OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Incurred Cost Audit of Grants Awarded to the Washington Commission for National and Community Service

OIG Audit Report No. 02-09
December 18, 2001

Financial Schedules and
Independent Auditors' Reports
For the Period
January 24, 1994, to September 30, 2000

Prepared by:

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This report was issued to Corporation management on August 14, 2002. 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 February 14, 2003, and complete its corrective actions by August 14, 2003. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of Inspector General
Corporation for National and Community Service
Audit Report 02-09

CORPORATION FOR NATIONAL SERVICE

Audit of Corporation for National and Community Service Grants Awarded to the Washington Commission for National and Community Service

Introduction

The Corporation for National and Community Service, pursuant to the authority of the National and Community Service Act, awards grants and cooperative agreements to state commissions, nonprofit entities, tribes and territories to assist in the creation of full and part time national and community service programs. Currently, under the Act's requirements, the Corporation awards approximately two thirds of its AmeriCorps State/National funds to state commissions. The state commissions in turn fund and are responsible for the oversight of subgrantees who execute the programs. Through these subgrantees, AmeriCorps members perform service to meet educational, human, environmental, and public safety needs.

OIG retained Cotton and Company to audit Corporation grants to the Washington Commission for AmeriCorps, Learn and Serve, Professional Development and Training, Promise Fellows, Disability, Educational Awards, America Reads, Governor's Initiative, Make a Difference Day and Administrative costs from January 24, 1994 through September 30, 2000. During this period, the Commission received approximately $43 million in funding authority from the Corporation. The audit's objectives were to determine whether (1) the Commission's financial reports presented fairly the financial results of the awards; (2) the internal controls adequately safeguarded federal funds; (3) the Commission and its subgrantees had adequate procedures and controls to ensure compliance with federal laws, applicable regulations, and award conditions; and (4) costs were documented and allowable under the awards' terms and conditions.

The auditors identified questioned costs of $374,240, and unsupported costs of $1,068,575 of the $43,123,075 costs that the Commission claimed during the audit period. Of the $1,068.575 of unsupported costs, $980,765 represents unreconciled differences between the federal cash transaction reports and the accounting system for three 1994 grants. When the reconciliation process for these three grants is completed, the costs will be resolved. The report includes eleven recommendations to the Commission to address weaknesses in the areas of compliance and internal controls. The auditors concluded that the Schedules of Award Costs present fairly the costs claimed by the Commission, except for the questioned and unsupported costs identified in the report.

OIG has reviewed the report and the work papers supporting the auditors' conclusions. We agree with the findings and recommendations presented.

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

Inspector General
1201 New York Avenue, NW
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OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
INCURRED COST AUDIT OF GRANTS AWARDED TO THE
WASHINGTON COMMISSION FOR NATIONAL AND COMMUNITY SERVICE

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AUDIT SCOPE

At your request, we performed an incurred cost audit of the costs claimed by the Washington Commission for National and Community Service (Commission) and its subrecipients for the period from January 24, 1994, through September 30, 2000. Our audit covered financial transaction, compliance, and internal control testing of the following program awards funded by the Corporation for National and Community Service (Corporation):

Program	Award No.	Award Period	Audit Period
AmeriCorps	94ASCWA047	08/01/94 – 12/31/00	08/01/94 – 09/30/00
Learn & Serve	94LCSWA016		
Program Development and Assistance Training (PDAT)	95PDSWA047	01/01/95 – 12/31/01	01/01/95 – 09/30/00
Administrative	94SCSWA047	01/24/94 – 12/31/00	01/24/94 – 09/30/00
Governor's Innovative	95SPHG0020	05/01/96 – 07/31/98	05/01/96 – 07/31/98
State Disability Funds	97DSCWA047	02/01/97 – 08/31/98	02/01/97 – 08/31/98
Educational Award	97EDSWA026	07/01/97 – 12/31/01	07/01/97 – 09/30/00
Learn and Serve	97LCSWA016	09/01/97 – 12/31/00	09/01/97 – 09/30/00
America Reads	98ARCWA002	06/01/98 – 08/31/01	06/01/98 – 09/30/00
AmeriCorps Promise Fellows	98APSWA047	11/01/98 – 12/31/99	11/01/98 – 12/31/99
Governor's Initiative	99ASHWA047	09/01/99 – 12/31/00	09/01/99 – 09/30/00
Make a Difference Day	99MDDWA027	10/01/99 – 12/31/99	10/01/99 – 12/31/99
AmeriCorps Promise Fellows	99APSWA047	12/01/99 – 11/30/01	12/01/99 – 09/30/00

The audit objectives were to determine whether:

- Financial reports prepared by the Commission presented fairly the financial results of the awards;
- Internal controls were adequate to safeguard Federal funds;
- The Commission and its subrecipients had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions;
- Award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions; and
- The Commission had established adequate financial and program management oversight of its subrecipients.

SUMMARY OF RESULTS

Costs Claimed

The Commission claimed total costs of $43,123,075 on its Corporation grants from January 24, 1994, through September 30, 2000. Of this amount, we questioned $374,240 and classified $1,068,575 as unsupported. 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 that require interpretation of allowability by the Corporation. Unsupported costs are those costs that require

additional documentation to support the cost was incurred and is allowable. Costs were questioned or unsupported for the following reasons:

Costs claimed in error	$ 62,572
Grant cost matching requirements not met	219,468
Costs claimed exceeded costs incurred	69,085
Subrecipient labor costs claimed with no time certification reports	44,877
Additional support due on fixed award	(31,269)
Emergency expenses claimed exceeded members' allowable living allowances	4,600
Equipment costs claimed that were not approved in the budget	3,470
Travel costs not offset by credits	1,437
Total Questioned Costs	$ 374,240
Unreconciled differences between Federal Cash Transaction Reports (FCTRs) and accounting records	$ 980,765
Supporting documents were missing	47,067
Member files lacking eligibility records	40,743
Total Unsupported Costs	$1,068,575

Details related to these costs appear in the Independent Auditors' Report. Cost exceptions are summarized by award as follows:

Grant No.	Claimed	Questioned	Unsupported	Exhibit
94ASCWA047	$35,912,687	$823,592	$ 891,455	A
94LCSWA016	432,055	161,676		B
94SCSWA047	1,661,535	147,239	141,751	C
95PDSWA047	280,709	13,451	3,789	D
95SPHG0020	242,570		10,346	E
97DSCWA047	44,544	(13,617)	736	F
97EDSWA026	9,832		(11,969)	G
97LCSWA016	324,848		31,963	H
98ARCWA002	4,001,667	(726,832)	504	I
98APSWA047	20,731	(31,269)		J
99APSWA047	0			
99ASHWA047	189,897			
99MDDWA027	2,000			
Total	$43,123,075	$374,240	$1,068,575	

Compliance

Our audit disclosed the following instances of noncompliance with Federal laws, applicable regulations, and award conditions:

- The Commission, the Pasco School District, and the Department of Ecology did not allocate costs in accordance with the requirements of Office of Management and Budget (OMB) Circular A-87 and the AmeriCorps Financial Management Provisions.

- The Commission and Puget Sound Educational Service District 121 did not have time certification systems that complied with the requirements of OMB Circular A-87.

- The Commission did not meet the matching requirements of Administrative Grant No. 94SCSWA047.

- The Commission claimed unallowable and unsupported costs.

- The Commission's accounting system does not identify costs by budget line item.

- The Commission did not submit its Financial Status Reports (FSRs) on a timely basis.

- Subrecipient member files did not contain all documentation required by the AmeriCorps Special Provisions. In two cases, the Commission's subrecipient monitoring site visits did not adequately ensure that all required documentation was maintained.

Internal Control

- The Commission did not reconcile costs reported on its FSRs to its FCTRs and accounting records.

- The Commission's financial monitoring of subrecipients should be strengthened. For example, the Commission did not reconcile amounts reported on subrecipient A-133 reports to its payment records.

- The Commission was unable to identify the source documentation, or provide explanations, for a number of journal entries posted to Federal grant costs.

- The Commission did not properly monitor travel costs to ensure that claimed costs were offset by applicable credits.

These matters are discussed in more detail in the Independent Auditors' Reports on Compliance and Internal Control.

Exit Conference

We held an exit conference with Commission and Washington State representatives on April 9, 2002.

In addition, we provided a draft copy of this report to the Commission and the Corporation for comment on June 11, 2002. Their responses, dated July 12, 2002, and July 15, 2002, respectively, are included as appendixes A and B to this report. The Commission provided specific comments on the compliance and internal control report findings, we have included these in our report. The Corporation stated that it will respond to all findings and recommendations when the audit report is issued, and it has reviewed the findings in detail.

Follow-Up on Prior Audit Findings

The Corporation's Office of Inspector General performed a preaudit survey of the Commission in 1999 and issued CNS OIG Audit Report 00-10 dated November 18, 1999. Our audit followed up on the status of findings and recommendations from that report (see Exhibit L).

COTTON & COMPANY LLP

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December 18, 2001

Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT

We audited costs claimed by the Washington State Commission for National and Community Service (Commission) for the awards listed below. These costs, as presented in the Consolidated Schedule of Award costs and the grant-specific Schedules of Award Costs (Exhibits A through J), are the responsibility of Commission management. Our responsibility is to express an opinion on the consolidated Schedule of Award Costs and Exhibits A through J based on our audit.

Program	Award No.	Award Period	Audit Period
AmeriCorps	94ASCWA047	08/01/94 – 12/31/00	08/01/94 – 09/30/00
Learn & Serve	94LCSWA016		
PDAT	95PDSWA047	01/01/95 – 12/31/01	01/01/95 – 09/30/00
Administrative	94SCSWA047	01/24/94 – 12/31/00	01/24/94 – 09/30/00
Governor's Innovative	95SPHG0020	05/01/96 – 07/31/98	05/01/96 – 07/31/98
State Disability Funds	97DSCWA047	02/01/97 – 08/31/98	02/01/97 – 08/31/98
Educational Award	97EDSWA026	07/01/97 – 12/31/01	07/01/97 – 09/30/00
Learn and Serve	97LCSWA016	09/01/97 – 12/31/00	09/01/97 – 09/30/00
America Reads	98ARCWA002	06/01/98 – 08/31/01	06/01/98 – 09/30/00
AmeriCorps Promise Fellows	98APSWA047	11/01/98 – 12/31/99	11/01/98 – 12/31/99
Governor's Initiative	99ASHWA047	09/01/99 – 12/31/00	09/01/99 – 09/30/00
Make a Difference Day	99MDDWA027	10/01/99 – 12/31/99	10/01/99 – 12/31/99
AmeriCorps Promise Fellows	99APSWA047	12/01/99 – 11/30/01	12/01/99 – 09/30/00

We conducted our audit in accordance with audit standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial schedules. It also includes assessing accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion on costs claimed.

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The Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs are intended to present allowable costs incurred under the awards in accordance with Office of Management and Budget (OMB) Circular A-87 and award terms and conditions. Therefore, these are not intended to be complete presentations of the Commission's revenues and expenses.

In our opinion, except for questioned and unsupported costs in the Schedules of Award Costs, the financial schedules referred to above present fairly, in all material respects, costs claimed by the Commission for the period January 24, 1994, to September 30, 2000, in conformity with OMB Circular A-87 and award terms and conditions.

In accordance with *Government Auditing Standards*, we have also issued reports dated December 18, 2001, on our consideration of the Commission's internal controls and on its compliance with laws and regulations. These reports are an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the audit results.

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

COTTON & COMPANY LLP

By: _____
Alan Rosenthal, CPA
Partner

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
CONSOLIDATED SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS

Award No.	Program	Approved Budget	Claimed Costs	Questioned Costs	Unsupported Costs	Reference
94ASCWA047	AmeriCorps	$36,962,301	$35,912,687	$823,592	$ 891,455	Exhibit A
94LCSWA016	Learn and Serve	432,055	432,055	161,676		Exhibit B
94SCSWA047	Administrative	1,813,316	1,661,535	147,239	141,751	Exhibit C
95PDSWA047	PDAT	541,181	280,709	13,451	3,789	Exhibit D
95SPHG0020	Governor's Innovative	295,637	242,570		10,346	Exhibit E
97DSCWA047	State Disability	213,204	44,544	(13,617)	736	Exhibit F
97EDSWA026	Educational Award	73,836	9,832		(11,969)	Exhibit G
97LCSWA016	Learn & Serve	391,500	324,848		31,963	Exhibit H
98ARCWA002	America Reads	5,723,525	4,001,667	(726,832)	504	Exhibit I
98APSWA047	Americorps Promise Fellows	65,000	20,731	(31,269)		Exhibit J
99APSWA047	Americorps Promise Fellows	65,000	0			
99ASHWA047	Governor's Initiative	281,250	189,897			
99MDDWA027	Make a Difference Day	2,000	2,000			
Total		$46,859,805	$43,123,075	$374,240	$1,068,575	

EXHIBIT A

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AMERICORPS
AWARD NO. 94ASCWA047
AUGUST 1, 1994, TO SEPTEMBER 30, 2000

Subgrantee	Claimed Costs (Note 1)	Questioned Costs	Unsupported Costs	Reference/ Note
Bridge the Gap	$ 2,500			
Community Youth Services	2,252,893	$ 28,593		Schedule A-1
Cowlitz-Wahkiakum Council	9,815			
Department of Ecology	2,625,280		$ 8,909	Schedule A-2
Department of Health and Human Services	(13,551)			
Educational Service District 101	2,093,395	62,081		Schedule A-3
Educational Service District 112	93,700			
Employment Security Department	20,517,607	704,575	47,592	Schedule A-4
Fremont Public Association	873,534			
Kent School District	20,562			
Kitsap Community Action	2,203,653			
Neutral Zone	1,263,129			
Northwest Services Council	547,624			
Pasco School District	1,231,847			
Seattle Police Department	185,159			
Southwest Youth and Family	92,536			
Spokane Neighborhood Action	393			
Tonasket School District	11,108			
United Way of Clallam County	7,297			
United Way of Clowlitz	(9,815)			
Whatcom Volunteer Center	231			
YMCA of Snohomish	1,068,654	4,367		Schedule A-5
Other Costs	(24,226)	23,976	(24,408)	2
Subtotal	$35,053,325	$823,592	$ 32,093	
Unexplained Difference	859,362		859,362	3
Total	$35,912,687	$823,592	$891,455	
Approved Budget	$36,962,301			

1. The Commission did not track expenditures by budget line item. Accordingly, this exhibit and the accompanying schedules do not present claimed costs by budget line item. Claimed costs are costs reported by the Commission on its September 30, 2000, FCTR.

2. The Commission claimed $(24,226) of non-subrecipient costs. We questioned $23,976 and classified $(24,408) unsupported as follows:

   - The Commission charged $23,976 for travel, contracts, and goods and services to the AmeriCorps program in Fiscal Years (FY) 1998 through 2000. These costs are administrative costs as defined by the Special Grant Provisions for Administrative Funds to State Commissions, and should have been claimed under the Administrative grant award (Exhibit C). We questioned $23,976.

   - The Commission could not identify the source documentation or provide descriptions for journal entries posted to the AmeriCorps program in FYs 1996 to 2000, totaling $(24,408). We classified these costs as unsupported.

3. The Commission claimed $35,912,687 for Corporation reimbursement on its Federal Cash Transaction Reports (FCTRs) through September 30, 2000. The Commission's accounting records, however, only support $35,053,325 as of that date. The Commission could not provide a reconciliation for the $859,362 difference between costs claimed and its accounting records. We classified these costs as unsupported.

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCWA047
AUGUST 1, 1994, TO SEPTEMBER 30, 2000

Community Youth Services			**Notes**
Approved Budget (Federal funds)		$2,302,844	
Claimed Costs		$2,252,893	
Questioned Costs			
Erroneously Recorded Payment	$23,993		1
Unallowable Emergency Expense Reimbursements	4,600		2
Total Questioned Costs		$ 28,593	

1. The Commission recorded $23,993 for Community Youth Services (CYS) by journal voucher in 1995. CYS did not include this payment in its confirmation of amounts received under the AmeriCorps program. It appears that this charge should have been recorded as a payment to another subrecipient, Educational Service District 101 (ESD 101) (Schedule A-3), because this subrecipient's confirmation included a 1995 payment of $23,993 that was not on the Commission's books. We questioned costs claimed for CYS of $23,993.

2. CYS paid emergency expenses (rent, utilities, and so forth) for members during program years 1995 to 1997. Regulation 45 CFR, Section 2522.240(5), limits to 85 percent the Federal share for AmeriCorps participants' living allowances. CYS representatives explained that these were support costs, to help members reduce barriers to completing their service. In paying these emergency expenses, CYS exceeded the allowable living allowances. In addition, these payments were income to the members, and Federal income taxes should have been withheld from amounts paid. We questioned emergency expenses claimed of $4,600.

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCWA047
AUGUST 1, 1994, TO SEPTEMBER 30, 2000

Department of Ecology			**Notes**
Approved Budget (Federal funds)		$3,682,420	
Claimed Costs		$2,625,280	
Unsupported Costs:			
Missing Documentation, Accrual Adjustments	$ (5,186)		1
Missing Documentation, Member Eligibility	14,095		2
Total Unsupported Costs		$ 8,909	

1. The Commission recorded two accrual adjustments to Department of Ecology (DOE) costs, for which it could not provide support. These adjustments, booked in 1997 and 1999, do not correspond to any expenses incurred by, or payments made to, DOE. We classified the net credit recorded of $(5,186) as unsupported.

2. DOE files did not contain sufficient documentation to support the eligibility for 4 of 59 member files tested. We were unable to ascertain from these files that members were U.S. citizens, at least 17 years of age, and had received a high school diploma (or its equivalent) as required by 45 CFR Section 2522.200. We classified $14,095 of stipends paid to these members as unsupported, as follows (none of these members received an education award):

Program Year	**Paid Stipends**
1994 – 1995	$ 7,572
1997 – 1998	6,523
Total	$14,095

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCWA047
AUGUST 1, 1994, TO SEPTEMBER 30, 2000

Educational Service District 101		**Note**
Approved Budget (Federal funds)	$2,090,585	
Claimed Costs	$2,093,395	
Questioned Costs:		
Erroneously Recorded Payments	$ 62,081	1

1. The Commission claimed erroneous payments totaling $62,081 for ESD 101, as follows:

- Costs reported by the Commission included two $35,146 payments: one in FY 1999 and another in FY 2000. The second payment was recorded by journal voucher in FY 2000. ESD 101's receipt records show that it only received the first payment. We questioned $35,146 as a duplicate amount.

- Costs claimed included $42,960 paid to ESD 101 for Contract 280-97 in FY 1997. A Commission representative confirmed that this contract was part of a match assistance grant the state awarded to ESD 101 to cover shortfalls in workforce experience training, classroom allowances, worker compensation, and Federal Insurance Contributions Act work experience. The Corporation did not fund Contract 280-97. We questioned $42,960.

- Costs claimed did not include a March 1995 payment of $23,993 (Schedule A-1). Information provided by ESD 101 supports this amount as an allocable award cost. We questioned $(23,993).

- We noted a net unreconciled difference of $7,968 between payments claimed by the Commission and receipts confirmed by ESD 101. We questioned $7,968.

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCWA047
AUGUST 1, 1994, TO SEPTEMBER 30, 2000

Employment Security Department			**Notes**
Approved Budget (Federal funds)		$20,786,668	
Claimed Costs		$20,517,607	
Questioned Costs:			
Misclassified Payments	$701,105		1
Equipment Purchased Without Approval	3,470		2
Total Questioned Costs		$ 704,575	
Unsupported Costs:			
Missing Documentation, Costs Claimed	$20,944		3
Missing Documentation, Member Eligibility	26,648		4
Total Unsupported Costs		$ 47,592	

1. We questioned misclassified payments of $701,105 as follows:

   - Costs claimed included $712,422 paid in FY 1999 to the Employment Security Department (ESD) for its work on the America Reads Grant No. 98ARCWA047 (Exhibit I). We questioned this amount as unallocable to this award.

   - Costs claimed included a $(12,467) credit to reclassify an ESD payment to state disability funds (Exhibit F). The original $12,467 payment, however, was not posted to this award. We questioned $(12,467).

   - Costs claimed included $1,150 paid to ESD for the state disability funds grant (Exhibit F). We questioned this amount as unallocable to this award.

2. One subrecipient, the State Board for Community and Technical College (SBCTC), purchased equipment that was not in its approved budget for 1996. SBCTC's approved budget included $6,000 for a software package. SBCTC, however, purchased a workstation for the AmeriCorps project. SBCTC did not request and receive prior written approval from the Commission for this change. The agreement between SBCTC and the Commission states that the subrecipient must obtain prior written approval by the Commission for any equipment purchases over $500. We questioned $3,470.

3. ESD could not provide source documents for eight items in our sample of direct costs claimed. Six of these were vouchers missing support, and ESD could not locate the archived boxes containing source documents for the other two. We classified other direct costs of $19,349 as unsupported, as follows.

Fiscal Year	Vendor	Amount
1995	Shirt Works	$ 8,000
1996	Trollagon Recreational Lodge	84
	Mey Corps Research	117
	Shirt Works	7,456
	Unknown	209
1997	Career Makers, Inc.	1,874
1998	First USA Financial	582
2000	Unknown	1,027
Total		$19,349

In addition, ESD could not provide an employee's timesheet to support May 2000 labor costs claimed of $1,595. We classified total costs of $20,944 ($19,349 + $1,595) as unsupported.

4. ESD files did not contain sufficient documentation to support eligibility for 5 of 190 member files tested. We were unable to ascertain from these files that members were U.S. citizens, at least 17 years of age, and had received a high school diploma (or its equivalent) as required by 45 CFR Section 2522.200. We classified $17,198 of stipends and $9,450 of post service educational awards paid to these members in Program Years 1994 to 1995 as unsupported.

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCWA047
AUGUST 1, 1994, TO SEPTEMBER 30, 2000

YMCA of Snohomish			**Notes**
Approved Budget (Federal funds)		$1,148,580	
Claimed Costs		$1,068,654	
Questioned Costs:			
Program Costs Claimed as Administrative	$(2,415)		1
Grant Application Costs Claimed	6,782		2
Total Questioned Costs		$ 4,367	

1. The Commission charged $2,415, paid to this subrecipient in FY 1997, to its Administrative grant (Exhibit C). Supporting documentation for this charge indicates that it was incurred on the AmeriCorps grant. We questioned $(2,415).

2. The Commission charged $6,782, paid to this subrecipient in FY 1996 and 1997, to the AmeriCorps grant. Supporting documentation for these charges indicate that costs were incurred on grant application and implementation. These costs are administrative, as defined by the Special Grant Provisions for Administrative Funds to State Commission and should have been charged to the Administrative grant (Exhibit C). We questioned $6,782.

EXHIBIT B

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
LEARN AND SERVE
AWARD NO. 94LCSWA016

	Claimed Costs (Note 1)	Questioned Costs	Notes
Puget Sound Educational Service District	$362,970	$ 44,877	2
Costs Claimed in Excess of Costs Incurred	69,085	69,085	3
Questioned Cost Sharing		47,714	4
Total	$432,055	$161,676	
Approved Budget	$432,055		

1. The Commission did not track expenditures by budget line item. Accordingly, this exhibit does not present claimed costs by budget line item.

2. Puget Sound did not require all employees working on this grant and other activities to prepare personnel activity reports. Such certifications were only required if an employee's time distribution changed. OMB Circular A-87, Attachment B, requires that personnel activity reports be prepared in support of salaries and wages claimed under Federal awards for employees working on multiple activities, unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Puget Sound did not have an approved substitute system. Accordingly, we questioned salaries claimed of $44,877 (incurred from FYs 1995 to 1999).

3. The Commission claimed $432,055 for Corporation reimbursement on its FCTRs through December 31, 1999. The Commission's accounting records, however, only supported $362,970. We noted that the Commission reconciled its records with amounts drawn down, and repaid the Corporation the $69,085 difference in June 2001. We questioned $69,085, because this amount was overclaimed as of September 30, 2000.

4. Puget Sound claimed cost sharing of $159,112; its accounting records, however, only supported $136,785. Subrecipient representatives could not identify or support the $22,327 difference. Following is our analysis of the $136,785 cost sharing. For the reasons stated, we determined that none of the cost sharing is allowable.

		Reference
Labor	$ 59,211	a
In-Kind	54,639	b
Indirect Costs	4,113	c
Other	18,822	d
Total	$136,785	

a. As explained in Note 2, above, Puget Sound did not require employees to prepare personnel activity reports as required by OMB Circular A-87, Attachment B. For this reason, we classified $59,211 of labor costs claimed as unallowable.

b. Puget Sound did not obtain or maintain documentation to support the nature of costs or who contributed them. For this reason, we classified $54,639 of in-kind costs claimed as unallowable in accordance with OMB Circular A-110, paragraph 23.

c. Puget Sound claimed $4,113 administrative costs that exceeded the Corporation's limits. These costs are unallowable in accordance with OMB Circular A-110, paragraph 23 and, thus, cannot be claimed as cost sharing.

d. Puget Sound could not provide supporting documentation for other direct costs claimed of $18,822. Accordingly, we classified these costs as unsupported.

The Learn and Serve award requires that recipients cost share 15 percent of total program costs. Because Puget Sound did not meet its cost sharing requirement, we questioned $47,714 claimed fo· Corporation reimbursement as follows:

Total Costs Claimed	$432,055
Less Costs Questioned:	
Note 2	44,877
Note 3	69,085
Net Program Outlays	$318,093
Maximum Federal Share (85%)	$270,379
Costs Questioned	$ 47,714

EXHIBIT C

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
ADMINISTRATIVE
AWARD NO. 94SCSWA047
JANUARY 24, 1994, TO SEPTEMBER 30, 2000

	Claimed Costs (Note 1)	Questioned Costs	Unsupported Costs	Notes
Salaries and Benefits	$1,182,042		$ 4,582	2
Contracts	17,587	$ 1,406		3
Goods and Services	130,552	(20,265)		4
Travel	177,646	(474)	1,741	5
Subgrantee Payments	1,600	(5,182)		6
Equipment/Software	21,919			
Unidentified Transactions	43,739		48,978	7
Subtotal	$1,575,085	$ (24,515)	$ 55,301	
Unreconciled Difference	86,450		86,450	8
Cost Sharing Shortfall		171,754		9
Total	$1,661,535	$147,239	$141,751	
Approved Budget	$1,813,316			

1. The Commission did not track expenditures by budget line item. Accordingly, this exhibit does not present claimed costs by budget line item.

2. The Commission was unable to locate several files that contained documentation for FY 1994 labor transactions totaling $4,582. Accordingly, we classified this amount as unsupported.

3. We questioned contract costs of $1,406 as follows:

   - The Commission charged $3,010 of subgrantee payments to administrative contract costs in FY 1997. These costs were incurred on the AmeriCorps ($2,415) (Schedule A-5) and PDAT ($595) (Exhibit D) awards and should have been claimed under those awards. We questioned $3,010.

   - The Commission charged a $1,604 contract payment to Wright CM3 Associates to the AmeriCorps program in FY 1999 (Exhibit A). These costs were administrative costs as defined by the Special Grant Provisions for Administrative Funds to State Commissions and should have been claimed under this award. We questioned $(1,604).

4. We questioned goods and service costs of $(20,265) as follows:

- The Commission charged $195 paid to Capitol Grill Catering to the Administrative grant in FY 1997. The invoice for this charge indicated it was incurred on the PDAT grant (Exhibit D). We questioned this amount.

- The Commission charged $20,460 for goods and services (such as printing and Federal Express) to the AmeriCorps program (Exhibit A) in FYs 1998 through 2000. These costs were administrative costs as defined by the Special Grant Provisions for Administrative Funds to State Commissions and should have been claimed under the Administrative grant award. We questioned $(20,460).

5. We questioned travel of $(474) and classified $1,741 as unsupported as follows:

- The Commission charged $1,911 for travel to the AmeriCorps program (Exhibit A) in FYs 1998 through 2000. These costs were administrative costs as defined by the Special Grant Provisions for Administrative Funds to State Commissions and should have been claimed under the Administrative grant award. We questioned $(1,911).

- The Commission claimed travel costs of $1,437 for flights that were not taken and charged to the Administrative grant in error. We questioned these costs in accordance with OMB Circular A-87, Attachment A, Paragraph C.1.

- The Commission claimed $1,741 for which there was no documented travel purpose. We were thus unable to determine the allowability and allocability of these costs. We classified $1,741 as unsupported.

6. We questioned $(5,182) as follows:

- The Commission charged $1,600 of subgrantee payments to the Administrative grant in FY 1999. These were payments for program expenditures and should not have been claimed as administrative costs. Accordingly, we questioned this amount.

- The Commission charged $6,782 paid to YMCA of Snohomish for grant application and implementation to the AmeriCorps grant (Schedule A-5) in FYs 1996 and 1997. These costs were administrative costs. Accordingly, we questioned $(6,782).

7. The Commission could not identify the source documentation or provide descriptions for $48,978 of journal entries posted to this grant in FYs 1994 through 2000. We classified these costs as unsupported.

8. The Commission claimed $1,661,535 for Corporation reimbursement on its FCTR through September 30, 2000. The Commission's accounting records, however, only supported $1,575,085 as of that date. The Commission could not provide a reconciliation for the $86,450 difference between costs claimed and its accounting records. We classified these costs as unsupported.

9. The Commission claimed $702,440 of expenditures and $310,394 of in-kind contributions as its state match for this award. We tested matching costs claimed and determined $268,868 unallowable as follows:

- We questioned subgrantee payments of $23,075 for the reason described in Note 6 above. These were payments for program expenditures and should not have been claimed as administrative costs.

- We classified $87,507 as unsupported for the reason described in Note 7 above.

- We questioned travel costs of $460 and classified $127 as unsupported as follows:

  - The Commission claimed $460 for flights that were not taken and charges recorded to this grant in error.

  - The Commission claimed $127 for which there was no documented travel purpose.

- We noted that $14,409 claimed was for brochures and posters for the America Reads program (Exhibit I). We questioned these costs as unallocable to this award.

- The Commission could not support $134,704 of contract service costs and $8,586 of mailroom costs claimed as in-kind contributions.

We recalculated matching cost requirement and determined that the Commission's matching shortfall was $171,754. This analysis is shown on Schedule C-1.

SCHEDULE C-1

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF MATCHING SHORTFALL — ADMINISTRATIVE
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94SCSWA047
JANUARY 24, 1994, TO SEPTEMBER 30, 2000

Fiscal Year	Federal Costs Claimed*	Federal Cost Exceptions	State Costs Claimed	State Cost Exceptions	Total Allowable Costs	Match Percentage Required	Total Match Required	Match Shortfall
1994	$ 54,073	$ 1,974	$ 19,672	$ 2,393	$ 69,378	15%	$ 10,407	$ (6,872)
1995	214,352	(15,267)	30,376	18,052	241,943	20%	48,389	36,065
1996	223,714	237	29,638	17,040	236,075	20%	47,215	34,617
1997	232,781	6,582	88,597	11,172	303,624	30%	91,087	13,662
1998	270,039	18,663	244,383	99,258	396,501	50%	198,250	53,125
1999	277,180	17,633	245,358	47,970	456,935	50%	228,467	31,079
2000	250,411	8,190	284,324	64,706	461,839	50%	230,920	11,302
2001	52,535	(7,226)	70,486	8,277	121,970	50%	60,985	(1,224)
Total	$1,575,085	$ 30,786	$1,012,834	$268,868	$2,288,265		$915,720	$171,754

* Per Commission's accounting records.

EXHIBIT D

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
PROFESSIONAL DEVELOPMENT AND TRAINING (PDAT)
AWARD NO. 95PDSWA047
JANUARY 1, 1995, TO SEPTEMBER 30, 2000

	Claimed Costs (Note 1)	Questioned Costs	Unsupported Costs	Notes
Salaries and Benefits	$106,273			
Goods and Services	20,273	$ (195)	$ 239	2
Travel	23,996		25	3
Personal Service Contracts	250			
Subrecipients:				
Western Washington University	48,808			
Kitsap Community Resources	2,055			
Bonney Lakes 4H Ropes Course	400			
Communities in Schools of Seattle	12,500			
Loma Center for Renewal	4,783			
Community Youth Services	1,490			
Employment Security Department (ESD)	54,317	11,872		4
Whatcom Volunteer Center	265			
Health Improvement Partnership	1,774	1,774		5
Subtotal	$277,184	$13,451	$ 264	
Unreconciled Difference	3,525		3,525	6
Total	$280,709	$13,451	$3,789	
Approved Budget	$541,181			

1. The Commission did not track expenditures by budget line item. Accordingly, this exhibit does not present claimed costs by budget line item.

2. We questioned $(195) and classified as $239 unsupported as follows:

   - The Commission charged $195 incurred on this award to the Administrative grant (Exhibit C) in FY 1997. We questioned $(195).

   - The Commission was unable to provide source documentation for $239 claimed for goods and services in FY 1999. We classified these costs as unsupported.

3. We classified FY 1996 travel costs of $25 as unsupported because the Commission was unable to provide supporting documentation.

4. We questioned $11,872 as follows:

   - The Commission charged $595 incurred on the PDAT award to the Administrative grant (Exhibit C) in 1997. We questioned $(595).

   - The Commission charged a $12,467 ESD payment to this award in FY 1999. This charge, however, was incurred on the Commission's state disability funds grant (Exhibit F). We questioned $12,467.

5. The Commission charged $1,774 of subgrantee payments to this grant in FY 2000 These were payments for Promise Fellows program expenditures and should not have been claimed as PDAT costs. We questioned this amount.

6. The Commission claimed $280,709 for Corporation reimbursement on its FCTR through September 30, 2000. The Commission's accounting records, however, only supported $277,184 as of that date. The Commission could not provide a reconciliation for the $3,525 difference between costs claimed and its accounting records. We classified these costs as unsupported.

EXHIBIT E

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GOVERNOR'S INNOVATIVE
AWARD NO. 95SPHG0020
MAY 1, 1996, TO JULY 31, 1998

	Claimed Costs (Note 1)	Unsupported Costs	Notes
Department of Social and Health Services	$232,376	$ 152	2
Unreconciled Difference	10,194	10,194	3
Total	$242,570	$10,346	
Approved Budget	$295,637		

1. The Commission did not track expenditures by budget line item. Accordingly, this exhibit does not present claimed costs by budget line item.

2. The subrecipient could not provide an employee's timesheet to support May 2000 labor costs claimed of $152. We classified these costs as unsupported.

3. The Commission claimed $242,570 for Corporation reimbursement on its FCTR through September 30, 2000. The Commission's accounting records, however, only supported $232,376 as of that date. The Commission could not provide a reconciliation for the $10,194 difference between costs claimed and its accounting records. We classified these costs as unsupported.

EXHIBIT F

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
STATE DISABILITY FUNDS
AWARD NO. 97DSCWA047
FEBRUARY 1, 1997, TO JUNE 30, 1998

	Claimed Costs (Note 1)	Questioned Costs	Unsupported Costs	Notes
Employment Security Department	$ 43,072	$(13,617)		2
National Aids Fund	736			
Subtotal	$ 43,808	$(13,617)		
Unreconciled Difference	736		$736	3
Total	$ 44,544	$(13,617)	$736	
Approved Budget	$213,204			

1. The Commission did not track expenditures by budget line item. Accordingly, this exhibit does not present claimed costs by budget line item.

2. We questioned costs of $(13,617) as follows:

   - The Commission charged a $12,467 ESD payment incurred on this award to the PDAT grant (Exhibit D) in FY 1999. We questioned $(12,467).

   - The Commission charged a $1,150 ESD payment incurred on this award to the AmeriCorps grant (Schedule A-4) in FY 1998. We questioned $(1,150).

3. The Commission claimed $44,544 for Corporation reimbursement on its FCTR through September 30, 2000. The Commission's accounting records, however, only supported $43,808 as of that date. The Commission could not provide a reconciliation for the $736 difference between costs claimed and its accounting records. We classified these costs as unsupported.

EXHIBIT G

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
EDUCATIONAL AWARD
AWARD NO. 97EDSWA026
JULY 1, 1997, TO SEPTEMBER 30, 2000

	Claimed Costs (Note 1)	Unsupported Costs	Note
Educational Service District 101	$ 7,201		
Blue Mountain Action Council	13,849		
Northwest Youth Services	751		
Subtotal	$ 21,801		
Unreconciled Difference	(11,969)	$(11,969)	2
Total	$ 9,832	$(11,969)	
Approved Budget	$ 73,836		

1. The Commission did not track expenditures by budget line item. Accordingly, this exhibit does not present claimed costs by budget line item.

2. The Commission claimed $9,832 for Corporation reimbursement on its FCTR through September 30, 2000. The Commission's accounting records, however, supported $21,801 as of that date. The Commission could not provide a reconciliation for the $(11,969) difference between costs claimed and its accounting records. We classified these costs as unsupported.

EXHIBIT H

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
LEARN AND SERVE
AWARD NO. 97LCSWA016
SEPTEMBER 1, 1998, TO SEPTEMBER 30, 2000

	Claimed Costs (Note 1)	Unsupported Costs	Note
Educational Service District 112	$292,885		
Unreconciled Difference	31,963	$31,963	2
Total	$324,848	$31,963	
Approved Budget	$391,500		

1. The Commission did not track expenditures by budget line item. Accordingly, this exhibit does not present claimed costs by budget line item.

2. The Commission claimed $324,848 for Corporation reimbursement on its FCTR through September 30, 2000. The Commission's accounting records, however, only supported $292,885 as of that date. The Commission could not provide a reconciliation for the $31,963 difference between costs claimed and its accounting records. We classified these costs as unsupported.

EXHIBIT I

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AMERICA READS
AWARD NO. 98ARCWA002
JUNE 1, 1998, TO AUGUST 31, 2000

	Claimed Costs (Note 1)	Questioned Costs	Unsupported Costs	Notes
Employment Security Department (ESD)	$3,975,174	$(712,423)		2
Goods and Services	25,989	(14,409)		3
Subtotal	$4,001,163	$(726,832)		
Unreconciled Difference	504		$504	4
Total	$4,001,667	$(726,832)	$504	
Approved Budget	$5,723,525			

1. The Commission did not track expenditures by budget line item. Accordingly, this exhibit does not present claimed costs by budget line item.

2. In FY 1999 the Commission charged $712,423, paid to EDS, to the AmeriCorps grant (Schedule A-4). These costs were incurred on, and should have been charged to, the America Reads grant. We questioned $(712,423).

3. The Commission recorded $14,409 incurred on brochures and posters for this program to its state matching for the Administrative grant (Exhibit C). These costs should have been claimed under this award, and we questioned $(14,409).

4. The Commission claimed $4,001,667 for Corporation reimbursement on its FCTR through September 30, 2000. The Commission's accounting records, however, only supported $4,001,163 as of that date. The Commission could not provide a reconciliation for the $504 difference between costs claimed and its accounting records. We classified these costs as unsupported.

EXHIBIT J

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF AWARD COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AMERICORPS PROMISE FELLOWS
AWARD NO. 98APSWA047
NOVEMBER 1, 1998, TO DECEMBER 31, 1999

	Claimed Costs (Note 1)	Questioned Costs	Note
Amount per FCTR	$ 20,731		
Additional Support Due		$(31,269)	2
Total	$ 20,731	$(31,269)	
Approved Budget	$ 65,000		

1. This grant is a fixed amount award. The Corporation provided a fixed level of support based on the specified number of fellows. The Commission is not required to submit FSRs for this grant. Claimed costs as shown here are the amounts claimed on the Commission's September 30, 2000, FCTR.

2. The grant provided funding of $65,000, based on five Fellows ($13,000 per Fellow). We determined that the Commission had four full-time Fellows for this grant. Thus, the Commission should have been reimbursed $52,000 ($13,000 x 4). We questioned the $(31,269) difference between the amount claimed on the Commission's September 30, 2000, FCTR, and the amount due to the Commission in accordance with the grant terms.

EXHIBIT K

WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF QUESTIONED COSTS BY SUBRECIPIENT
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AMERICORPS AWARD NUMBER 94ASCWA047

	ESD 101	Employment Security Dept	YMCA of Snohomish	Dept of Ecology	SBCTC	CYS	Non-Subgrantee Costs	Total
Questioned Costs								
Program Costs Claimed as Administrative			$(2,415)					$(2,415)
Administrative Costs Claimed as Program							$23,976	23,976
Misclassified Payments		$701,105						701,105
Equipment Purchased Without Approval					$3,470			3,470
Unallowable Expense Reimbursements						$4,600		4,600
Erroneously Recorded Payments	$62,081					23,993		86,074
Grant Application Costs Claimed			6,782					6,782
Total Questioned Costs								$823,592
Unsupported Costs								
Unreconciled FCTR Difference							859,362	$ 859,362
Unidentified Journal Entries							(24,408)	(24,408)
Unsupported Accrual Adjustments				$(5,186)				(5,186)
Unsupported Direct Costs		20,944						20,944
Eligibility Documentation Missing		26,648		14,095				40,743
Total Unsupported Costs								891,455
Total	$62,081	$748,697	$4,367	$ 8,909	$3,470	$28,593	$858,930	$1,715,047
Summary by Year								
1994						$1,442		$ 1,442
1995	$(23,993)	$34,849		$7,572		24,465		42,893
1996		9,539	$6,782			1,048		17,369
1997	42,960		(2,415)	13,000	$3,470	1,096		58,111
1998		1,732		6,522		542		8,796
1999		700,982		(18,185)				682,797
2000	35,145	1,595						36,740
UTD*	7,969						$858,930	866,899
Total	$62,081	$748,697	$4,367	$8,909	$3,470	$28,593	$858,930	$1,715,047

* Unreconciled Differences

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December 18, 2001

Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

We audited costs claimed by the Washington Commission on National and Community Service (Commission) to the Corporation for National and Community Service (Corporation) for the following awards and have issued our report thereon dated December 18, 2001, which report was qualified for the matters discussed therein.

Award No.	Award Period	Audit Period
94ASCWA047 94LCSWA016	08/01/94 – 12/31/00	08/01/94 – 09/30/00
95PDSWA047	01/01/95 – 12/31/01	01/01/95 – 09/30/00
94SCSWA047	01/24/94 – 12/31/00	01/24/94 – 09/30/00
95SPHG0020	05/01/96 – 07/31/98	05/01/96 – 07/31/98
97DSCWA047	02/01/97 – 08/31/98	02/01/97 – 08/31/98
97EDSWA026	07/01/97 – 12/31/01	07/01/97 – 09/30/00
97LCSWA016	09/01/97 – 12/31/00	09/01/97 – 09/30/00
98ARCWA002	06/01/98 – 08/31/01	06/01/98 – 09/30/00
98APSWA047	11/01/98 – 12/31/99	11/01/98 – 12/31/99
99ASHWA047	09/01/99 – 12/31/00	09/01/99 – 09/30/00
99MDDWA027	10/01/99 – 12/31/99	10/01/99 – 12/31/99
99APSWA047	12/01/99 – 11/30/01	12/01-99 – 09/30/00

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Compliance with applicable laws and regulations related to the agreement is the responsibility of the Commission's management. As part of obtaining reasonable assurance that costs are free of material misstatements, we performed tests of compliance with certain provisions of laws and regulations related to the grants, noncompliance with which could have a direct and material effect on the determination of amounts claimed in the Schedule of Award Costs. Our objective was not, however, to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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The results of our tests of compliance disclosed the following instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*.

1. Cost Allocation

As explained in the notes to Exhibits A through J, the Commission charged program costs to the administrative and Program Development Assistance and Training (PDAT) grants, and also charged administrative costs to the program grants. We also noted that two subrecipients recorded costs as direct that should have been allocated between programs, as follows:

- Pasco School District (PSD) recorded expenses for FYs 1998 through 2000 for such items as its annual report, general office supplies, and photocopier maintenance as direct to the AmeriCorps grant. These costs benefit, and should have been allocated between, all active PSD grants. This problem apparently occurred, because PSD had not received funding from other sources in previous years. According to the PSD program director, PSD is now allocating such expenditures.

- The Department of Ecology (DOE) recorded a number of charges as direct to the AmeriCorps grant that were not incurred specifically on this grant. These costs benefit, and should have been allocated between, all DOE grants.

The AmeriCorps Program Provisions, Financial Management Provisions, states:

> The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this Grant from expenditures not attributable to this Grant. The system must be able to identify costs by programmatic year and by budget line item, and to differentiate between direct and indirect costs or administrative costs.

Office of Management and Budget (OMB) Circular A-87, Attachment B, Section 3, Allocable Costs, states that "Any cost allocable to a particular Federal award or cost objective under the principles provided for in this Circular may not be charged to other Federal awards...."

Recommendation: We recommend that the Commission establish procedures to ensure that costs are charged to the appropriate grants. We also recommend that the Commission implement adequate financial monitoring procedures to ensure that grantee cost allocation systems comply with the AmeriCorps financial management provisions.

Commission's Response: The Commission concurs with this finding. Some coding errors were discovered during the audit, and the Commission corrected these errors before the audit was completed. The subgrantees mentioned in the finding have changed their procedures and are now allocating charges.

2. Employee Time Certifications

The Commission does not require employees charging time to more than one activity to prepare monthly personnel activity reports. Commission salaries are allocated among activities based on semiannual time certifications. These certifications are submitted electronically and no employee signature is required. In addition, Puget Sound Educational Service District 121 (a sub-recipient on Learn and Serve, Grant No. 94LCSWA016) did not require its employees, working on multiple activities to

prepare monthly personnel activity reports. According to Puget Sound representatives, such certifications were only required if an employee's actual time varied from the budget percentages used to allocate salaries.

OMB Circular A-87, Attachment B, Section 11h, Compensation, states that:

> (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency....(5) Support of salaries and wages. Personnel activity reports on equivalent documentation must meet the following standards: (a) They must reflect an after-the-fact distribution of the actual activity of each employee, (b) They must account for the total activity for which each employee is compensated, (c) They must be prepared at least monthly and must coincide with one or more pay periods, (d) They must be signed by the employee, and (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards...

Because the Commission and Puget Sound did not keep time records complying with Federal grant requirements, they were unable to support labor costs claimed on Corporation grants.

Recommendation: We recommend that the Commission either require employees working on multiple activities to prepare monthly personnel activity reports or obtain Corporation approval for a substitute time distribution system. We also recommend that the Commission implement adequate financial monitoring procedures to ensure that its subrecipients comply with the requirements of OMB Circular A-87, Attachment B, Section 11.h.

Commission's Response: At this time, the Commission requires monthly time/budget allocation forms to be completed by all Commission staff who are being compensated through the two Corporation funding streams to meet OMB A-87, Section 11.h. requirements. All time forms are up to date and are verified and signed by the executive director. This process was approved during the Commission's Administrative Standards Review.

Auditors' Additional Comments: We recommend that the Corporation confirm that the monthly time/budget allocation forms are used to distribute salary costs to the grant.

3. Grant Cost Sharing

The Commission did not meet the matching requirements of Administrative Grant No. 94SCSWA047. Regulation 45 CFR 2550.110(b), Limitation on Federal Share, establishes limits on the Federal share of the Commission's operating costs. The Commission was required to match 15 percent of total administrative expenses in the first award year and increasing percentages thereafter. As explained in Exhibit C to the Independent Auditors' Report, however, we determined that the Commission claimed unallowable and unsupported matching costs. Because of this, the Commission's matching was less than the required amount. The Commission also did not meet the matching requirements of the Learn and Serve grant (No. 94LCSWA016) as described in Exhibit B.

Recommendation: We recommend that, for future award years, the Commission ensure that only allowable and adequately documented expenses are recorded as its matching share for Corporation

awards. We further recommend that the Corporation monitor total award and matching costs on a regular basis to ensure that it is meeting its required matching share.

Commission's Response: The Commission does not concur with this finding. Only allowable and adequately documented expenses are recorded as the Commission's matching share for Corporation awards. The majority of the calculated matching shortfall relates to questioned costs for in-kind contributions. During the audit period, a small percentage of Office of Financial Management (OFM) staff's time (from 2% to 5%) for contracting, budgeting and mail service to the Commission was used to calculate in-kind match. A review of the attached contract logs shows that the contracting staff was spending from 13% to 27.4% of its time on Commission contracts. This information was provided to Cotton & Company, LLP, but it was not taken into account in the draft audit report. OFM currently uses a cost pool methodology to capture all the agency's administrative costs.

Auditors' Additional Comments: The contract logs supplied by the Commission do not meet the OMB Circular A-87, Section 11.h. documentary support requirements for salary allocations. We thus made no changes to our report.

4. Questioned and Unsupported Costs

The notes to Exhibits A through J describe questioned costs in the amount of $374,240, which are summarized in the table included in the Summary of Results. These questioned costs consist of costs claimed by the Commission for which there is documentation that the recorded costs were expended in violation of laws, regulations, or specific conditions of awards, or costs that require interpretation of allowability by the Corporation. In addition, notes to exhibits A through J describe unsupported costs in the amount of $1,068,575, consisting of costs claimed by the Commission that require additional documentation to support allowability. These unsupported costs are also summarized in the table included in the Summary of Results.

Recommendation: We recommend that the Corporation follow up with the Commission to determine whether the questioned and unsupported amounts should be disallowed and recovered.

Commission's Response: The Commission responded to questioned and unsupported costs as detailed in the Summary of Results, page 2 of the draft audit report.

- Grant cost matching requirements not met – Please reference the response to finding 3 above. Also, Cotton & Company, LLP questioned the time and effort record keeping of the Puget Sound Educational Service District. However, the Washington State Auditor's Office has audited this subrecipient many times, and never questioned their time and effort practices. The Commission does not concur with this part of the finding.

- Costs claimed exceeded costs incurred – The Commission has already returned the $69,085 electronically via the Payment Management system (see Attachment E to its response).

- Subrecipient labor costs claimed with no time certification reports – As documented in the response from the Puget Sound Educational Service District (see Attachment D to the Commission's response), its time and effort practices have never been questioned.

- Unreconciled differences between FCTRs and accounting records – The Commission responded to this issue in its comments on the Independent Auditors' Report on Internal Controls.

Auditors' Additional Comments: Puget Sound's response states that there were no time and effort certifications on the Learn and Serve grant, because the percentage of time that staff worked during the year did not vary significantly. We contend that this timekeeping practice does not meet the requirements of OMB Circular A-87, Section 11.h.

5. Accounting for Costs by Budget Line Item

The Commission's accounting system does not identify costs by budget line item. It identifies expenditures by cost type, but does not identify and summarize these by the grant budget categories. For example, amounts paid to subrecipients are recorded as such, but these include costs from separate grant budget categories, such as member support and other member costs. AmeriCorps General Provisions, Financial Management Provisions, paragraph 23.a., state that:

> Financial management systems must be capable of distinguishing expenditures attributable to this Grant from expenditures not attributed to this Grant. This system must be able to identify costs by programmatic year and by budget line item, and to differentiate between direct and indirect costs or administrative costs.

Because the Commission's system does not identify and summarize costs by grant budget category, it is unable to readily ascertain compliance with grant budget restrictions.

Recommendation: We recommend that the Commission revise its accounting system to identify and summarize costs by grant budget line item.

Commission's Response: The Commission does not concur with this finding. The financial management system identifies cost by budget line item. The fiscal office reviews the submitted Periodical Expense Report (PER) to identify costs by budget line item. Upon verifying the identified cost does not exceed the budgeted line item, the payment is processed. The PER is then used as one of the source documents.

Auditors' Additional Comments: The AmeriCorps Financial Management Provisions require that the Commission's financial management system identify costs by budget line item. Based on our understanding of the Commission's system, the fiscal office verifies that subrecipients are tracking costs by budget line item, but costs are not identified and summarized in this detail on the Commission's accounting records, as required by the Financial Management Provisions.

6. Financial Status Reporting

The Commission did not submit its Financial Status Reports (FSRs) on a timely basis. Regulation 45 CFR 2541.410(b)(4), Financial Reporting, states that reports submitted on a quarterly or semiannual basis will be due 30 days after the date the reporting period ends. We tested 18 FSRs submitted during the audit period and determined that 9 of these were submitted late, as follows:

Year	Tested	Results
1995	2	1 (1 day late)
1996	1	
1997	5	4 (2 to 37 days late)
1998	3	
1999	0	
2000	7	4 (2 to 15 days late)

Failure to prepare and submit FSRs on a timely basis hinders Corporation oversight of the Commission's financial performance and could result in funding delays.

Recommendation: We recommend that the Commission implement procedures to ensure the timely submission of all FSRs.

Commission's Response: The Commission has procedures in place to ensure the timely submission of all FSRs, as the results of the recent Corporation Standards Review will confirm. The nine FSRs identified above were late because of extenuating circumstances that were explained prior to the required submission date. Corporation staff approved extensions for these FSRs.

Auditors' Additional Comments: The Commission did not provide copies of the Corporation-approved extensions, so we made no changes to our audit report.

7. Program Requirements/Monitoring

As part of its monitoring requirements, the Commission is responsible for ensuring that sub-grantees are adequately trained in programmatic provisions and maintaining required documentation accordingly. Our testing of subrecipient member files disclosed that some subrecipients were not complying with all program requirements, as follows:

- Several of the subrecipient member files were missing documentation on mid-term and/or final evaluations. The AmeriCorps Special Provisions, Performance Reviews, require that grantees conduct at least mid-term and end-of-term evaluations of each member's performance, documenting that the member has:
  - Completed the required number of hours
  - Satisfactorily completed assignments, and
  - Met other performance criteria that were clearly communicated at the beginning of the service term.

We noted that the following subrecipient files were missing these evaluations:

		Number of Files	
Subrecipient	**Period**	**Tested**	**Missing Evaluations**
Community Youth Services	1995 – 1998	39	3
Educational Service District 101	1995 – 2000	47	39
Employment Security Department	1994 – 2000	190	36
Kitsap Community Resources	1995 – 2000	31	11
Department of Ecology	1994 – 2000	59	50

- Member files at five subrecipients did not always include high school diplomas or equivalent records. The AmeriCorps Special Provisions, Member Records and Confidentiality, require that if a member does not have a high school diploma or equivalent at enrollment time, the grantee must obtain a record of the elementary or high school drop-out date, and the member's written agreement to obtain a high school diploma or equivalent before using the education award. Failure to obtain this information could result in education awards to ineligible members. We found that member files were missing high school diplomas or equivalent information, as follows:

Subrecipient	Period	Number of Files	
		Tested	Missing Information
Community Youth Services	1995 – 1998	39	27
Educational Service District 101	1995 – 2000	47	22
Employment Security Department	1994 – 2000	190	10
Department of Ecology	1994 – 1996	59	3
State Board for Community & Technical Colleges	1996 – 1997	27	1

- Two subrecipient files were missing member agreements, as follows:

Subreceipient	Period	Number of Files	
		Tested	Missing Agreements
Employment Security Department	1994 – 2000	190	9
Pasco School District	1995 – 2000	38	2

- The Department of Ecology did not include required provisions regarding the "Drug Free Workplace Act", suspension and termination rules, release clauses, and grievance procedures in its member agreements. We tested 59 member files from 1994 to 2000 and noted that no agreements had these provisions. In addition, we noted that 37 agreements did not stipulate acceptable conduct and prohibited activities. The AmeriCorps Special Provisions, Member Contracts, state that the grantee must require members to sign contracts stipulating:

  - The minimum number of service hours necessary to be eligible for the education award
  - Acceptable conduct
  - Prohibited activities
  - Requirements under the Drug Free Workplace Act
  - Suspension and termination rule
  - Specific circumstances under which a member may be terminated
  - Position description
  - Grievance procedures, and
  - Other requirements as established by the program.

- Two subrecipient files did not contain evidence that background checks were performed on members working with children, as follows:

Subrecipient	Period	Number of Files	
		Tested	No Background Checks
Employment Security Department	1994 – 1999	190	38
Pasco School District	1994 – 2000	38	38

The AmeriCorps Special Provisions, Criminal Record Checks, require that programs with members who have substantial direct contact with children shall conduct criminal record checks on these members and that this documentation be maintained in member files. Failure to perform these background checks could result in children being exposed to members with histories of criminal violations.

- Member files at two subrecipients lacked sufficient information to document member enrollments and exits. The AmeriCorps Special Provisions, AmeriCorps Member-Related Forms, require that member enrollment forms be submitted to the Corporation no

later than 30 days after a member is enrolled, and that member exit/end-of-term-of-service forms be submitted no later than 15 days after a member exits the program. Subrecipient failure to obtain and submit this information promptly results in inaccurate Corporation member enrollment records. We noted that enrollment and end-of-term-of-service forms were missing or lacked certification dates, as follows:

Subrecipient	Period	Number of Files	
		Tested	Missing Information
Employment Security Department	1994 – 2000	190	15
Department of Ecology	1994 – 2000	59	27

- Several of the subrecipients could not provide sufficient information to support member eligibility, either because the member file was missing or the eligibility documentation was not in the file. The AmeriCorps Special Provisions, Record-Keeping, state that the grantee must maintain verifiable records that document each member's eligibility to serve based upon citizenship, birth date, and level of educational attainment. Records kept in three of the subrecipient member files did not include adequate eligibility documentation, as follows:

Subrecipient	Period	Number of Files	
		Tested	Missing Information
Employment Security Department	1994 – 2000	190	5
Kitsap Community Resources	1996 – 1998	31	2
Department of Ecology	1994 – 1998	59	4

We also noted two instances where the Commission's subrecipient monitoring site visits did not adequately ensure that all required documentation was maintained:

- The Commission's monitoring visit to Educational Service District 101 was performed in June 2000 and did not include testing of drop-out dates for members without high school diplomas and verification of member evaluations.

- The Commission's monitoring visit to DOE was performed in February 2001, and the member file checklist does not document verification of mid-term and final evaluations, or that service agreements included prohibited activities and the drug-free policy. In addition, there was no indication that the Commission followed up on compliance issues with corrective action letters to the subrecipient.

Regulation 45 CFR Section 2541.400, Monitoring and Reporting Program Performance, paragraph (a), states that:

> Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.

Recommendation: We recommend that the Commission strengthen its program monitoring procedures to ensure that these meet the requirements of 45 CFR 2541.400. Specifically, the Commission should ensure that subrecipients are:

- Aware of, and complying with, grant requirements for conducting and retaining member evaluations.

- Maintaining the required educational information.

- Maintaining all member agreements, and that these agreements include all required provisions.

- Obtaining member background checks when warranted.

- Documenting member enrollments and exits promptly, and submitting this information to the Corporation on a timely basis.

- Maintaining sufficient information to support member eligibility.

Commission's Response: The Commission responded to each of the specific recommendations, as follows:

- All Commission subrecipients are informed of grant requirements for conducting member evaluations through the Program Director's handbook and program staff training. Of the five programs monitored recently, the Commission found two subrecipients 100% compliant in conducting and retaining member evaluations, and the remaining subrecipients no less than 91% compliant.

- All Commission subrecipients are informed of the grant's educational information requirements through the Program Director's handbook and annual program staff training. This became a requirement in 1999. Of the five programs monitored recently, the Commission found 100% compliance with this requirement.

- All Commission subrecipients are required to ensure that member agreements include all the AmeriCorps provisions and are on file. Of the five programs monitored recently, the Commission found 100% compliance with this requirement.

- All Commission subrecipients are required to ensure that member background checks are conducted when warranted. Of the five programs monitored recently, the Commission found 100% compliance with this requirement.

- All Commission subrecipients are required to enroll and exit members promptly. This is done through the Web-Based Reporting System (WBRS) and so the information is available to the Corporation on a real time basis.

- All Commission subrecipients are required to ensure that sufficient information is on file to support member eligibility. Of the five programs monitored recently, the Commission found 99.9% compliance with this requirement.

The above clearly show that the Commission has measures in place to ensure that subrecipients are aware of, and comply with grant requirements. The results of the recent Corporation Standards Review visit will support this statement.

This report is intended solely for the information and use of the Office of Inspector General, Corporation management, the Commission, and the U.S. Congress, and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

By: _____
Alan Rosenthal, CPA
Partner

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December 18, 2001

Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

We audited costs claimed by the Washington Commission on National and Community Service (Commission) to the Corporation for National and Community Service (Corporation) for the following awards and have issued our report thereon dated December 18, 2001, which report was qualified for the matters discussed therein.

Award No.	Award Period	Audit Period
94ASCWA047	08/01/94 – 12/31/00	08/01/94 – 09/30/00
94LCSWA016		
95PDSWA047	01/01/95 – 12/31/01	01/01/95 – 09/30/00
94SCSWA047	01/24/94 – 12/31/00	01/24/94 – 09/30/00
95SPHG0020	05/01/96 – 07/31/98	05/01/96 – 07/31/98
97DSCWA047	02/01/97 – 08/31/98	02/01/97 – 08/31/98
97EDSWA026	07/01/97 – 12/31/01	07/01/97 – 09/30/00
97LCSWA016	09/01/97 – 12/31/00	09/01/97 – 09/30/00
98ARCWA002	06/01/98 – 08/31/01	06/01/98 – 09/30/00
98APSWA047	11/01/98 – 12/31/99	11/01/98 – 12/31/99
99ASHWA047	09/01/99 – 12/31/00	09/01/99 – 09/30/00
99MDDWA027	10/01/99 – 12/31/99	10/01/99 – 12/31/99
99APSWA047	12/01/99 – 11/30/01	12/01/99 – 09/30/00

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance that costs in the financial schedules are free of material misstatement.

Commission management is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess expected benefits and related costs of internal control policies and procedures. The objectives of internal control are 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

established 1981

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accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of internal control 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.

In planning and performing our audit, we considered the Commission's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

We noted four matters involving internal control and its operations that we consider reportable conditions under standards established by the American Institute of Certified Public Accountants (AICPA). Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules. These matters are discussed below.

1. Reconciliation of FSRs and FCTRs

The Commission did not reconcile its Financial Status Reports (FSRs) and Federal Cash Transaction Reports (FCTRs) to its accounting records. It prepared its FSRs for program grants from subrecipient FSRs and did not verify that costs claimed had been recorded as expenditures on its accounting system. The Commission stated that its FCTRs were prepared from its accounting system. We noted the following with respect to costs claimed on the Commission's FSRs and FCTRs:

- Amounts brought forward on the FSRs were not always consistent with amounts reported previously.
- Unexplained differences existed between costs reported on the FCTR and those per the Commission's accounting records for each grant. The Commission could not identify the source of these differences.
- Costs claimed included a number of payments that were not charged to the proper grant.

Regulation 45 CFR 2541.200 *Standards for Financial Management Systems,* states that accurate and complete disclosure of award financial results must be made in accordance with financial reporting requirements. The Commission cannot assure that its Federal financial reports are complete and accurate, unless it performs regular reconciliations of these reports to its accounting system. Reconciliations would identify discrepancies such as those described above, and ensure that these were resolved in a timely manner.

Recommendation: We recommend that the Commission perform detailed reconciliations of its FSRs and FCTRs to its accounting system on a regular basis.

Commission's Response: The Commission concurs with this finding, and does currently perform detailed reconciliations as recommended.

2. Financial Monitoring of Subrecipients

In performing audit procedures on the Commission's financial monitoring of its subrecipients, we noted instances where its oversight procedures could be strengthened. For example, the Commission has

procedures in place to obtain copies of the annual Office of Management and Budget (OMB) Circular A-133 audit reports for all of its subrecipients. The Commission does not, however, have procedures to determine that the audit reports discuss or cover all Corporation awards, and to reconcile reported amounts to its accounting records. We noted that the Pasco School District (Pasco), in its Fiscal Years (FYs) 1995 through 1999 A-133 reports, incorrectly reported the Employment Security Department (ESD) as the grantor agency for its AmeriCorps grant expenditures. In FY 2000, it reversed reported expenditures between ESD and the Commission. The Commission should have detected these inaccuracies in its financial monitoring process. In addition, we noted the following conditions, which are further evidence of the need for improvements in the Commission's financial monitoring of subrecipients:

- Puget Sound did not require employees working on Corporation awards to prepare after-the-fact time certifications, as required by OMB Circular A-87.

- The State Board for Community and Technical College (SBCTC) purchased equipment that was not in its approved budget, without prior Commission approval.

- Both ESD and Pasco could not provide documentation to support all direct cost charges tested.

- Pasco and the Department of Ecology did not have cost allocation systems that met the requirements of AmeriCorps Financial Management Provisions.

- Community Youth Services paid emergency expenses for members in program years 1995 to 1997 that exceeded allowable living allowances.

The Commission is responsible for ensuring that its subrecipients are aware of, and complying with, all grant financial management requirements. Unless these requirements are properly communicated and subrecipient performance is monitored, conditions such as those described above can occur and not be detected on a timely basis.

Recommendation: We recommend that the Commission review its financial monitoring procedures and make revisions necessary to ensure that all significant grant financial requirements are communicated to subrecipients, and that subrecipient compliance with them is adequately monitored. We also recommend that such procedures include Commission review of subrecipient OMB Circular A-133 reports to verify that all Corporation awards have been reported, and to reconcile amounts reported to the Commission's records.

Commission's Response: The Commission ensures that all grant financial requirements are communicated to subrecipients through the subgrant agreement, the Commission's Fiscal Manual, and through annual program staff training. To ensure that subrecipients comply with these requirements, the Commission:

- Reviews and monitors all invoices;

- Reviews and reconciles A-133 reports to verify that all Corporation awards have been correctly reported; and

- Performs a limited fiscal review of at least three subrecipients' records (based on a risk assessment) each program year.

3. Unidentified and Unsupported Cost Adjustments

The Commission was unable to identify the source documentation, or provide explanations, for a number of journal entries posted to Federal grant costs in FYs 1994 to 2000. In addition, several accrual adjustments, booked in FYs 1997 and 1999, did not correspond to expenses incurred by or payments made to subrecipients. Without documentation of the nature of and purpose for journal entries, it is not possible to support the allocability and allowability of these costs to grant awards.

Recommendation: We recommend that the Commission implement procedures to ensure that it retains source documentation for all journal entries and other adjustments posted to its accounting records.

Commission's Response: The Commission concurs with this finding, and has already implemented procedures to ensure retention of source documentation for all journal entries and other adjustments posted to accounting records.

4. Travel Credits

The Commission did not properly monitor travel costs to ensure that claimed costs were offset by applicable credits. The Commission claimed administrative travel costs for flights that were not taken. Failure to apply allocable credits to travel costs results in overclaims and unallowable grant charges.

Recommendation: We recommend that the Commission implement procedures to ensure that all travel costs are properly offset by allocable credits in its accounting records.

Commission's Response: The Commission does not concur with this finding. While the Commission could not locate documentation that credits were received (the majority of the costs in question relate to the 1994 – 1995 timeframe), it doesn't mean that the credits were not received. The questioned costs represent less than one percent of the Commission's travel expenditures during the audit period. Additionally, Washington State has a new air travel vendor, who provides the Commission a monthly statement, detailed by account, reflecting all of its activity for the month.

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

This report is intended solely for the information and use of the Office of Inspector General, Corporation management, the Commission, and the U.S. Congress, and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

By: _____
Alan Rosenthal, CPA
Partner

EXHIBIT L

STATUS OF FINDINGS FROM THE PRE-AUDIT SURVEY OF THE WASHINGTON COMMISSION ON NATIONAL AND COMMUNITY SERVICE OIG AUDIT REPORT NO. 00-10

The Commission Was Missing Source Documents to Support Grant-Making Decisions

The Commission did not maintain all documentation to support the application award, renewal, and rejection process. The Commission could not provide documentation to support the application and withdrawal of one subgrant applicant. In addition, one subgrant renewal package did not include the renewal application or grant review score sheets for a Learn and Serve subgrant.

Current Status: The Commission sends award and rejection letters to applicants upon its final decision. These letters along with applicable documents are maintained in the Commission's central files for each program year. We consider this finding closed.

The Commission Lacked Evidence of Financial Status Reports Review, Including Matching Recalculation

Commission procedures indicated that subrecipient Financial Status Reports (FSRs) were reviewed and compared with invoices submitted for payments, and matching requirements were recalculated. No evidence existed, however, to document that this review was performed. In addition, although the fiscal officer compared FSRs with invoices, Commission personnel did not compare the FSRs to the subrecipients' accounting system.

***Current Status*:** The Commission informed us that all FSR and period expense reports are verified against the Web Based Reporting System (WBRS). The Commission, however, is still working on documenting these reviews. See our Report on Internal Control for the related audit finding and recommendation. We consider this finding open.

The Commission Did Not Maintain all Required FSRs

The preaudit survey noted that 11 FSRs submitted by subrecipients, as well as FSRs submitted to the Corporation, were missing. In addition, some of the Excel spreadsheets supporting the subrecipient compiled FSRs were either missing or did not agree with the FSR submitted by the Commission to the Corporation.

Current Status: On October 1, 1999, the Commission and its subrecipients began using WBRS to submit FSRs. The Commission can produce all FSRs from WBRS. We noted problems, however, with the accuracy of the FSRs as described in our Report on Internal Control. We consider this finding open.

The Commission Was Unable to Determine that FSRs Were Received in a Timely Manner

The Commission did not routinely date-stamp FSR reports from subrecipients upon receipt. Thus, the Commission could not routinely verify that these documents were submitted in a timely manner in compliance with the grant agreement.

Current Status: WBRS electronically records the date subrecipients submit FSRs to the Commission. We consider this finding closed.

The Commission Needed to Improve Its Subrecipient Evaluation and Monitoring System

The Commission did not include certain information in its documentation of site visits to subrecipients. The missing information included the procedures followed to select members reviewed, the names of members reviewed, and identification of members with exceptions. In addition, checklist comments were general in nature.

Current Status: We noted that the Commission has revised its policies and procedures, as well as the forms used in its site visits. These revisions were responsive to the preaudit survey findings. Our testing identified, however, subrecipient monitoring visits that did not adequately ensure that all required documentation was maintained. See our Report on Compliance. We consider this finding open.

The Commission Did Not Document Its Review of OMB Circular A-133 Reports or Other Subrecipient Audit Reports

Prior to 1999, the Commission did not document its review of subrecipient OMB Circular A-133 audits or other audit reports as part of the monitoring process.

Current Status: We consider this finding open. See our Report on Internal Controls.

APPENDIX A

COMMISSION RESPONSE TO DRAFT AUDIT REPORT

STATE OF WASHINGTON
WASHINGTON COMMISSION FOR NATIONAL AND COMMUNITY SERVICE
515 15th Ave. SE • Box Office Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0656 • FAX (360) 902-0414

July 12, 2002

Mr. Terry Bathen
Acting Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW
Washington, D.C. 20525

Dear Terry:

We have received the draft version of the Incurred Cost Audit of Grants of the Washington Commission for National and Community Service, OIG Audit Report No. 02-09 received on June 17, 2002. This letter and related attachments contains our response to the audit.

This audit reviewed over seven years of Corporation for National and Community Service funding received by the Commission. It has identified slightly less than one percent of the total claimed costs as questioned, and about two percent as unsupported. While these percentages are quite low, the Commission does not concur with the vast majority of these findings. In addition, while we appreciate the recommendations made, we are disappointed that improvements and recommendations already implemented since 1998 were ignored giving one the impression that this report does not fairly represent the overall financial and programmatic operations of the Commission.

Finally, we appreciate your personal involvement in this audit that brought it to a conclusion. This was a 19-month long process that has consumed a significant amount of staff time and resources.

If I can provide you with additional information, I will be happy to do so. Please contact me if necessary at (360) 902-0663.

Sincerely,

Bill

William C. Basl
Executive Director

Attachments (5)

Response to Independent Auditor's Report on Compliance:

1. Cost Allocation

Recommendation: We recommend that the Commission establish procedures to ensure that costs are charged to the appropriate grants. We also recommend that the Commission implement adequate financial monitoring procedures to ensure that grantee cost allocation systems comply with the AmeriCorps financial management provisions.

Response: The Commission concurs with this finding. Some coding errors were discovered during the audit, and the Commission corrected these errors before the audit was completed.. The subgrantees mentioned in the finding have changed their procedures and are now allocating the charges.

The Commission has implemented a risk-based financial monitoring procedure effective program year 2000. This involves a limited fiscal review of at least three subgrantees annually, conducted by an independent auditor who assesses subrecipients for a variety of financial elements including the efficiency of their cost allocation systems and its compliance with the AmeriCorps provisions. The results of the recent Administrative Standards Review visit will attest to this system change. (The *Administrative Standards Review* is a formal evaluation conducted by a team of independent and Corporation staff, appointed by the Corporation for National and Community Service (CNCS). The team conducts a detailed review of one hundred and twenty-six elements related to the financial and programmatic administrative systems of state Commissions. The Washington Commission had its *Administrative Standards Review* June 17-21, 2002.)

2. Employee Time Certifications

Recommendation: We recommend that the Commission either require employees working on multiple activities to prepare monthly time certifications or obtain Corporation approval for a substitute time distribution system. We also recommend that the Commission implement adequate financial monitoring procedures to ensure that its subrecipients comply with the requirements of OMB Circular A-87, Attachment B, Section 11h.

Response: At this time, the Commission requires monthly time/budget allocation forms to be completed by all Commission staff who are being compensated through the two Corporation for National and Community Service funding streams to meet OMB A-87, Section 11. h. requirements. The Time/Budget record includes hours spent on training or technical assistance activity (Program Development and Training-PDAT) or administrative activities (Administrative). All time forms are up to date and are verified and signed by the executive director. This process was approved during the Commission's Administrative Standards Review for Standard 5.1.3d – *time and effort distribution of personnel to Commission direct grants.* Commission staff not funded under more than one federal CNCS source of funding have signed certification forms to

this fact and these are on file at the Office of Financial Management (OFM)/Governor's Office Accounting.

The Commission implements a risk-based financial monitoring system. The limited fiscal review conducted by an independent contractor that is part of this practice includes a review of staff time to ensure compliance with the requirements of OMB Circular A-87, Attachment B, Section 11.h. A specific response to the subrecipient finding here is fully discussed below under 4. Questioned and Unsupported Costs.

3. Grant Cost Sharing

Recommendation: We recommend that, for future award years, the Commission ensure that only allowable and adequately documented expenses are recorded as its matching share for Corporation awards. We further recommend that the Corporation monitor total award and matching costs on a regular basis to ensure that it is meeting its required matching share.

Response: The Commission does not concur with this finding. Only allowable and adequately documented expenses are recorded as the Commission's matching share for Corporation awards. The results of the recent Standards Review visit supports this statement.

Exhibit C-1 of the audit report shows a match shortfall of $171,754. However, the majority of the calculated shortfall relates to questioned costs for in-kind contributions. During the audit period, a small percentage of time (from 2% to 5%) of staff from the Office of Financial Management who was providing contracting, budgeting and mail service to the Commission was used to calculate in-kind match. A review of the contract logs showed that the contracting staff were spending anywhere from 13% to 27.4% of their time on Commission contracts. This translates into $157,058.95 of in-kind contributions during the audit period. See Attachment C. This additional data was sent to Cotton & Co., LLP but it was not taken into account when the audit report was drafted.

The Office of Financial Management now uses a cost pool methodology to capture all administrative costs for the agency. This process provides a well documented, and an easy to understand calculation of the amount of in-kind contribution being provided to the Commission.

4. Questioned and Unsupported Costs

Recommendation: We recommend that the Corporation follow up with the Commission to determine whether the questioned and unsupported amounts should be disallowed and recovered.

Response: The Commission looks forward to working with Corporation staff on this finding. The Summary of Results on Page 2 of the audit report lists several questioned or unsupported costs. Following is the Commission's response to the various amounts:

- Costs claimed in error – The Commission would appreciate further clarification from the OIG's office so that we can respond adequately to this finding.
- Grant cost matching requirements not met – Please reference the response to finding 3 above related to $171,754 of the questioned costs. The remaining $47,714 relates to the 94LCSWA016 grant. Cotton & Co. questioned the time and effort record keeping of the Puget Sound Educational Service District. However, as documented in the response from the Puget Sound ESD, they had undergone multiple audits by the Washington State Auditor's Office and had never been questioned on their time and effort practices (see Attachment D). By questioning these costs, Cotton & Co. has calculated that the Puget Sound ESD did not meet the matching requirement for this grant. The Commission does not concur with this part of the finding.
- Costs claimed exceeded costs incurred – The Commission has already returned the $69,085 electronically via the Payment Management System. See Attachment E.
- Subrecipient labor costs claimed with no time certification reports – Cotton & Co. questioned the time and effort record keeping of the Puget Sound Educational Service District. However, as documented in the response from the Puget Sound ESD, they had undergone multiple audits by the Washington State Auditor's Office and had never been questioned on their time and effort practices. See Attachment D.
- Unreconciled differences between Federal Cash Transaction Reports (FCTRs) and accounting records – Please reference Attachment B, finding 1 in the Response to Independent Auditor's Report on Internal Control for our response related to this issue.

5. Accounting for Costs by Budget Line Item

Recommendation: We recommend that the Commission revise its accounting system to identify and summarize costs by grant budget line item.

Response: The Commission does not concur with this finding. The financial management system identifies cost by budget line item. In keeping with efficiency, the fiscal office reviews the submitted Periodical Expense Report (PER) to identify costs by budget line item. Upon verifying the identified cost does not exceed the budgeted line item, the payment is processed. The PER is then used as one of the source documents. This procedure eliminates duplicating the efforts of the sub-grantees and assists in reducing costs for the programs. The results of the recent CNCS Standards Review visit will support this statement..

6. Financial Status Reporting

Recommendation: We recommend that the Commission implement procedures to ensure timely submission of all FSRs.

Response: The Commission has procedures in place to ensure the timely submission of all FSRs. The results of the recent Standards Review visit by the Corporation assigned Standards Review team will confirm this (June 2002). The auditors found nine FSRs that were submitted late to the CNCS over the period 1994 to 2000. These were all late because of extenuating circumstances that were explained prior to the required submission date and Corporation staff approved extensions for these FSRs.

7. Program Requirements/Monitoring

Recommendation: We recommend that the Commission strengthen its program monitoring procedures to ensure that these meet the requirements of 45 CFR 2541.400. Specifically, the Commission should ensure those subrecipients are:

- **Aware of, and complying with, grant requirements for conducting and retaining member evaluations.**

Response: All WCNCS subrecipients are informed of grant requirements for conducting member evaluations through the issuance of the Program Director's handbook and trainings for program staff. Of the five programs monitored recently, Commission staff has found two subrecipients 100% compliant in conducting and retaining member evaluations and the remaining subrecipients no less than 91% compliant. The difference was accounted for in the timing of the monitoring visit and misfiling of one evaluation. This clearly shows that the Commission has measures in place to ensure that subrecipients are aware of and comply with this grant requirement. The results of the recent CNCS Standards Review visit will support this statement.

- **Maintaining the required educational information.**

Response: All WCNCS subrecipients are informed of the grant's educational information requirements through the issuance of the Program Director's handbook and annual trainings for program staff. This became a requirement in program year 1999. Of the five programs monitored recently Commission staff have found 100% compliance with this requirement. This clearly shows that the Commission has measures in place to ensure that subrecipients are aware of and comply with this grant requirement. The results of the recent CNCS Standards Review visit will support this statement.

- **Maintaining all member agreements, and that these agreements include all required provisions.**

Response: All WCNCS subrecipients are required to ensure that member agreements include all the AmeriCorps provisions and are on file. Of the five programs monitored recently Commission staff have found 100% compliance with this requirement. This clearly shows that the Commission has measures in place to ensure that subrecipients are

aware of and comply with this grant requirement. The results of the recent CNCS Standards Review visit will support this statement..

- **Obtaining member background checks when warranted.**

Response: All WCNCS subrecipients are required to ensure that member background checks are conducted when warranted. Often these background checks are conducted by a school district, at their cost, and maintained by school district staff in confidential member personnel files. Where this is the practice, we now require programs to maintain a generic list of these approvals on file. Of the five programs monitored recently, Commission staff has found 100% compliance with this requirement. This clearly shows that the Commission has measures in place to ensure that subrecipients are aware of and comply with this grant and state requirement. The results of the recent CNCS Standards Review visit will support this statement..

- **Documenting member enrollments and exits promptly, and submitting this information to the Corporation on a timely basis.**

Response: All WCNCS subrecipients are required to enroll and exit members promptly. This is done through the Web-Based Reporting System (WBRS) and so the information is available to the Corporation on a real time basis. A review of *Approval Cycle Time* data in WBRS for this current program year showed an average approval time of thirty-eight days for all WCNCS programs. Four of our programs had a WBRS issue enrolling members that caused a significant delay (51 days) and took an extended period to address. WBRS helpdesk responses will attest to this problem. Every effort is being made to work closely with WBRS technical support to ensure the timely address of issues so that this will not impact the enrollment process in the future.

- **Maintaining sufficient information to support member eligibility.**

Response: All WCNCS subrecipients are required to ensure that sufficient information is on file to support member eligibility. Of the five programs monitored recently, Commission staff has found 99.9% compliance with this requirement. The one file that was missing a member eligibility document had in its place a copy of the request to the relevant authority. This clearly shows that the Commission has measures in place to ensure that subrecipients are aware of and comply with this grant requirement. The results of the recent CNCS Standards Review visit will attest to this issue.

Response to Independent Auditor's Report on Internal Control:

1. Reconciliation of FSRs and FCTRs

Recommendation: We recommend that the Commission perform detailed reconciliations of its FSRs and FCTRs to its accounting system on a regular basis.

Response: The Commission concurs with this finding and does currently perform detailed reconciliations as recommended. The Commission is in the process of completing the three-way reconciliation between the agency's accounting system, the Financial Status Reports, and the Federal Cash Transaction Reports. The expedited resolution of questioned costs contained in this audit report is crucial to the completion of the reconciliation. Also, there are several grants covered by the audit that are scheduled to be closed-out by August 31, 2002.

2. Financial Monitoring of Subrecipients

Recommendation: We recommend that the Commission review its financial monitoring procedures and make revisions necessary to ensure that all significant grant financial requirements are communicated to subrecipients, and that subrecipient compliance is adequately monitored. We also recommend that such procedures include Commission review of subrecipient OMB Circular A-133 reports to verify that all Corporation awards have been reported, and to reconcile amounts reported to the Commission's records.

Response: The Commission ensures that all significant (and less significant) grant financial requirements are communicated to subrecipients in a variety of ways:

- The contractual agreement between the Commission and each subgrantee;
- The publication of the Commission's Fiscal Manual through the *Policies* folder of the *Web-Based Reporting System;* and
- Through regular annual trainings for program staff.

To ensure subrecipient compliance with these requirements, the Commission:

- Reviews and monitors all invoices on submission for a variety of things including match;
- Reviews and reconciles A-133 reports to verify that all Corporation awards have been correctly reported; and
- Selects a minimum of three subrecipients for a limited fiscal review, based on a risk assessment, of its records each program year.

The report of the recent CNCS Standards Review Team will attest to all of the above.

3. Unidentified and Unsupported Cost Adjustments

Recommendation: We recommend that the Commission implement procedures to ensure that it retains source documentation for all journal entries and other adjustments posted to its accounting records.

Response: The Commission concurs with this finding and has already implemented procedures to ensure retention of source documentation for all journal entries and other adjustments posted to accounting records. Unfortunately, there was a period during the 97-99 Biennium when valid payments were charged to a generic account code, and then the charges were moved to account coding that aligned the payments with the appropriate grants. The Commission now uses a detailed chart of accounts to track all payments to their respective grants. Additionally, supporting documentation is attached to journal vouchers when charges are moved between accounts. The results of the recent CNCS Standards Review visit will support this statement.

4. Travel Credits

Recommendation: We recommend that the Commission implement procedures to ensure that all travel costs are properly offset by allocable credits in its accounting records.

Response: The Commission does not concur with this finding. While the Commission could not locate documentation that showed receipt of the credits (the majority of the costs in question relate to the 1994 – 1995 timeframe), it does not mean the credits were not received. The questioned costs represents less than one percent of the amount spent on travel by the Commission during the audit period. Additionally, the state of Washington has changed vendors for air travel charge accounts. The new vendor provides detailed statements on an account-by-account basis. The Commission now receives a monthly statement that reflects all of their activity during the period. The results of the recent CNCS Standards Review visit will attest to this statement.

ATTACHMENT C

	TOTAL CONTRACTS	TOTAL IAA	TOTAL BOTH	WCNCS CONTRACTS	WCNCS IAA	WCNCS TOTAL	PERCENTAGE WCNCS
FY 1995	39	26	65	10	2	12	18.46%
FY 1996	28	72	100	11	2	13	13.00%
FY 1997	43	30	73	17	3	20	27.40%
FY 1998	57	106	163	19	11	30	18.40%
FY 1999	65	52	117	16	7	23	19.66%
FY 2000	102	125	227	24	13	37	16.30%
FY 2001	67	60	127	17	10	27	21.26%

	SUSAN JOHNSEN SALARY	SUSAN JOHNSEN BENEFITS	TOTAL	IN-KIND AMOUNT	
FY 1995	$ 54,690.00	$ 11,484.90	$ 66,174.90	$ 12,216.90	
FY 1996	$ 58,114.00	$ 12,203.94	$ 70,317.94	$ 9,141.33	
FY 1997	$ 59,460.00	$ 12,486.60	$ 71,946.60	$ 19,711.40	
FY 1998	$ 60,336.00	$ 12,670.56	$ 73,006.56	$ 13,436.79	
FY 1999	$ 61,544.00	$ 12,924.24	$ 74,468.24	$ 14,639.06	
FY 2000	$ 67,957.00	$ 14,270.97	$ 82,227.97	$ 13,402.80	
FY 2001	$ 81,556.95	$ 17,126.96	$ 98,683.91	$ 5,245.01	(calculate at 25% for the 3 months applicable)
				$ 87,793.29	

	JOHN TOOHEY SALARY	JOHN TOOHEY BENEFITS	TOTAL	IN-KIND AMOUNT	
FY 1995	$ 24,036.00	$ 5,047.56	$ 29,083.56	$ 5,369.27	
FY 1996	$ 50,122.00	$ 10,525.62	$ 60,647.62	$ 7,884.19	
FY 1997	$ 51,288.00	$ 10,770.48	$ 62,058.48	$ 17,002.32	
FY 1998	$ 52,044.00	$ 10,929.24	$ 62,973.24	$ 11,590.17	
FY 1999	$ 52,824.00	$ 11,093.04	$ 63,917.04	$ 12,564.89	
FY 2000	$ 56,046.00	$ 11,769.66	$ 67,815.66	$ 11,053.65	
FY 2001	$ 59,106.00	$ 12,412.26	$ 71,518.26	$ 3,801.17	(calculate at 25% for the 3 months applicable)
				$ 69,265.66	

Total in-kind contribution $ 157,058.95

PUGET SOUND
Educational Service District

ATTACHMENT D

RECEIVED
MAR 1 1 2002
WCNCS

March 7, 2002

William C. Basl
Executive Director
Washington Commission for National and Community Service
PO Box 43113
Olympia, WA 98504-3133

Dear Mr. Basl,

This letter is in response to the Audit Finding Outline included in your letter of February 28, 2002, regarding the Learn & Serve grant, contract #95-34, between the Puget Sound ESD and the Commission.

We have reviewed the finding and our source documents. Our records support a different total for salary/benefit costs from the questioned costs in the finding outline ($44,876.94). Our records indicate:

Salaries	$ 31,859.92
Benefits	7,890.98
Total	39,750.90
Indirect @ 9%	3,577.58
Grand Total	$ 43,328.48

During the period audited, salary costs charged to the grant included $23,376 for Project Director and $8,500 for secretarial support. The salary represents 53% of the project director's time during the grant.

The process for allocating payroll costs to various grant programs at the time of the Learn & Serve Grant was as follows. Initially, salary costs were charged based on the percentage of time budgeted to the various programs. Then, as the year progressed, if the percentage of time or effort changed, a journal voucher would be prepared correcting the original charges.

These journal vouchers were prepared based on time and effort certifications signed by the employee and their supervisor. This resulted in certifications being completed for the majority of the grants as the year progressed.

However, the percentage of time staff worked on the Learn & Serve grant did not vary significantly throughout the year, and therefore a correcting journal voucher was not prepared or necessary. The auditors who reviewed our grant may have assumed that since there were no time and effort certifications on the Learn and Serve grant that the ESD did not have a system in place. This is simply not the case.

400 S.W. 152nd St. Burien, WA 98166-2209 • www.psesd.wednet.edu

Seattle (206) 439-3636 • Tacoma (253) 272-2277; 1-800-664-4549 • TTY (206) 439-6966 • FAX (206) 439-3961 • Terry N. Lindquist, Ph.D., Superintendent
Board Members: Holly Barker, Linda Harris, Ken Hoben, John Jacobs, David Okimoto, Barbara Peterson, Ken Seng, Jackie Smith, John Zurfluh

The process described above was acceptable to the Washington State Auditor who is the municipal auditor assigned to audit our agency. These audits were conducted using generally accepted audit standards and did include reviews of our compliance with federal guidelines and regulations. The auditor did conduct a "Single Audit" and we did not receive any findings in the time and effort areas.

In our 1999 audit, the auditor requested that we move to quarterly certifications, which we did for FY 99-00. In FY 00-01, we improved our process and currently have time and effort procedures that reflect payroll distributions that are contemporaneous.

We met the criteria and practices required for time and effort in Washington State for federal grants during the Learn & Serve grant time period. We recognize that the requirements for time and effort have become more stringent over time. However, we should not be held to these current higher standards when we were meeting the requirements for that time period. Auditors sampled records for many grants during the grant period and reported to the ESD's cognizant audit agency that we were meeting federal requirements. See audit reports enclosed with this letter.

We request that the questioned costs be reconsidered as eligible due to:

- The ESD did have time and effort procedures in place during the grant period
- The Learn & Serve grant objectives were met
- The ESD performed the services contracted for
- The ESD's internal controls and management controls passed the State audit and met federal single audit requirements for the grant period
- The salary and benefit costs were reasonable to manage a grant of this size - $362,000
- The ESD's current procedures exceed current requirements

Thank you for your consideration of our request. If you have any questions, please call me at 206-439-6924.

Sincerely,

Harvey Erickson, CPA
Assistant Superintendent of Finance

Encl.: Washington State Audit Reports

cc: Terry Lindquist, Superintendent
Kirstine Whisler, CPA

ATTACHMENT E

FINANCIAL STATUS REPORT

(Short Form)

. Federal Agency or Organization to which the Report is ubmitted	2. Federal Grant Number Assigned by Corporation for National Service
Corporation for National Service	94LCSWA016

. Recipient Organization *(please include name and complete address and zip code)*

Vashington Commission for National and Community Service

15 15th Avenue SE, MS: 43134, Olympia, WA 98504-3134

. Employer Identification Number	5. Recipient Account Number *(or identifying number)*	6. Final Report	7. Basis
1-6001089	N/A	Yes X No	Cash Accrual X

. Grant Period *(See Instructions)*		9. Period Covered by this report	
rom: *(Month, Day, and Year)* To: *(Month, Day, and Year)*		*From: (Month, Day, and Year)* To: *(Month, Day, and Year)*	
1/1/1995	10/31/1997	1/1/1995	10/31/1997

0. Transactions:	I Previously Reported	II This Period	III Cumulative
. Total Outlays	$ -	$ -	$ 522,082.63
. Recipient Share of Outlays	$ -	$ -	$ 159,112.00
see instructions for 10.b on back)	$ -	$ -	$ -
. Federal Share of Outlays	$ -	$ -	$ 362,970.63
see instructions for 10.c on back)	$ -	$ -	$ -
l. Total Unliquidated Obligations			
. Recipient Share of Unliquidated Obligations			
. Federal Share of Unliquidated Obligations			
l. Total Federal Share (sum of lines c.1 and c.2)			$ 362,970.63
. Total Federal Funds Authorized for this Grant Period			$ 432,055.35
. Unobligated Balance of Federal Funds			$ 69,084.72

1. Not applicable to AmeriCorps grants. Indirect costs should be included as part of administrative cost.

2. Remarks:

ttach any explanations deemed necessary or information required by federal sponsoring agency in compliance with governing egislation.

FINAL REPORT AS REQUESTED BY MR. SID GARCIA

3. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays ind unliquidated obligations are for the purposes set forth in the award documents.

Name:	Title:	Telephone Number, Area Code and Extensions:
Aaron Butcher	Financial Manager	(360) 902-0406
Signature of Authorized Certifying Official: Aaron Butcher		Date Report Submitted: 2/4/02

INQUIRY: PAY-G DATE: 10/08/2001 TIME: 11:23:40 AM

---PIN: 0T39 ---ACC: 0T39P ----------

T/C*	***DEBIT**	**POSTED**	*******AMOUNT******	*DATE**	SCHED*	**CONFIRM*
927	03/30/2001	03/29/2001	$328,981.06	010329	33231	1015735887
		94LCSB	-$69,084.72			
927	08/13/1998	08/12/1998	$3,338,051.30	980812	3109	4809026
		94LCSB	$61,669.31			
927	05/05/1998	05/04/1998	$1,849,937.86	980504	3615	4809028
		94LCSB	$5,102.92			
927	01/29/1998	01/28/1998	$1,598,995.71	980128	3151	4809029
		94LCSB	$56,453.39			
927	10/20/1997	10/17/1997	$1,209,217.00	971017	3700	4809030
		94LCSB	$113.00			
927	08/13/1997	08/12/1997	$1,654,297.89	970812	3389	4809031
		94LCSB	$43,222.80			
927	05/02/1997	05/01/1997	$1,421,435.00	970501	3906	4809032
		94LCSB	$81,526.00			
927	01/30/1997	01/29/1997	$1,123,748.48	970129	3465	4809034
		94LCSB	$20,893.93			
927	11/14/1996	11/13/1996	$2,886,132.88	961113	3162	4224458
		94LCSB	$25,708.67			
927	10/17/1996	10/16/1996	$286,586.34	961016	3042	4224459
		94LCSB	$73.90			
927	08/22/1996	08/21/1996	$286,586.34	960821	3800	4224461
		94LCSB	$73.90			
927	04/17/1996	04/16/1996	$638,429.97	960416	3203	4224462
		94LCSB	$26,764.52			
927	02/16/1996	02/15/1996	$826,831.46	960215	3909	4224464
		94LCSB	$29,322.18			
927	11/29/1995	11/28/1995	$167,093.56	951128	3557	4224465
		94LCSB	$81,130.83			

PIN:0T39 ACC:0T39P $17,616,324.85 Total Advances Listed Pay Hits: 14
$51,758,371.24 Total Advances Pay Count: 48
94LCSB $362,970.63 Total Subacct Advances Listed

****
********** Inquiry Results Complete **********
****
You may now make another selection from the Menu

PSC 272-E

MAJOR PROGRAM STATEMENT

WA ST OFFICE OF FINANCIAL MANAGEMENT

HHS - PMS

PERIOD COVERED BY THIS REPORT:
04/01/2001 - 06/30/2001
P-TYPE

PIN: 0T39 PAN: 0T39P EIN: 1916001089A1
ACH REGION: 10 STATE: WA

PART I - ADVANCES TO PAYEE BY MAJOR PROGRAM

ADVANCES TO PAYEE DURING THIS PERIOD:

LINE	PAID DT	*SCHED*	VOU/RQN	AMOUNT	ADVANCE	BREAKDOWN
0011	06292001	63684	00000	4,942,391.88		
					2,918,060.06	00ASC
					261,663.68	00ASF
					125.00	01DSC
					79,351.43	01SCS
					-755,448.56	94ASC
					-634.40	94SC
					21,369.77	95PD
					117.56	97EDS
					2,284,772.23	98ARC
					24,522.40	99APS
					108,492.71	99ASH
TOTAL				$ 4,942,391.88		

PART II - CASH ACCOUNTABILITY

PROGRAM	TOTAL AUTHORIZATIONS AS OF	TOTAL ADVANCES AS OF	UNDRAWN AUTHORIZATIONS AS OF	THIS PERIOD DRAWS BY PROGRAM
00ASC				
U-00ASCWA047	14,777,258.00			
00ASC	14,777,258.00	4,177,768.54	10,599,489.46	2,918,060.06
00ASF				
U-00ASFWA047	970,299.00			
00ASF	970,299.00	659,414.56	310,884.44	261,663.68
00EDS				
U-00EDSWA026	7,060.00			
00EDS	7,060.00	4,499.24	2,560.76	0.00
01DSC				
U-01DSCWA047	65,000.00			
01DSC	65,000.00	125.00	64,875.00	125.00
01SCS				
U-01SCSWA047	302,745.00			
01SCS	302,745.00	121,691.90	181,053.10	79,351.43
94ASC				
U-94ASCWA047	36,730,986.00			
94ASC	36,730,986.00	35,975,537.44	755,448.56	-755,448.56
94LCSB				
U-94LCSWA016	432,055.35			
94LCSB	432,055.35	362,970.63	69,084.72	0.00
94SC				
U-94SCSWA047	1,712,197.00			
94SC	1,712,197.00	1,701,874.22	10,322.78	-634.40

APPENDIX B

CORPORATION RESPONSE TO DRAFT AUDIT REPORT

CORPORATION
FOR NATIONAL
AND
COMMUNITY
SERVICE

To: Terry E. Bathen, Acting Inspector General

Through: William Anderson, Deputy Chief Financial Officer

From: Peg Rosenberry, Director of Grants Management
Peter Heinaru, Director, AmeriCorps State/National

Date: July 15, 2002

Subj: Response to OIG Draft Audit Report 02-09: Incurred Cost Audit of Grants Awarded to the Washington Commission for National and Community Service

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We have reviewed the draft audit report of the grants to the Washington Commission for National and Community Service. Due to the limited timeframe for response, we have not analyzed documentation provided by the Washington Commission supporting the questioned costs nor reviewed the audit work papers. We will respond to all findings and recommendations when the audit is issued and we have reviewed the findings in detail.

Our preliminary review indicates that Washington received over $43,000,000 in grant funds during the period covered by the audit. Of this total only $403,735 was questioned (less than 1%) and an additional $1,203,559 (less than 3%) was identified as unsupported. Most of the unsupported costs ($935,749) were unreconciled differences between federal cash transaction reports and the accounting system for three 1994 grants. The commission began its reconciliation process in 2001 when the Corporation ended the three 1994 grants. When that reconciliation process is completed the costs will be resolved.

In 1998, the Corporation began awarding Education Award and Promise Fellows programs as fixed price grants. Because they are fixed price grants, the grantee is not required to follow the federal cost principles. It appears from the draft audit that the auditing firm did not recognize them as such and may have audited them against requirements that do not apply to fixed price grants. We will confirm this during the audit resolution process.