OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Audit of Corporation for National and Community Service Grants Awarded to Alaska State Community Service Commission Juneau, Alaska

OIG Audit Report Number 02-16

Financial Schedules
and
Independent Auditor's Reports
For the Period
October 1, 1997 to December 31, 2001

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This report was issued to Corporation management on September 26, 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 March 26, 2003, and complete its corrective actions by September 26, 2003. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

CORPORATION FOR NATIONAL SERVICE

Office of Inspector General
Corporation for National and Community Service
Audit Report 02-16

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

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 L. G. Birnbaum and Company to audit Corporation grants to the Alaska State Community Service Commission for AmeriCorps, Education Awards, Program Development and Training, Make a Difference Day and Administrative costs from October 1, 1997 through December 31, 2001. During this period, the Commission received approximately $4.2 million in funding authority from the Corporation and had approximately $3.9 million in claimed costs. The audit's objectives were to determine whether (1) the Commission's financial reports presented fairly the financial results of the award; (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 $127,818, an amount which represents approximately three percent of the total of the $3,863,943 claimed by the Commission. The audit identified two material weaknesses relating to (1) the reconciliation of amounts drawn down from HHS with the Commission's financial records and (2) the Commission's practice of reporting reimbursements and advances to AmeriCorps subrecipients as costs rather than reporting only costs actually claimed by those subrecipients. The Commission has instituted new procedures to address both of these deficiencies. 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 auditor's conclusions.

OIG provided the Commission and Corporation a draft of this report for their review and comment. Their responses are included as Appendices A and B, respectively. The Commission responses refer to additional attached exhibits. OIG and contract audit personnel considered the Commission exhibits in preparing this final report and copies of those documents are included in the audit workpapers.

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Audit of Corporation for National and Community Service
Grants Awarded To
Alaska State Community Service Commission
Juneau, Alaska

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REPORT SUMMARY AND HIGHLIGHTS

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This report is issued under an engagement to audit the costs claimed by the Alaska State Community Service Commission (Commission) and its subrecipients from October 1, 1997 through December 31, 2001 under the grants awarded by the Corporation for National and Community Service. This report focuses on the audit of claimed costs, instances of noncompliance with Federal laws, applicable regulations or award conditions, and internal control weaknesses disclosed during the audit at the Commission and its subrecipients.

Results in Brief

As a result of our audit of these awards, we are questioning costs totaling $127,818, an amount which represents approximately three percent of the total of $3,863,943 claimed by the Commission. Of the $127,818 of questioned costs, $82,477 was questioned because the Commission and/or its subrecipient(s) were unable to provide documentation to support the claimed costs. Other costs questioned included living allowances questioned because key eligibility documentation could not be located, and an unresolved transfer of PDAT funds to an AmeriCorps subrecipient. Details related to questioned costs appear in the Independent Auditor's Report.

Our audit also disclosed that, because the Commission is a unit of the Alaska state government and must use the state's accounting system, the Commission lacks the ability to track expenditures by budget line item without extensive analysis. Details related to this and other noncompliance findings appear in the Independent Auditor's Report on Compliance and on Internal Controls Over Financial Reporting.

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Grant Programs Audited

Our audit of the Commission covered financial transaction, compliance and internal controls testing of the following program awards funded by the Corporation for National and Community Service (Corporation):

Program	Award Number	Award Period	Audit Period
AmeriCorps	94ASCAK002	08/01/94 to 12/31/00	10/01/97 to 12/31/00
AmeriCorps	00ASCAK002	09/01/00 to 09/30/03	09/01/00 to 12/31/01
Education Awards	98EDSAK201	06/01/98 to 08/31/00	06/01/98 to 08/31/00
PDAT	95PDSAK001	11/01/95 to 12/31/01	01/01/98 to 12/31/01
Administration	94SCSAK001	01/31/94 to 12/31/00	01/01/98 to 12/31/00
Make a Difference	99MDDAK001	08/01/99 to 10/01/99	08/01/99 to 10/01/99

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

	Amount	Percentage of Budget/Claimed
Award Budget	$ 4,213,339	-
Claimed Costs	3,863,943	91.7%
Questioned Costs	127,818	3.3%

SUMMARY OF AUDIT RESULTS

As a result of our audit of the aforementioned awards, we are questioning costs totaling $127,818 as summarized below and detailed in Exhibits A through E to the Independent Auditor's report. Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the award, or those costs which require additional support by the grantee or require interpretation of allowability by the Corporation.

The audit identified two material weaknesses relating to (1) the reconciliation of amounts drawn down from HHS with the Commission's financial records and (2) the Commission's practice of reporting reimbursements and advances to AmeriCorps subrecipients as costs rather than reporting only costs actually claimed by those subrecipients. The Commission has instituted new procedures to address both of these deficiencies. In our opinion, except for missing supporting documentation and the $127,818 in questioned costs, the Commission's Schedules of Award Costs accurately reflects the costs claimed for the period from October 1, 1997 to December 31, 2001.

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

AmeriCorps Grant	
Stipends to Members lacking eligibility documentation	$ 10,341
Total Questioned – AmeriCorps	$ 10,341
PDAT	
Unsupported costs	$ 43,050
Unresolved transfer to Rural CAP	35,000
Total Questioned – PDAT	$ 78,050
Administration	
Unsupported costs	$ 39,427
Total Questioned – Administration	$ 39,427
Total Questioned – All Grants	**$127,818**

In most cases, we used a random sampling method to test the costs claimed. Based upon this sampling plan, questioned costs in this report may not represent total costs that may have been questioned had all expenditures been tested. In addition, we have made no attempt to project such costs to total expenditures incurred, based on the relationship of costs tested to total costs. For a complete discussion of these questioned costs, refer to the Independent Auditor's Report.

COMPLIANCE

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

- The Commission did not track expenditures by budget line item as required by CNCS provisions.
- The Commission did not submit Financial Status Reports (FSRs) on a timely basis.
- AmeriCorps subrecipients did not submit FSRs on a timely basis.
- Records supporting documentation for nonpayroll costs incurred prior to January 1, 2000 were not available.
- Cumulative PDAT costs reported on FSRs exceeded the amount recorded in the general ledger.
- Cumulative AmeriCorps costs reported on the Commission's FSRs exceeded the amounts reported and claimed by subrecipients.
- Travel costs claimed by a subrecipient were incurred after the subgrant had closed.
- Supporting documentation was not available for travel costs claimed by a subrecipient.
- Subrecipients did not maintain all the required Americorps eligibility documentation.

INTERNAL CONTROLS

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

- Amounts drawn down, as reported by HHS, are not reconciled to amounts in the Commission's records.
- Advances to subrecipients were recorded and claimed as expenses.

PURPOSE AND SCOPE OF AUDIT

Our audit covered the costs claimed under Corporation Grant Nos. 94ASCAK002, 00ASCAK002, 98EDSAK201, 95PDSAK001, 94SCSAK001, and 99MDDAK001.

The principal objectives of our audit were to determine whether:

1. Financial reports prepared by the Commission presented fairly the financial results of the award;

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

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

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

5. The Commission had established adequate oversight and informed subrecipients of the Corporation's GPRA goals.

We performed the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the awards, as presented in the Schedules of Award Costs (Exhibits A through E), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibits A through E. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. Our audit included reviews of audit reports and working papers prepared by the independent public accountants for the Commission and its subrecipients in accordance with the requirements of OMB Circular A-133. Our audit also included follow up on the Pre-Award Survey Report concerning the Commission dated March 24, 2000 (CNS OIG Report 00-24). We believe our audit provides a reasonable basis for our opinion.

The contents of this draft report were disclosed to and discussed with the Commission at an exit conference on July 22, 2002. In addition, we provided a draft of this report to the Commission and to the Corporation for comment on July 22, 2002 and received responses from both the Commission and the Corporation on August 22, 2002.

BACKGROUND

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

The Commission has received approximately $8.7 million in funding and $8 million in drawdowns from the Corporation since 1994, including AmeriCorps formula funds, AmeriCorps competitive funds, State Disability Funds, PDAT funds, Administration funds, and Make a Difference Day funds. Of this amount, approximately $7.2 million was distributed to subgrantees. All of the Commission's subgrantees are nonprofit organizations.

Through December 31, 2001, the Commission had received funding from the Corporation, and drawn down funds as follows:

		Authorized	Drawndown
94ASCAK002	- AmeriCorps (Comp. & Form.)	$ 6,463,322	$6,463,320
00ASCAK002	- AmeriCorps (Comp. & Form.)	1,137,834	630,895
97DSCAK002	- State Disability Funds Grant Award	15,111	-0- *
98EDSAK201	- AmeriCorps Education Awards	38,670	13,967
95PDSAK001	- PDAT Funds	377,462	312,410
94SCSAK001	- Administrative Funds	645,685	576,025
99MDDAK001	- Make a Difference Day Funds	2,000	2,000
TOTAL		$ 8,680,084	$7,998,617

* No costs were claimed against this grant during the period covered by the audit.

REPORT RELEASE

This report is intended for the information and use of the Corporation's Office of Inspector General, management of the Corporation for National and Community Service, the Alaska State Community Service Commission and its subrecipients, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

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Corporation for National and Community Service

INDEPENDENT AUDITOR'S REPORT

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

Program	Award Number	Award Period	Audit Period
AmeriCorps	94ASCAK002	08/01/94 to 12/31/00	10/01/97 to 12/31/00
AmeriCorps	00ASCAK002	09/01/00 to 09/30/03	09/01/00 to 12/31/01
Education Awards	98EDSAK201	06/01/98 to 08/31/00	06/01/98 to 08/31/00
PDAT	95PDSAK001	11/01/95 to 12/31/01	01/01/98 to 12/31/01
Administration	94SCSAK001	01/31/94 to 12/31/00	01/01/98 to 12/31/00
Make a Difference	99MDDAK001	08/01/99 to 10/01/99	08/01/99 to 10/01/99

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, except for the omission of the supporting source documentation discussed above and $127,818 in questioned costs, the Schedules of Award Costs (Exhibits A through E and related Schedules) referred to above present fairly, in all material respects, the costs claimed for the period October 1, 1997 to December 31, 2001, in conformity with generally accepted accounting standards in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report, dated June 28, 2002, on Compliance and on Internal Controls over financial reporting.

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

Leonard G. Birnbaum and Company, LLP

Alexandria, Virginia
June 28, 2002

Exhibit A

Alaska State Community Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Number 94ASCAK002
Award Number 00ACSAK002
October 1, 1997 to December 31, 2001
(Note 1)

AmeriCorps

	Claimed Costs	Questioned Costs	
Southeast Alaska Guidance Assoc.	$ 1,465,423	$ 10,341	Schedule A-1
Rural Community Action Program	1,384,324	0	Schedule A-2
Nine Star Enterprises	511,914	0	Schedule A-3
Total	$ 3,361,661	$ 10,341	
Approved Budget	$ 3,586,732		

Note

1. As discussed in the Independent Auditor's Report on Compliance and on Internal Controls Over Financial Reporting, the Commission did not track expenditures by budget line item. Accordingly, neither this Exhibit nor the accompanying Schedules present claimed costs by budget line item. Further, our audit did not result in any questioned match costs. Accordingly, for purposes of simplicity in presentation, the amounts shown on this and other Exhibits and accompanying Schedules relate to federal funds only.

Schedule A-1

Alaska Community Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Number 94ASCAK002
Award Number 00ASCAK002
October 1, 1997 to December 31, 2001

Southeast Alaska Guidance Association

Approved Budget (Federal Funds)	$ 1,466,173	Note 1
Claimed Costs	1,465,423	Note 1
Questioned Costs		
Stipends	10,341	Note 2
Total Questioned Costs	$ 10,341	

Notes

1. The approved budget and claimed costs are comprised of the following:

Award Number	Budget	Claimed Costs
94ASCAK002	1,012,501	1,012,501
00ASCAK002	453,672	452,922
Totals	1,466,173	1,465,423

2. Our review of SAGA's member records disclosed that high school diplomas were missing for several members enrolled under award number 94ASCAK002. We have, accordingly, questioned the stipends paid to these members.

Schedule A-2

Alaska State Community Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Number 94ASCAK002
October 1, 1997 to March 31, 2001

Rural Community Action Program

Approved Budget (Federal Funds)	$ 1,518,125
Claimed Costs	1,384,324
Questioned Costs	$ 0

Schedule A-3

Alaska State Community Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Number 94ASCAK002
October 1, 1997 to September 30, 2000

Nine Star Enterprises

Approved Budget (Federal Funds)	$ 602,434
Claimed Costs	511,914
Questioned Costs	0

Exhibit B

Alaska State Community Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Number 98EDSAK201
June 1, 1998 to August 31, 2000

AmeriCorps Education Awards

Approved Budget (Federal Funds)	$ 28,505
Claimed Costs	24,377
Questioned Costs	0

Exhibit C

Alaska State Community Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Number 95PDSAK001
January 1, 1998 to December 31, 2001

PDAT

Approved Budget (Federal Funds)	$ 371,500	
Claimed Costs	318,105	
Questioned Costs		
Unsupported	43,050	Note 1
Transfer to Rural CAP AmeriCorps	35,000	Note 2
Total Questioned Costs	$ 78,050	

Notes

1. The questioned amount represents nonpayroll costs incurred prior to January 1, 2000, for which supporting documentation could not be located.

2. PDAT funds in the amount of $35,000 were transferred to Rural CAP and reported by Rural CAP as AmeriCorps expenditures. We were unable to determine how these costs were reported by the Commission. Pending resolution of how these costs were reported by the Commission, we have questioned them.

Exhibit D

Alaska State Community Service Commission
Schedule of Award Costs
Corporation for National Service
Award Number 94 SCSAK001
October 1, 1997 to June 30, 2001

ADMINISTRATION

Approved Budget (Federal Funds)	$ 209,491	
Claimed Costs	157,800	
Questioned Costs (Unsupported)	$ 39,427	Note 1

Notes

1. The questioned amount represents non-payroll costs claimed which were incurred prior to January 1, 2000, for which supporting documentation is unavailable.

Exhibit E

Alaska State Community Service Commission
Schedule of Award Costs
Corporation for National Service
Award Number 99MDDAK001
August 1, 1999 to October 1, 1999

Make a Difference Day

Approved Budget (Federal Funds)	$ 2,000
Claimed Costs	2,000
Questioned Costs	0

Alaska State Community Service Commission
Notes to Schedule of Award Costs

1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying Exhibits and Schedules include amounts claimed and questioned under AmeriCorps, Administrative, and Program Development and Training grants awarded by the Corporation for National and Community Service for the period from October 1, 1997 to December 31, 2001.

The Commission awards its AmeriCorps grant funds to numerous subgrantees that administer the AmeriCorps program and report financial and programmatic results to the Commission.

Basis of Accounting

The accompanying Schedule has been prepared to comply with the Provisions of the grant agreements between the Corporation and the Commission. The information presented in the Schedule has been prepared from the reports submitted by the Commission to the Corporation. The basis of accounting used in preparation of these reports differs slightly from accounting principles generally accepted in the United States of America as follows:

Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciation over its useful life. As a result, the expenses reflected in the Schedule of Award Costs include the cost of equipment purchased during the period rather than a provision for depreciation. The equipment acquired is owned by Alaska State Community Service Commission while used in the program for which it was purchased or in other future authorized programs. However, the Corporation has reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds therefore, is subject to Federal regulations.

Inventory

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

We have audited the Schedules of Award Costs, as presented in Exhibits A through E, which summarize the claimed costs of the Alaska State Community Service Commission under the Corporation awards listed below, and have issued our report thereon dated June 28, 2002.

Program	Award Number	Award Period	Audit Period
AmeriCorps	94ASCAK002	08/01/94 to 12/31/00	10/01/97 to 12/31/00
AmeriCorps	00ASCAK002	09/01/00 to 09/30/03	09/01/00 to 12/31/01
Education Awards	98EDSAK201	06/01/98 to 08/31/00	06/01/98 to 08/31/00
PDAT	95PDSAK001	11/01/95 to 12/31/01	01/01/98 to 12/31/01
Administration	94SCSAK001	01/31/94 to 12/31/00	01/01/98 to 12/31/00
Make a Difference	99MDDAK001	08/01/99 to 10/01/99	08/01/99 to 10/01/99

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

COMPLIANCE

Compliance with laws, regulations, and the Grant Provisions of the awards is the responsibility of Alaska State Community Service Commission's management. As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and the terms and conditions of the awards. However, our objective was not to provide an opinion on overall compliance with such provisions.

Instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, and the Grant Provisions of the award.

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COMPLIANCE FINDINGS

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

Finding No. 1

Condition

The Commission did not track expenditures for the Administration and PDAT grants by budget line item as stipulated in Grant Provisions. Consequently, we were unable to compare the Commission's claimed amounts to specific Program Budget line items. AmeriCorps' General Provisions include "Financial Management Provisions" that state " ... This (Financial Management) system must be able to identify costs by programmatic year and by budget line item."

The Alaska Standard Accounting System does not summarize financial information by line item. The effect of this condition is that, for most grants, the Commission is unable to perform a comparison of actual expenditures to budget line items. It is difficult to control costs if management is unaware of how expenditures compare with the budget.

AmeriCorps subgrantee request for reimbursement forms, and more recently, the Web Based Reporting System (WBRS), include budget line items and expenditures of Federal funds and Grantee matching. In spite of this information being available for subgrants, the Commission's financial management system is not configured to provide a comparison of actual expenditures to budget line items. On grants without subgrantees, such as Administration, no budget line item comparisons with expenditures are available.

Recommendation

We recommend that the Commission establish policies, procedures and accounting practices within its current recordation systems to utilize the respective grants' appropriation codes and budget line items for tracking the funded and expended amounts by grant, program year and budget line item.

Commission's Response

The Commission agrees with the need for control over the budgets for the Administration and PDAT grants. The Commission believes that the expanded use of the WBRS system should aid in budgetary comparisons.

Auditor's Comment

We agree that effective implementation of WBRS for the Administration and PDAT grants should remedy this deficiency. We cannot verify that corrective action has occurred until reporting of costs incurred under the Administrative and PDAT grants demonstrates comparison of actual expenditures to the five principal categories identified in budgets.

Finding No. 2

Condition

The Commission did not submit Financial Status Reports (FSRs) of AmeriCorps, Administrative and PDAT grants on a timely basis as stipulated in the respective Grant Provisions.

Grant	Submitted Late	On Time	Percent Late
94ASCAK002 – AmeriCorps	6	8	43%
94SCSAK001 – Administrative	10	5	67%
95PDSAK001 – PDAT	9	8	53%

We believe the basic cause of the above condition was that proper emphasis was not placed in the financial management process on timely gathering of the information necessary to prepare FSRs.

The Corporation has established due dates for FSRs for each program for each year. We matched due dates with actual FSR submission dates to arrive at the results shown above.

This condition results in a violation of the terms and conditions of the grant and potential funding misapplications. Both the Grantor and Grantee require current financial information for timely and effective management decision-making.

Recommendation

We recommend that the Commission establish policies and procedures to ensure that FSRs are properly completed and submitted on a timely basis.

Commission's Response

The Commission agrees with this finding and represents that it has strengthened its procedures to assure that FSRs are completed accurately and reporting deadlines are met.

Auditor's Comment

The Commission did not provide a copy of the revised provisions. An awareness of the deficiency and improved procedures could assist with timely FSR submission.

Finding No. 3

Condition

The following AmeriCorps subrecipients did not submit Financial Status Reports on a timely basis:

Subrecipient	Submitted Late	On Time	Percent Late
Nine Star	3	12	20%
SAGA	2	16	11%
Rural CAP:			
EPA/Raven	4	15	21%
Child Development	3	13	19%

The basic cause of the above condition appears to be that the Commission's indoctrination and oversight processes to its subrecipients did not adequately emphasize the importance of preparing and submitting correct and timely Financial Status Reports.

OMB Circulars A-102 and A-110 as well as AmeriCorps Provision No. 17 – "Reporting Requirements" provide for the submission of quarterly FSRs. The Commission also established annual subrecipient FSR due dates in order to provide the time necessary to aggregate Commission FSRs and meet the Corporation's FSR due date schedule. Subrecipient due dates were compared with submission dates to arrive at the above schedule.

This condition results in a violation of the terms and conditions of the grant and potential funding misapplications. The Grantee and subrecipients require current financial information for timely and effective management decision-making.

Recommendation

We recommend that the Commission establish policies and procedures to ensure that FSRs are properly completed, supported by adequate documentation, and submitted on a timely basis.

Commission's Response

The Commission agrees with this finding and represents (1) that timely reporting will be stressed as new Grantees enter the state program and (2) that the Commission's standards are more stringent and should easily meet the CNCS requirements for timely reporting.

Auditor's Comment

Training to emphasize the importance of timely FSR submission should improve subrecipient timeliness.

Finding No. 4

Condition

The Alaska Department of Education and Early Development (EED) is responsible for the maintenance of accounting records and supporting documentation for the Alaska State Community Service Commission. EED was unable to provide supporting documentation for the Administration and PDAT grants' non-payroll transactions prior to January 1, 2000.

Because these costs claimed could not be subjected to audit tests, we have questioned the following amounts:

Grant	FY 1998	FY 1999	Totals
94SCSAK001 – Administration	13,829	25,598	39,427
95PDSAK001 – PDAT	21,855	21,195	43,050
Totals	**35,684**	**46,793**	**82,477**

The Alaska Department of Community and Regional Affairs (DCRA) was originally responsible for AmeriCorps and other related CNCS grants. The program moved to the Alaska Department of Labor when the DCRA was eliminated and several months later to the EED. As a result of these program transfers, per EED personnel, various items of supporting documentation are no longer accessible for audit review.

Responsibilities Under Grant Administration 3.a. under Section C., General Provisions for Program Development and Training, Disability Placement and State Administrative Awards requires that "the Grantee has full fiscal and programmatic responsibility for managing all aspects of grant and grant-supported activities, subject to the oversight of the Corporation. The Grantee is accountable to the Corporation for its operation of the AmeriCorps program and the use of Corporation grant funds. It must expend grant funds in a judicious and reasonable manner."

Financial Management Provision 4.b. under Section C., General Provisions for Program Development and Training, Disability Placement and State Administrative Awards requires that "the Grantee must maintain adequate supporting documents for its expenditures and in-kind contributions under this grant. Costs must be shown in books or records and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document."

This condition results in a violation of the terms and conditions of the grant and potential funding misapplications. The Grantee and subrecipients require accurate and properly supported financial information for timely and effective management decision-making.

Recommendation

Because the lack of supporting documentation involved prior periods in which CNCS programs were under the supervision of other state agencies, no recommendation is deemed appropriate.

Commission's Response

The Commission essentially agrees with this finding but suggests (1) that financial reports from the state accounting system provide a specific record of how and when Commission funds were expended and (2) that there is no reason to suggest that there was any impropriety in these expenditures.

Auditor's Comment

No supporting documentation was provided for these costs during the audit or in the response. Accordingly, the finding and the related questioned costs, remain unchanged.

Finding No. 5

Condition

Cumulative PDAT costs reported on the FSRs exceeded the amounts recorded in the general ledger by $8,461 as December 31, 2001.

Source:	**Amount**
Financial Status Reports	354,599
General Ledger	346,138
Difference	**8,461**

EED personnel did not provide a reconciliation of the difference in costs per the FSRs and the general ledger but suggested that such differences are possibly the result of timing and would be eliminated by the end of the grant.

Financial Management Provision 4.a. under Section C., General Provisions for Program Development and Training, Disability Placement and State Administrative Awards requires that "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 Provision 4.b. under Section C. requires that "the Grantee must maintain adequate supporting documents for its expenditures and in-kind contributions under this grant. Costs must be shown in books or records and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document."

This condition results in a violation of the terms and conditions of the grant and potential funding misapplications. Properly supported and accurate financial information is required for timely and effective reporting and management decision-making.

Recommendation

We recommend that the Commission prepare worksheets and reconciliations to support any differences between the FSRs and the underlying accounting records.

Commission's Response

The Commission agrees with the finding and recommendation to develop internal control procedures to eliminate reporting errors. The Commission provided a revised reconciliation, together with a screen print of a PMS report through April 3, 2002 and its FSR as of March 31, 2002 which reduces the difference to $89.

Auditor's Comment

We consider the $89 to be an acceptable timing difference. We have revised our questioned costs to exclude the originally reported difference of $8,461.

Finding No. 6

Condition

Cumulative AmeriCorps costs reported on the Commission's FSRs exceeded by $31,287 the amounts reported and claimed by the subrecipients as of March 31, 2001.

Source:	**Amount**
Commission Financial Status Reports from inception through 3/31/01	6,443,806
Subrecipients' Financial Status Reports – all subgrants from inception through 3/31/01	6,412,519
Difference	**31,287**

Further, we noted that total drawdowns for the grant were $6,463,320 as opposed to total costs claimed by subrecipients of $6,412,519 – a difference of $50,801. The Commission reported reimbursements and advances to the AmeriCorps subrecipients as costs rather than reporting the costs actually claimed by the subrecipients. EED personnel did not provide a reconciliation of the difference in costs per the Commission's FSRs and those costs reported by the subrecipients but suggested that such differences are possibly the result of timing and would be eliminated by the end of the grant. In the absence of a reconciliation of this difference, we have questioned this amount.

PDAT funds of $35,000 were provided by the Commission to Rural CAP's Alaska EPA AmeriCorps Program in 1998. We noted that these costs were reported by Rural CAP as AmeriCorps expenditures, but were unable to determine how they were reported by the Commission. It is possible that these expenditures were reported as PDAT funds by the Commission and as AmeriCorps funds by Rural CAP, a situation that could result in an overstatement of costs claimed. Pending resolution of this issue, we have questioned these costs.

Financial Management Provision 4.a. under Section C., General Provisions for Program Development and Training, Disability Placement and State Administrative Awards requires that "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 Provision 4.b. under Section C. requires that "the Grantee must maintain adequate supporting documents for its expenditures and in-kind contributions under this grant. Costs must be shown in books or records and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document."

This condition results in a violation of the terms and conditions of the grant and potential funding misapplications. Properly supported and accurate financial information is required for timely and effective reporting and management decision-making.

Recommendation

We recommend that the Commission develop and implement an internal control procedure to ensure that the total funds expended by the subrecipient are reconciled to the total funds disbursed by the Commission to the subrecipient. We also recommend the preparation of worksheets and reconciliations to support any differences between drawdowns from the Corporation and the FSRs.

Commission's Response

The Commission agrees with the finding and recommendation to develop internal control procedures to eliminate reporting errors. The Commission provided a PMS screen print as of April 2, 2002 that reflected a credit adjustment of $49,961.80 that reduced the difference to $691.

The Commission stated that the revised reconciliation noted under Finding No. 5 resolves the questioned costs of $35,000 that the auditor considered could have been reported as PDAT funds, even though those costs were identified as program expenditures by Rural CAP. The Commission also stated that there is no evidence that this amount was drawn or expended as PDAT funds. The grant agreement with Rural CAP indicates the $35,000 was an amendment to the AmeriCorps program grant even though the funds were actually spent for training.

Auditor's Comment

We consider the $691 difference to be an acceptable timing difference and the credit adjustment to be appropriate. We have, accordingly, revised our questioned costs to exclude the $31,287 originally questioned.

The reconciliation of the timing difference between the PDAT FSR and the PMS report has the effect of ensuring that costs reported on the PDAT FSR reasonably agree with the cash drawn from PMS. The reconciliation does not, however, establish whether the $35,000 of PDAT funds provided to Rural CAP's Alaska EPA AmeriCorps Program was reported on an FSR for the AmeriCorps program or a PDAT FSR. Accordingly, our position with respect to the $35,000 remains unchanged.

Finding No. 7

Condition

Cumulative drawdowns by the Commission for its Administration grant exceeded costs reported on the final FSR by $11,053.

Source:	**Amount**
Drawdowns per CNS	576,025
Commission's Financial Status Reports through final of 6/30/01	564,972
Difference	**11,053**

EED personnel did not provide a reconciliation of the difference between drawdowns and the costs per the Commission's FSRs. In the absence of such a reconciliation, we have questioned this amount.

Financial Management Provision 4.a. under Section C., General Provisions for Program Development and Training, Disability Placement and State Administrative Awards requires that "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 Provision 4.b. under Section C. requires that "the Grantee must maintain adequate supporting documents for its expenditures and in-kind contributions under this grant. Costs must be shown in books or records and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document."

This condition results in a violation of the terms and conditions of the grant and potential funding misapplications. Properly supported and accurate financial information is required for timely and effective reporting and management decision-making.

Recommendation

We recommend that the Commission develop and implement an internal control procedure to ensure that the total funds expended are reconciled to total funds received by the Commission from the Corporation. Worksheets and reconciliations should be prepared to support any differences between drawdowns by the Commission and the FSRs.

Commission's Response

The Commission agrees with the finding and recommendation to develop internal controls to eliminate reporting errors. The Commission has provided evidence of adjustments to its PMS account and filed an amended final FSR that bring both into agreement.

Auditor's Comment

We have revised our questioned costs to exclude the $11,053 originally questioned.

Finding No. 8

Condition

Our review of travel costs claimed by Rural CAP disclosed two items charged that were outside the subrecipient grant periods and one item without supporting documentation. Accordingly, we have questioned $2,038 as follows:

- Per diem and miscellaneous costs of $942 incurred from June 25 through June 29, 2001 were charged to the AmeriCorps Child Development subgrant. The final FSR through December 31, 2000 was submitted to the state on January 31, 2001.

- Airfare costs of $748 for travel from June 11 through June 15, 2001 were charged to the AmeriCorps EPA/Raven subgrant that covered the period from September 1, 1999 through the final FSR of March 31, 2001.

- Supporting documentation was unavailable for travel costs of $348 charged to the AmeriCorps EPA/Raven subgrant for the period from January 1, 1998 through March 31, 1999.

The items above appear to be the result of inadvertent misclassification of costs charged to the subgrants and an error in the filing or retention of documentation.

Financial Management Provision 4.a. under Section C., General Provisions for Program Development and Training, Disability Placement and State Administrative Awards requires that "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 Provision 4.b. under Section C. requires that "the Grantee must maintain adequate supporting documents for its expenditures and in-kind contributions under this grant. Costs must be shown in books or records and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document."

This condition results in a violation of the terms and conditions of the grant and potential funding misapplications. Properly supported and accurate financial information is required for timely and effective reporting and management decision-making.

Recommendation

We recommend that subrecipient charges be applied to correct cost centers and grant periods and that all documentation in support of claimed costs be retained for the required three-year retention period.

Commission's Response

The $925 and the $17 questioned for grant #466 and the $748 questioned for grant #430 were not actually reported as Grantee costs on the Grantee's FSRs. At year-end closing of the Grantee's books, these charges were identified to be in the incorrect grant accounts after the final FSRs had been submitted and were removed.

The Commission provided a memorandum describing the purpose and results of the trip and other documents from Rural CAP that support the $348 in travel costs questioned in the audit report.

Auditor's Comment

The Commission stated that the charges of $925, $17 and $748 were removed from the grant accounts and provided copies of updated Rural CAP general ledgers to support this position.

The Commission submitted information and supporting documentation from Rural CAP that had not been provided previously in support of the $348 travel costs questioned.

We have revised our questioned costs to exclude the $2,038 originally questioned in this finding.

Finding No. 9

Condition

Our review of SAGA's member records disclosed the following missing documentation:

Issue	1998	1999	2000	2001
High-School (H.S.) Diploma	2 of 12		1 of 10	
Parental Consent form		1 of 16	1 of 10	
Program Start/End Dates	4 of 12			
H.S. Dropout date/Agreement to obtain H.S. equivalent	2 of 12		1 of 10	
Position Descriptions	11 of 12	15 of 16	4 of 10	
Drug Free Workplace	8 of 12			
Member Contracts	4 of 12			
Mid./End Evaluations	2 of 12	7 of 16	2 of 10	1 of 12
Time worked directed toward Grant			1 of 10	

Files of two members in 1998 and one in 2000 were missing the required high school completion documentation, dropout date or agreement to obtain the high school equivalent. Without this information we were unable to determine whether these individuals were eligible for the AmeriCorps program and, as a result, have questioned the stipends paid to them as recorded in the payroll register.

The cause of the missing documentation from the members' files appears to the result of the lack of emphasis on the importance of properly maintaining the members' records. We noted improvement in more recent audit periods (2000-2001).

The AmeriCorps Provisions establish policies and procedures for the subrecipients to follow with regard to the members' records, eligibility and support are as follows:

AmeriCorps Special Provisions	**1998**	**1999**	**2000**	**2001**
Section B	7,8, 15 & 17	7,8, 15 & 17	7,8, 15 & 17	6, 7, 14 & 16

This condition results in violation of the terms and condition of AmeriCorps Provisions and potential funding misapplications. Members without high-school diplomas or written agreements to obtain the equivalent or parental consent forms could result in ineligible members being enrolled.

Recommendation

We recommend that the Commission emphasize to its subrecipients the importance of maintaining proper and complete member records and establish policies and procedures to monitor compliance with AmeriCorps Provisions on member files.

Commission's Response

The Commission and SAGA stated that the three participants whose costs were questioned were two high school students enrolled in the Job Training Partnership Act (JTPA) summer program in 1998 and in one in the Workforce Investment Act (WIA) program in 2000-2001 and were not paid with AmeriCorps funds. A letter of explanation and items of documentation were submitted to support this position.

Auditor's Comment

AmeriCorps rosters provided by SAGA for our review for the years 1998 and 2000 included the three individuals whose costs were questioned in the audit report. SAGA maintains that the costs associated with these individuals were paid by JTPA and WIA and submitted schedules in support of this position. SAGA did not, however, submit similar schedules or other support of the stipend costs claimed under the AmeriCorps program, nor was high school completion documentation provided. It is not possible to verify actual costs or their allowability in the absence of such information, and accordingly our position with respect to the questioned costs of $10,341 remains unchanged.

Finding No. 10

Condition

Our review of Nine Star's member records disclosed the following missing documentation:

Issue	1998	1999	2000
Position Descriptions	1 of 4	1 of 4	1 of 4
Orientation Checklist	4 of 4	3 of 4	1 of 4

The cause of the missing position descriptions from the members' files appears to be the result of an inadvertent error. Nine Star generally did not include orientation checklists in the files until the year 2000.

The AmeriCorps Provisions, Section B., establish policies and procedures for the subrecipients to follow with regard to the members' records, eligibility and support.

This condition results in violation of the terms and conditions of AmeriCorps Provisions.

Recommendation

We recommend that the Commission emphasize to its subrecipients the importance of maintaining proper and complete member records and establish policies and procedures to monitor compliance with AmeriCorps Provisions on member files.

Commission's Response

The Commission agrees with the nature of the recommendation and represents that it continues to emphasize to Grantees the importance of maintaining complete member records. The Commission provided a copy of a checklist contained in its policy manual for Program Directors regarding required contents for member files and represented that this checklist is used by Commission staff in site monitoring visits.

Auditor's Comment

The checklist comprehensively covers the documentation required to be in members' files. We are unable to comment on whether the checklist has been implemented effectively.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

In planning and performing our audit of award costs as presented in Exhibits A through E for the period October 1, 1997 to December 30, 2001, we considered the Commission's internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal controls over financial reporting.

The Commission's management is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, management estimates and judgments are required to assess the expected benefits and related costs of internal control policies and procedures. The objective of internal controls 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 accordance with generally accepted accounting principles of the United States of America. Because of inherent limitations in any internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of this matter would not necessarily disclose all matters of internal controls over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgement, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts, which would be material in relation to the financial schedules being audited or material to a performance measure or aggregation of related performance measures, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

INTERNAL CONTROL FINDINGS:

We noted the following matters involving the internal controls that we consider to be reportable conditions. Both of these conditions are also considered to be material weaknesses.

Finding No. 11

Condition

Amounts drawn down, as reported by HHS, are not reconciled to amounts reflected in the Commission's records. As noted in Finding No. 7, cumulative drawdowns exceeded total costs claimed for the Commission's Administrative grant indicating that EED did not reconcile CNCS funding and costs incurred.

This condition appears to be the result of administrative oversight on the part of EED, the agency responsible for the Commission's accounting records.

Financial Management Provision 4.a. under Section C., General Provisions for Program Development and Training, Disability Placement and State Administrative Awards requires that "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."

This condition results in a violation of the terms and conditions of the grant and potential funding misapplications. Properly supported and accurate financial information is required for timely and effective reporting and management decision-making.

Recommendation

We recommend that the Commission develop and implement internal control procedures to ensure that the total funds expended for each funding award are reconciled to the total funds received by the Commission from the Corporation. Worksheets and reconciliations should be prepared to support any differences between drawdowns by the Commission and the FSRs.

Commission's Response

The Commission agrees with the finding and recommendation and represents that a procedure has been established to reconcile grant revenues with state expenditure reports prior to each draw down request.

Auditor's Comment

Implementation of the revised procedures should correct this condition.

Finding No. 12

Condition

The Commission reported reimbursements and advances to AmeriCorps subrecipients as costs rather than reporting the costs actually claimed by the subrecipients. The pre-Audit Survey also cited this condition noting similarly that the Commission uses drawdown requests to compile FSRs submitted to the Corporation. Consequently, Commission FSRs are not compiled based on expenditures reported on the subgrantee FSRs submitted to the Corporation.

The Commission indicated in its response to the Pre-Audit Survey that FSRs are prepared on a cash basis, based on actual expenditures, and that only actual disbursements made and cleared through Alaska State Auditing System to the subgrantees are reported on the Commission FSRs. We agree that reimbursements can be construed as expenditures, however, advances provided to operate the AmeriCorps program are not costs until reported as such, since actual programmatic costs have yet to be incurred and reported.

Financial Management Provision 4.a. under Section C., General Provisions for Program Development and Training, Disability Placement and State Administrative Awards requires that "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 Provision 4.b. under Section C. requires that "the Grantee must maintain adequate supporting documents for its expenditures and in-kind contributions under this grant. Costs must be shown in books or records and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document."

This condition results in a violation of the terms and conditions of the grant and potential funding misapplications. Properly supported and accurate financial information is required for timely and effective reporting and management decision-making.

Recommendation

We recommend that the Commission develop and implement an internal control procedure to ensure that the total funds expended by subrecipients are reconciled to the total funds disbursed by the Commission.

Commission's Response

The Commission agrees with the finding and with the recommendation and represents that it has established a procedure to reconcile total funds expended by subrecipients to the total funds disbursed by the Commission. The Commission notes that the practice of reporting advances to subrecipients as expenditures on Commission FSRs was the practice used when the AmeriCorps program was administered by another state department.

Auditor's Comment

Implementation of the revised procedures should correct this condition.

Findings Nos. 1 through 9 set forth in the *Compliance* section of the report are also considered findings on internal control.

Follow-Up On Pre-Audit Survey Findings

Finding No. 1

The Commission did not maintain signed conflict of interest forms as required. Because the Commission could not provide all signed and dated conflict of interest statements, it was not possible to determine whether the forms were properly completed by all Commission and grant review panel members during the grantee selection process and whether the individual reviewer lacked a conflict of interest.

Current Status

The Commission stated that there has been an on-going effort to maintain objectivity and impartiality in the review and selection of grant applications. The Commission also stated a conflict of interest statement is on file from each Commission member and that these forms will be obtained from grant review panel members who are not Commission members. We consider this finding closed.

Finding No. 2

The Commission was unable to locate some documentation to support grant decisions. Three items were cited as missing during the pre-audit survey.

Current Status

The Commission acknowledged that its files were incomplete and was able to locate only one of the three items missing during the pre-audit survey. There is no indication that the condition of the records for prior years has improved. We consider this finding to remain open.

Finding No. 3

There was a lack of documentation to support the assessment of subgrantee applicants' financial systems during the selection process. The Commission could not document that audit reports were forwarded to the review panel. Application forms provided by the Commission did not address the applicants' financial systems nor was information related to their financial systems requested from the applicants.

Current Status

The Commission noted that there have been only three subgrantees almost from the Commission's inception and that their financial systems are assessed outside of the selection process. The Commission has not verified that this was done during the initial selection process. Audit reports are now a required attachment to future grant applications and renewals. We consider this finding closed.

Finding No. 4

There was a lack of evidence of FSR review, including matching recalculation. Review of the FSR's disclosed various errors including two FSR's with incorrect carryforward amounts, three math errors, two incorrect amounts on the "Total Federal Funds for that period" line and one FSR where the amounts reported for recipient and federal outlays did not agree to the amount reported as total outlays. Specific FSRs were not indicated in the finding. It could not be determined whether Commission personnel compare FSRs to subgrantees' accounting systems or other supporting documentation during site visits.

Current Status

The Commission has instituted and is using a procedure for FSR review. The Executive Director now reviews the FSRs with the assistance of the Finance Manager. Discussion with subgrantees disclosed that financial information review procedures have been incorporated into Commission site visits. We consider this finding closed.

Finding No. 5

The pre-audit survey noted five instances in which subgrantees did not submit FSRs within the required time period in accordance with Corporation guidelines. The timeliness of another FSR could not be determined because it had been signed prior to the end of the period reported.

Current Status

The Commission suggested that reporting would improve with the implementation of the Web Based Reporting System (WBRS) and that FSR submissions would be discussed during site visits. The late submission of FSRs, as noted in the finding above, was an issue during the earlier portion of the audit period. While implementation of WBRS, however, appears to have improved the timeliness of subgrantee FSR submissions, our audit disclosed that this condition was present. Accordingly, we consider this finding to remain open.

Finding No. 6

The Commission uses drawdown requests to compile FSRs submitted to the Corporation. Commission FSRs are, therefore, not compiled based on expenditures reported on the subgrantee FSRs submitted to the Commission.

Current Status

The Commission has stated that FSRs are prepared on a cash basis, based on actual expenditures. Only actual disbursements made and cleared through Alaska State Auditing System to the subgrantees are reported on the Commission FSR.

With subgrantees on a reimbursement basis, there is validity to the Commission's position that disbursements to subgrantees be considered expenditures. In the case of SAGA, however, advances had been provided in order to operate the AmeriCorps program. These disbursements are not expenditures until reported as such, since actual programmatic costs had yet to be incurred. As a result, our review disclosed no change in the FSR preparation method by the Commission for submission to the Corporation. We consider this finding to remain open.

Finding No. 7

The evaluating and monitoring system for subgrantees needs to be improved at the Commission. Certain information and records documenting the work performed could not be located.

Current Status

The Commission maintained that there was comprehensive and ongoing monitoring by the prior Executive Director. The current Executive Director indicated that additional communication and site visits would be conducted. A program staff person has been added to the Commission to increase contact with the subgrantees. We determined that procedures have been established and communication with subgrantees has substantiated increased and comprehensive monitoring activity by the Commission. We consider this finding closed.

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

Leonard G. Birnbaum and Company, LLP

Alexandria, Virginia
June 28, 2002

Appendix A

Response of the Alaska State Community Service Commission

STATE OF ALASKA

Alaska State Community Service Commission
Department of Education & Early Development

August 20, 2002

Mr. Terry Bathen, Deputy Inspector General
Office of the Inspector General
1201 New York Avenue, NW
Washington, DC 20525

Dear Mr. Bathen:

The Alaska State Community Service Commission (Commission) and the State of Alaska Department of Education & Early Development (EED) appreciate the opportunity to respond to the Findings in the July 22, 2002 preliminary audit report for the Commission.

Victoria Thomas, the Internal Auditor for the Department of Education and Early Development coordinated the work in the preparation of the response, a function of her position within the Department. We are most grateful for her assistance, particularly because of our unique circumstance in Alaska in having some of our fiscal functions that take place in Juneau and some in Anchorage. Victoria has helped to bridge the information gap that is often a challenge and our response is more comprehensive as a result.

The members of the Commission reviewed the preliminary Audit Report and discussed it at our meeting on August 7th. Our next business meeting will be on October 28th at which time we will receive and review the final report.

Although this audit process was difficult and lengthy, we believe that there are valuable lessons learned whenever an organization is evaluated and examined as we have been through this process and the CNCS Standards Review.

We particularly appreciate your personal attendance at both the entrance and exit conference. We also believe that it was valuable to have Mr. Leiper here in Anchorage for the exit conference as well. Thank you for your assistance.

Sincerely,

Judith E. Salo

Judith E. Salo
ASCSC Executive Director

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Alaska State Community Service Commission

RESPONSE TO THE AUDIT OF CORPORATION FOR
NATIONAL AND COMMUNITY SERVICE GRANTS
AWARDED TO THE ALASKA STATE COMMUNITY
SERVICE COMMISSION
OIG Audit Report Number 02-16

August 16, 2002

TONY KNOWLES, GOVERNOR

STATE OF ALASKA

Department of Education & Early Development

State of Alaska Community Service Commission

Finding No. 1

The Commission did not track expenditures for the Administration and PDAT grants by budget line item.

The Commission agrees to the need for control over the budgets for the Administration and PDAT grants. Although EED was not asked to format reports by budget characteristics the department does maintain a strict awareness of program budgets and available grant funds.

The expanded use of the WBRS system should aid in remedying the issue of budgetary comparisons. It was agreed at the exit conference that information to the detail of line item is more than the Corporation requires and meeting comparison levels of the five main categories of expenditures will suffice. WBRS will be effective in providing this.

Finding No. 2

The Commission did not submit Financial Status Reports (FSRs) of AmeriCorps, Administrative and PDAT grants on a timely basis.

The department agrees that timely reporting is important to CNS as well as it is to Commission. Accordingly the department has strengthened its procedures to assure that FSRs are completed accurately and reporting deadlines will be met.

Finding No. 3

AmeriCorps sub-recipients did not submit FSRs on a timely basis.

The Commission agrees and understands the importance of timely reporting and believes that this is now well understood by all of the Alaska Commission's sub-grantees. It is an item that will be stressed in the future as new grantees enter the state program. Changes in the CNCS provisions no longer require these reports on a quarterly basis. The State of Alaska Commission standards are more stringent and should thus easily meet the CNCS requirements for timely reporting.

Finding No. 4

EED was unable to provide supporting documentation for the Administration and PDAT grants' non-payroll transactions prior to January 1, 2000.

In an effort to streamline state government in 1999, the Alaska State Legislature eliminated the State Department of Community & Regional Affairs (DCRA). DCRA was the department in which the Alaska State Community Services Commission was originally placed in the state framework. When the entire department of DCRA was eliminated from state government, the Commission was transferred to the Alaska Department of Labor where it remained for about 3 months. In October of 1999 the Commission was transferred from Labor to the Department of Education & Early Development (EED). Some files were not included in the archive effort that took place during this transition period between three state departments, and EED was not able to locate some of the documents requested by the auditors. EED was able to provide all the payroll items requested; documentation of eight transactions with underlying support prior to October1999 were unavailable to the auditor.

The department would like to note that financial reporting from the Alaska State Accounting System (AKSAS) for the entire periods of all of the Commission grants was made available to the auditors along with inception to date reconciliations of grant expenditures. The AKSAS reports provide a specific record of how and when Commission funds were expended, and there is no reason to suggest that there was any impropriety in these expenditures. The fact remains that the detail support was not available for viewing by the auditors, but the financial reports from the state accounting system provide significant evidence of all Commission expenditure transactions and were supported in all other instances by invoice detail of legitimate expenditures which suggests that could also apply to those items where the detail is lacking.

Finding No. 5

Cumulative PDAT costs reported on the FSR exceeded the amount recorded in the general ledger by $8461 as of December 31, 2001.

The Commission and the department agree with the finding and recommendation to develop internal control procedures to eliminate reporting errors. Upon further review of grant 95PDSAK001, two adjustments were necessary to the initial reconciliation. Please see Exhibit R-5a for the $10,089 FY95 adjustment and the $18,888 FY00 adjustment for Alaska Department of Labor PDAT expenditures. The revised total expenditures for the PDAT grant as of December 31, 2001 is $354,936, a difference of $337 (Exhibit R-5b) greater then the amount reported on the December 31, 2001 FSR (Exhibit R-5c). Extending the reconciliation to the most recent PMS report (Exhibit R-5d) and the FSR for the January 1 to March 31, 2002 period (Exhibit R-5e) the timing difference noted by the auditor is further reduced to a difference of $89.

Additionally, this resolves the questioned cost of $35,000 which the auditor considered could have been reported as PDAT funds by the Commission even though those costs were identified as program expenditures by the grantee, Rural CAP. There is no

evidence of this amount being drawn or expended as PDAT funds. The $35,000 was correctly reported by the Commission as an AmeriCorps grant expenditure. The grant agreement between the Commission and the grantee, Rural CAP clearly indicates that this is an amendment to the program grant, even though the funds were actually spent for a training purpose, to provide funds so that Rural CAP Members could attend the National Community Service Participant Training in Bethel, Alaska. Please see Exhibit R-5f for the amended grant.

Finding No. 6

Cumulative AmeriCorps costs reported on the March 31, 2001 FSR exceeded by $31,287 the amounts reported and claimed by the sub-grantees for the same date; in addition, total draws for the grant were $6,463,320 a difference of $50,801 from the $6,412,519 reported by the sub-grantees.

The Commission and the department agree with the finding and recommendation to develop internal control procedures to eliminate reporting errors. When EED was initially delegated responsibility for this grant, the department was unaware that Commission quarterly reports needed to reflect the timing of costs that the sub grantees were reporting through the WBRS System. This caused some timing issues for reporting purposes; the department has since revised internal controls and reporting procedures to reconcile AKSAS reports to sub-grantee reporting and to the Commission FSRs to more accurately reflect the timing of program costs.

Exhibit R-6a is the inception-to-date PMS report as of August 6, 2002 for grant 94ASCAK002. The top of page 2 displays an adjusting entry processed 4-2-2002 in the amount of -$49,961.80 as a negative draw to the PMS bringing the total draws for the grant to $6,413,358.66. This inception-to-date PMS balance reduces to $691 the difference between the costs reported by the sub-grantees and the revenue drawn by the Commission for the total grant.

Finding No. 7

Cumulative drawdowns by the Commission for the Administration grant exceeded costs reported on the final FSR by $11,053.

The Commission and the department agree with the finding and recommendation to develop internal control procedures to eliminate reporting errors. EED has reconciled the FSR Amended Final report as of August 2, 2002 (Exhibit R-7a) to the draws on the PMS system (Exhibit R-7b) bringing the Commission draw down amount of $564,994 equal to the reported costs for the administration grant. The top of page 2 on the PMS report displays adjusting entries processed March 28-2002 for -$1306 and on April 1-2002 in the amount of -$9,724 as negative draws in the PMS. This inception-to-date PMS balance reduces to $0 the difference between the costs reported and revenue drawn by the Commission for the total grant. The Amended Final FSR adds an additional $22 to the total grant expenditures previously reported.

Finding No. 8

Travel costs claimed by Rural CAP disclosed two items charged that were outside the sub-recipient grant periods and one item without supporting documentation totaling $2038.

The Commission and the sub-grantee, Rural CAP do not agree with the analysis that costs were charged to the incorrect grant period or that travel costs were expended without proper support. On the question of costs incurred and charged outside of the grant period, neither of the identified costs, the $925 and the $17 questioned for grant #466, nor the $748 questioned for grant #430 were actually reported as AmeriCorps grant costs on the grantee FSRs. At year-end closing of the grantee books the charges were identified to be in the incorrect grant accounts after the final FSRs for the identified grants in question had been submitted and they were removed.

The questioned cost of $348 in unsupported travel is a bit more complex, but clearly tracked and explained by the grantee as an appropriate expenditure. The Commission and EED believe that the explanation provided by the grantee, Rural CAP more than adequately explains the nature of this expenditure and agrees that it is an appropriate AmeriCorps program expenditure. Please see Exhibit R-8a for the letter from Rural CAP which specifically addresses these issues and the series of documents attached as Exhibit R-8b 1 through 12.

In agreement with the nature of audit recommendation, the Commission continues to emphasize to grantees the importance of maintaining complete supporting documentation for program expenditures for the required 3 year retention period.

Finding No. 9

SAGA's member records disclosed missing documentation in the form of two high school diplomas or the equivalent.

The Commission and the sub-grantee, SAGA, do not agree that member files were missing documentation which results in a violation of the terms and condition of AmeriCorps Provisions and potential funding misapplication. The three individuals cited were not paid from AmeriCorps grant funds. All three SAGA participants were high school students enrolled in the summer program which was funded from the Job Training Partnership Act (JTPA) in 1998 and Workforce Investment Act (WIA) in 2000-2001. In 1998 the JTPA Financial Reports and Attachment A – Participant Listing from 5-1-98 through 8-21-98 (Exhibit R-9b) show total hours worked for Joshua Hawk as 412 and for Lindsey Knight as 376. The 2000 & 2001 summer Monthly Expenditure Reports and Attachment A – Participant Listing for WIA (Exhibit R-9c) have 1124 total hours for Michelle Boerem. The Commission believes the auditor was in error to cite the stipends paid to these individuals as a misappropriation of AmeriCorps funds and a questioned program cost. Please see Exhibit R-9a for the letter from SAGA which addresses this issue and the supporting documentation attached as Exhibit R-9b and R-9c.

In agreement with the nature of the audit recommendation, the Commission continues to emphasize to grantees the importance of maintaining complete member records. The Commission's policy manual contains a check-list for Program Directors regarding required contents for the member files (Exhibit R-9d). This check-list is also used by Commission staff in site monitoring visits.

Finding No. 10

Nine Star records disclosed missing documentation in the form of position descriptions and orientation checklists.

In agreement with the nature of the audit recommendation, the Commission continues to emphasize to grantees the importance of maintaining complete member records. The Commission's policy manual contains a check-list for Program Directors regarding required contents for the member files. This check-list is also used by Commission staff in site monitoring visits.

Finding No. 11

Amounts drawn down, as reported by HHS, are not reconciled to amounts reflected in the Commission's records.

The Commission agrees with the finding and with the recommendation. A procedure has been established to reconcile grant revenues to AKSAS expenditure reports prior to each draw down request and then verify the revenue posting.

Finding No. 12

The Commission reported reimbursements and advances to AmeriCorps sub-recipients as costs rather than reporting the costs actually claimed by the sub-recipients.

The Commission agrees with the finding and with the recommendation and has established a procedure to reconcile total funds expended by the sub grantees to the total expenditures disbursed by the Commission. On the question of advances, this was a situation that began in another state department some time ago and was eliminated after the AmeriCorps program moved to EED. The Commission no longer utilizes this practice.

cc: Shirley Holloway, Commissioner EED
Mike Kenefick, CNCS Program Officer
Yvonne Chase, Deputy Commissioner EED
Karen Rehfeld, Director ESS
Les Leiper, Birnbaum and Co.

Appendix B

Response of the Corporation for National and Community Service

CORPORATION
FOR NATIONAL
SERVICE

To: Terry Bathen, Acting Inspector General

Thru: William Anderson, Deputy Chief Financial Officer

From: Peg Rosenberry, Director of Grants Management
Mike Kenefick, Acting Director of AmeriCorps State/National

Subj: Response to Draft OIG Audit Report 02-16, *Audit of the Corporaton's Grants to the Alaska State Community Service Commission*

Date: August 22, 2002

We have reviewed the draft audit report of the grants to the Alaska Commission. Due to the limited timeframe for response, we have not analyzed documentation provided by the Alaska 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 almost $85,000 of the $180,657 of the questioned costs resulted because supporting documentation from state agencies responsible for financial accounting for the commission were unavailable at the time of the audit. As noted in the audit report, the state government transferred responsibilities for commission financial management three times over the course of the grant. The department responsible for financial accounting for most of the period of the grant was completely disbanded. The commission staff is working to secure other documentation and is providing the commission financial records from the state accounting system to the Corporation. In addition, $35,000 of the questioned costs may be a misclassification of funds from one commission grant to another.