Based Reporting System to streamline and expedite the collection, review, feedback and forwarding of that data.

Response to Finding No 15:
The Delaware Community Service Commission has implemented procedures to ensure that subgrantees pay the correct amount of living allowance to its members. Monthly Requests for Reimbursements are checked for their accuracy against budgeted and allowable expenditures. In addition, Commission staff, during on-site visits to subgrantees interviews a sample of members. Part of the interview process for members is for staff to question members concerning the receipt of their living allowance. Members are given the opportunity to express any concerns that they may have concerning their living allowance.

Response to Finding No 16:
After review of their past records DHA has acknowledged that they may have neglected to return the excess interest as required by AmeriCorps Provision No. 27. DHA and the Commission are reviewing the audit information to confirm this.

The Delaware Community Service Commission reconciles grants at the end of each grant year. As a part of this reconciliation process the Commission shall review interest reported, earned and remitted (if appropriate) by subgrantees to the Department of Health and Social Services. The review, which shall occur during and at the conclusion of the grant year, shall consist of an analysis and reconciliation of financial documents and reports submitted to the Commission. Any interest earned on federal funds in excess of $250 per annum will be collected and remitted to the Department of Health and Social Services.

Response to Internal Controls Finding No. 1:
As stated previously, the unique collaboration between the Commission and the State of Delaware, although advantageous for its checks and balances, may have created additional complexities in the past, as the Commission and AmeriCorps became the solid entities that they are today.

Although the DHSS Program Support Center prepares the Federal Cash Transaction Reports (FCTRs), the Division of State Service Centers will reconcile the amounts reported to the Corporation in the Financial Status Reports with the amounts reported on the Federal Cash Transaction Report. As noted in *Finding No. 4*, the DHSS Program Support Center shall provide FCTRs on a quarterly basis. DSSC will then reconcile the FCTRs with the amounts reported on the FSR.

Response to Internal Controls Finding No. 2:
As stated previously (in *Response to Finding No.2*), "The Division of State Service Centers, under the State of Delaware employs strict compliance to the Generally Accepted Accounting Principles (GAAP). Delaware AmeriCorps, and its compliance to state, federal and Commission budget tracking requirements, procedures, structures, systems etc., calls for the creation of a complex and highly sophisticated financial management system, which we at the Division of State Service Centers feel is employed. We have placed a high priority and focus on consistently updating/improving the Commission-State financial management system. Various improvements have been

implemented and weekly meetings assist us in gauging its effectiveness. Any perceived or documented lack of fiscal compliance by the auditing team has been reviewed by the Division and Commission staff, and we feel that policies, procedures and actions taken by the Commission reveals compliance to federal mandates. Fiscal oversight and responsibilities over National Service/Commission grants are the responsibility of a fiscal officer who has experience and established procedures in the maintenance of federal and CNS grants. These procedures, which include tracking expenditures against the actual budgeted grants by line item are standardized procedures performed by the Commission fiscal agent".

A request has been made to obtain the auditor's working papers to provide more specific information. The Division of State Service Centers tracks grants/amendments utilizing appropriations, reporting categories, purchase orders and financial reports. DSSC has and will continue to develop necessary procedures to ensure grants/amendments are properly recorded in the accounting system. All grants and amendments, once received by Commission staff, are required to be forwarded to the fiscal officer accompanied by a cover memo explaining the details of the document(s).

Response to Internal Controls Finding No. 3:
We disagree with this finding. The Delaware Community Service Commission incorporates strict measures to ensure subgrantee compliance with state and federal requirements. Subgrantee monitoring and review is the source of this insurance. The Delaware Community Service Commission has a very sound and thorough monitoring system and controls. Over the past two years a lot of effort and great detail has been placed on revising monitoring procedures. All current Commission programmatic staff are new since 1998, with two of three staff persons having been in their positions for less than a year. Any discussions that the audit team had with current Commission staff was referenced to past monitoring/site visits. Although documentation revealed detailed monitoring visits, complete with feedback, current staff could only personally verify what efforts have been taken since their coming on board.

In 1998 a complete overhaul of the monitoring system was performed. It was completely revised to include an updated monitoring tool, standardized scheduled site visits, and in-house quarterly desk audits. These processes and procedures were recorded in the Commission Policies and Procedures manual. Included in these policies is a requirement that all subgrantees must respond in writing to any "findings" as a result of site visits. Our monitoring system is quite involved and complex and takes time to learn, but as anticipated site visits have been performed and documented. We further anticipate that any challenges that we may have encountered in the past have already been remedied and maintained, and shall continue to be maintained as staff transitions occurs.

Response to Internal Controls Finding No. 4:
We disagree with this statement as provided for in our *Response to the Pre Audit Survey*.

While the process has not been easy, we at the Division of State Service Centers have found it very informative. Much like the Corporation for National Service, this is new territory for us and we have faced a steep learning curve these past few years as we implement the AmeriCorps program. I have instructed my staff to treat this as a learning tool that is providing clearly articulated direction on how the grant funding should be handled. We have used this experience as an opportunity to learn, grow and improve our systems. As was noted in the report, we have already changed some of our procedures for the better and we intend to implement additional policies to address the issues raised by the audit.

As informative as we have found this experience, we would like to express our concern for the difficulty placed before us and our subgrantees in presenting a response to any findings, due to the policy of disallowing audit "working papers" to be made available to us. We have made every attempt to answer any charge against us, but it has been an extremely arduous task to present clear and concise justifications (including verifying documents) when we are presented with general "schedules" of questioned costs covering a four to five year period, which fail to specify which costs specifically are in question.

Our Division prides itself on working closely with our partners in the community. We look forward to a continued relationship with the Office of the Inspector General and the Corporation for National Service.

Sincerely,

Anne Farley
Director
Division of State Service Centers

CORPORATION
FOR NATIONAL
SERVICE

MEMORANDUM

TO: Luise S. Jordan, Inspector General

THRU: Anthony Musick, Chief Financial Officer

FROM: Deborah R. Jospin, Director, AmeriCorps
Bruce H. Cline, Director, Grants Management

DATE: December 21, 2000

SUBJECT: Response to OIG Draft Audit Report 01-05: *Audit of Corporation for National and Community Service Grant Numbers 94SCSDE008, 94ASCDE008, 95PDSDE008, and 95LCSDE002, Awarded to Delaware Community Service Commission*

We have reviewed the draft audit report of the Delaware Community Service Commission grants. Due to the limited timeframe for response, our comments are primarily based on information contained in the report and we have not yet conducted a comprehensive review nor analyzed documentation from the Delaware Commission supporting the questioned costs. Therefore, our comments are brief and do not address every finding. We will respond to all findings and recommendations when the audit is issued. We have contacted the Commission and they indicate they have documentation on many of the questioned costs that they will provide to the Corporation.

We also note that the draft report generally did not provide sufficient information related to the findings to allow the Corporation to agree or disagree at this time. In many cases, we will need to review the work papers supporting the finding before we can determine appropriate corrective action. We do have the following preliminary comments on some of the findings and questioned costs. The following comments also reflect some of the conversations we have had to date with the Commission concerning the audit.

The auditors questioned costs related to stipends paid to some AmeriCorps members for which timesheets were not readily available in the files of the subgrantee. We requested the work papers from the auditors to identify the specific members in question in order to track them through the SPAN system. We have found enrollment and end-of-term forms for 17 of the 18 members in question. They did serve in the program, successfully completed their terms of service and are entitled to the stipend. In addition, the Delaware Commission has informed us that they are reviewing documentation that has been retrieved from Dover Housing Authority files that include member records, enrollment and end-of-term forms and payment vouchers. Therefore, it is possible that many of these costs will be allowed.

Finding #3: DCSC did not submit Financial Status Reports (FSRs) of Administration, Professional Development and Training Funds on a timely basis, as stipulated in AmeriCorps Provision No. 17.

Response: The Corporation agrees that some FSRs were submitted late and the Delaware Commission has indicated that it is developing stricter internal procedures to address the finding.

Finding #4 : DCSC did not submit Financial Cash Transaction Reports (FCTRs) on a timely basis. Our review of FCTRs disclosed that 4 out of 25 reports were submitted after the due dates.

Response: The Corporation agrees that 4 out of 25 reports were submitted late. However, the draft report did not provide sufficient information to determine how late the reports were submitted. The FCTR is submitted to HHS and HHS has its own procedures for suspending a late account. We will need to review the work papers before we determine appropriate corrective action. Conversations with Delaware Commission staff revealed that internal state fiscal processes may contribute to a lack of timeliness and they are revising their procedures to address the finding.

Finding #8: Dover Housing Authority did not maintain financial information and data for five years as required by the Grant Agreement.

Response: The Delaware Commission has indicated to the Corporation that financial information and data were maintained, but were not readily available at the time of the audit. Commission staff has since visited the Housing Authority and reviewed much of the documentation. However, the information provided in the draft report was not sufficient enough for the Corporation or the Commission to respond in depth at this time. We will need to review the work papers related to the finding and gather additional documentation before responding.

Finding #9: Member timesheets were not maintained by the Delaware Community Service Commission, Dover Housing Authority, Perinatal Association of Delaware and University of Delaware. In addition, the staff timesheets were not maintained by the Dover Housing Authority.

Response: We cannot agree or disagree with the specific finding at this time related to the sub-grantees. However, we want to clarify Corporation grant provisions. The Corporation provisions do not require that the Commission maintain member timesheets. It is a sub-grantee program responsibility to maintain member timesheets. The Commission must monitor sub-grantees to ensure they are maintaining proper documentation. The Delaware Commission has indicated that its policies and procedures describe sub-grantee responsibilities related to timesheets and that the Commission's monitoring tools require Commission staff to review timesheets on site visits to ensure compliance with the requirement. The Corporation will review Commission procedures and address the finding during the audit resolution process.

Finding #10: Dover Housing authority and Perinatal Association of Delaware did not maintain progress reports for all of the program years.

Response: This is another finding for which insufficient information was provided in the audit report for the Corporation to respond at this time. We will need to review the work papers and other documentation from the Commission to determine the extent of non-compliance before responding.

Finding #11: The Delaware Center for Educational Technology, Dover Housing Authority, Perinatal Association of Delaware and the University of Delaware did not maintain member documentation as required by the AmeriCorps Provision No. 15.

Response: The Corporation understands that the member documentation exists, but was not readily available at the time of the audit. In addition, as described above, the Corporation has determined that member enrollment and end-of-term forms were provided to the Corporation. The Commission is working with its sub-grantees to retrieve additional supporting documentation such as payroll records, W-2 forms, attendance schedules, training rosters, and other documentation to support maintenance of appropriate records. This supporting documentation, along with information in SPAN, will be reviewed and analyzed during the formal audit resolution process to determine if adequate documentation was maintained on members.

Finding #15: Testing of the living allowance indicates that the Dover Housing Authority did not pay the full amount of the living allowance to five members for a total amount of $2,979.

Response: The information in the draft report was insufficient for the Corporation to respond at this time. We can not determine the accuracy of the finding without reviewing the auditors workpapers, and contacting the Commission to determine whether these members were temporarily suspended or had some other personnel action pending that would change the amount of the living allowance paid to them. We will respond when we receive this additional information and can determine what, if any, appropriate corrective action is needed.

Appendix C

Auditor's Response to Comments by Corporation for National and Community Service

By memorandum dated December 21, 2000, the Corporation provided comments resulting from what it described as a less than comprehensive review of the report or documents provided by the Delaware Commission supporting questioned costs.

The memorandum notes that the audit questioned costs related to stipends paid to some AmeriCorps Members for which timesheets were not readily available in the files of the subgrantee. The Corporation states that it found enrollment and end-of-term forms for 17 of the 18 Members in question by tracking them through its education benefits trust fund's database. The Corporation states that the Members did serve in the program, successfully completed their terms of service and are entitled to the stipend. Since the Corporation makes this latter statement without justification or substantiation, we can only conclude that the Corporation reached this conclusion solely on the strength of the enrollment and end-of-term forms being found within the SPAN system. Without significant further corroboration and substantiation, the existence of enrollment and end-of-term forms proves nothing. To suggest that such documents are dispositive evidence of service in the program and successful completion of terms of service is an unsupportable leap of logic.

The balance of the Corporation's comments generally either agreed with the findings of the report or expressed the view that insufficient details were presented in the report for the Corporation to agree or disagree with the finding.