OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Incurred-Cost Audit of Grants Awarded to the Maine Commission for Community Service

Audit Report No. 03-06
March 28, 2003

Financial Schedules and
Independent Auditors' Report
For the Period
October 1, 1998, through September 30, 2001

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This report was issued to Corporation management on July 24, 2003. Under laws and regulations governing audit follow-up, the Corporation must make final management decisions on reported findings and recommendations no later than January 24, 2004 and complete its corrective actions by July 24, 2004. Consequently, the reported findings do not necessarily represent the final resolution of issues presented.

CORPORATION
FOR NATIONAL
SERVICE

Office of Inspector General
Corporation for National and Community Service
Audit Report 03-06

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Introduction

The Corporation for National and Community Service, pursuant to the authority of the National and Community Service Act of 1993, as amended, 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 three-fourths 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.

The Office of Inspector General (OIG) retained Leon Snead & Company, P.C. to audit Corporation grants to the Maine Commission for Community Service for AmeriCorps, Program Development and Training, Promise Fellows, Disability, Make a Difference Day, America Reads and Administrative costs from October 1, 1998, through September 30, 2001. The audit's objectives were to determine whether: (1) the costs incurred were allowable, allocable, and reasonable; (2) the grantee's system of internal control was adequate to account for and report grant expenditures accurately; and (3) the grantee was in compliance with applicable laws and regulations.

The Board had total claimed costs of $5,294,473, of which the auditors questioned $106,743 of drawdowns in excess of expenditures, and $363,759 because the claims lacked supporting documentation or the costs were ineligible. The total costs questioned of $470,502 are approximately nine (9) percent of the total claimed costs. Costs questioned for allowability represent amounts for which documentation shows that recorded costs were expended in violation of regulations, or specific award conditions, or costs that require interpretation of allowability. Costs questioned for support require additional documentation to substantiate that the cost was incurred and is allowable. The auditors concluded that the Consolidated Schedule of Award Costs present fairly the costs claimed by the Commission, except for the questioned and unsupported costs identified in the report, and the effects of any adjustments.

The Office of Inspector General has reviewed the report and the work papers supporting the auditors' conclusions. Our review of the auditor's work papers disclosed no instances where Leon Snead & Company, P.C. did not comply, in all material respects, with generally accepted government auditing standards.

The Office of Inspector General 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.

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Appendix A – Commission's Response to the Report

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This report is intended for the information and use of the Office of Inspector General, management of the Corporation for National and Community Service, the Maine Commission for Community Service, its subrecipients, and the United States Congress. This report is not intended to be, and should not be, used by anyone other than the specified parties.

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This report is issued under an engagement to audit the costs incurred by the Maine Commission for Community Service (Commission), on Corporation for National and Community Service grant funds from October 1, 1998, through September 30, 2001. The report addresses the costs questioned as a result of the audit; instances of noncompliance with laws, regulations and award agreements; and internal control weaknesses disclosed in the systems of internal control at the Commission.

RESULTS IN BRIEF

As a result of our audit, we question costs totaling $470,502 (approximately 9 percent) of the total of $5,294,473 claimed by the Commission. Of the $470,502 in questioned costs, $106,743 is questioned because of excessive drawdowns of grant funds. The remaining $363,759 is questioned because the claims were unsupported or the costs were ineligible. Our audit identified several weaknesses in the areas of internal controls and compliance. Details related to these and other noncompliance findings appear in the Independent Auditor's Report on Compliance and Internal Controls. These weaknesses are summarized below.

Compliance Weaknesses

- The Commission did not submit Financial Status Reports (FSR) for Administrative and Program Development and Training (PDAT) grants on a timely basis.
- Subgrantees' FSRs and quarterly status reports were not submitted on a timely basis.
- A subgrantee paid living allowances to AmeriCorps members in excess of authorized amounts.
- A subgrantee did not effectively monitor the quantity and quality of the documentation submitted to support in-kind contributions.

Internal Control Weaknesses

- The Commission did not reconcile the FSRs with actual expenditures and drawdowns.
- The Commission did not have adequate controls to ensure that matching costs were properly monitored, fully documented and accurately reported.
- The Commission did not credit the PDAT grant for reimbursements received from others for expenses originally charged to the PDAT grant.
- The Commission did not always maintain supporting documentation for amounts charged against grants, nor did the Commission always allocate overhead or charge direct costs correctly.
- The Commission paid subgrantees for AmeriCorps costs after the end of the grant period and paid costs not supported by documentation.
- Subgrantees did not always maintain documentation as required by AmeriCorps provisions.
- Subgrantees did not always monitor amounts charged as administrative costs to prevent overbilling.

Summary of Questioned Costs

AmeriCorps

• Administrative Costs Questioned – Exceeded Maximum for Year	$1,992
• Costs Incurred After Grant Period	2,797
• Member Living Allowance – Overpayment	590
• Member Living Allowance – Lack of Eligibility Documentation	392
Total Costs Questioned – AmeriCorps	$5,771

AmeriCorps – Governor's Initiative

• Unsupported Costs	$2,017
Total Costs Questioned - Governor's Initiative	$2,017

Administrative

• Difference Between FSRs and General Ledger	$ 8,238
• Excess Drawdowns	63,115
• Ineligible Costs for Reimbursement	49,263
• Unsupported Costs for Match	62,712
• Questioned Costs Due to Match Shortfall	145,734
Total Costs Questioned – Administrative	$329,062

Program Development and Training (PDAT)

• Difference Between FSRs and General Ledger	$ 16,530
• Excess Drawdowns	55,430
• Ineligible Costs for Reimbursement	15,999
• Unsupported Expenditures	27,730
• Unsupported Costs	3,655
Total Costs Questioned – PDAT	$119,344

Disability

• Difference Between FSRs and General Ledger	$ 24,426
• Drawdowns less than Booked Expenditures	(11,802)
• Ineligible Costs for Reimbursement	1,684
Total Costs Questioned – Disability	$ 14,308

Total Costs Questioned – All Grants	$470,502

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 Maine Commission for Community Service was established by Executive Order in 1994 and by statute in 1995. Its mission is to foster community service and volunteerism to meet human and environmental needs in the State of Maine. The 26-member Commission is the State's lead partner with the Corporation for National and Community Service. The Commission is located in Augusta, Maine, and operates as a division of the Maine State Planning Office. The Management and Support unit of the State Planning Office provides financial support to the Commission. The State Planning Office utilizes the Maine Financial and Administrative Information System to provide all accounting and financial reporting for the Commission.

OBJECTIVES

The objectives of the audit were to determine if: (1) the costs incurred were allowable, allocable, and reasonable; (2) the grantee's system of internal control was adequate to account for and report grant expenditures accurately; and (3) the grantee was in compliance with applicable laws and regulations.

SCOPE

During the period of our audit, the Commission received approximately $8.9 million from twelve grant awards. About $7.4 million of this amount was distributed to subgrantees and the claimed amount is about $5.3 million. The subgrantees were State entities and non-profit organizations. A brief synopsis of programs and functions funded by the grants are as follows:

Programs	Grant Amount	Claimed Costs
94ASCME020-AmeriCorps	$3,486,802	$2,203,877
00ASCME020-AmeriCorps	1,837,285	738,666
00ASFME020-AmeriCorps	980,899	358,120
99ASHME020-AmeriCorps-Governor's Initiative	901,492	595,463
94SCSME021-Administrative	343,089	273,611
01SCSME021-Administrative	201,249	160,139
95PDSME021-Program Development & Training	553,000	430,046
97DSCME021-Disability	70,448	54,613
98APSME020-Promise Fellows	125,000	125,000

99APSME020-Promise Fellows	243,741	210,836
98ARCME020-America Reads	148,750	142,203
99MDDME007-Make a Difference Day	2,000	1,899
Total	$8,893,755	$5,294,473

The audit covered costs claimed during the period October 1, 1998, through September 30, 2001. The audit coverage for grant 99APSME020 was limited to determining whether the employees hired by the grantee met the employment eligibility requirements and whether their work performance had been properly documented. The audit coverage on grant 97DSCME021 was limited to reconciling costs reported on Financial Status Reports to general ledger amounts and drawdowns. Our audit also followed up on the findings and recommendations in the Pre-Audit Survey Report of the Commission, dated October 27, 2000 (Report Number 01-19).

We performed the audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our audit included obtaining an understanding of the financial management system, testing the operating effectiveness of the financial management system and examining, on a test basis, evidence supporting the costs claimed in Schedule 1.

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INDEPENDENT AUDITOR'S REPORT

Leon Snead & Company, P. C. has completed an audit of the costs incurred by the Maine Commission for Community Service against grant funds awarded by the Corporation for National and Community Service (Corporation). The audit was performed at the request of the Corporation for National and Community Service, Office of Inspector General.

The objectives of the audit were to determine if: (1) the costs incurred by the Commission and subgrantees were allowable, allocable and reasonable; (2) the Commission's system of internal control was adequate to account for and report grantee expenditures accurately; and (3) the grantee was in compliance with grant requirements, applicable laws and regulations.

The audit identified $470,502 in questioned costs, which are presented in Schedule 1, and noted areas where improvements are needed. The financial management system's internal controls needs to be improved to ensure that amounts recorded in the general ledger are accurate, Financial Status Reports are accurate and can be reconciled to the general ledger, financial reporting is accomplished more timely, and fund drawdowns are properly supported. Also, better documentation is needed to support matching contributions.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. In accordance with *Government Auditing Standards*, we have issued a report, dated March 28, 2003, on our consideration of the Commission's internal controls and on its compliance with applicable laws and regulations.

An exit conference to discuss the findings and recommendations included in the report was held with officials of the Commission on April 24, 2003. The Commission and Corporation responses are included as appendices A and B to this report. The Commission provided specific comments on the compliance and internal control report findings. 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.

Leon Snead & Company, P. C. appreciate the cooperation and assistance received during the audit from both the Commission and subgrantee personnel.

Leon Snead & Company, P.C.

Rockville, Maryland
March 28, 2003

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROLS

We have audited the costs claimed by the Maine Commission for Community Service (Commission) under grant awards issued by the Corporation for National and Community Service (Corporation). The grant award numbers are listed below and the costs claimed are presented in Schedule 1.

Program	Award Number	Award Period	Audit Period
AmeriCorps	94ASCME020	08/15/97 to 12/31/00	10/01/98 to 12/31/00
AmeriCorps	00ASCME020	09/01/00 to 08/31/03	09/01/00 to 09/30/01
AmeriCorps	00ASFME020	09/01/00 to 08/31/03	09/01/00 to 09/30/01
AmeriCorps-Governor's Initiative	99ASHME020	08/01/99 to 07/31/02	08/01/99 to 09/30/01
Administrative	94SCSME021	11/01/97 to 03/31/00	10/01/98 to 03/31/00
Administrative	01SCSME021	11/01/00 to 12/31/03	11/01/00 to 09/30/01
PDAT	95PDSME021	11/01/97 to 12/31/01	10/01/98 to 09/30/01
Promise Fellows	99APSME020	10/01/99 to 09/30/01	10/01/99 to 09/30/01
Disability	97DSCME021	02/01/97 to 12/31/01	10/01/98 to 09/30/01

We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

COMPLIANCE

Compliance with applicable laws, regulations, and the provisions of the awards is the responsibility of the Commission's management. As part of obtaining reasonable assurance about whether the costs claimed are allowable, allocable and reasonable, we performed tests of compliance with certain provisions of laws, regulations, and terms and conditions of the awards. However, our objective was not to provide an opinion on

overall compliance with such provisions. Accordingly, we do not express such an opinion. The results of our tests of compliance disclosed the following instances of noncompliance, which are required to be reported under *Government Auditing Standards*.

1. The Commission did not submit Financial Status Reports (FSRs) for the Administrative and Program Development and Training grants on a timely basis as required by the grant provisions.

The grant provisions required the Commission to submit FSRs to the Corporation within 30 days after the end of each quarter. Our test showed that the Commission was late from two to 108 days with its submissions, or eighteen days on the average.

This condition was caused by the State Planning Office, which provides financial management services to the Commission. This office did not having adequate staffing to gather the information necessary to prepare the FSRs in a timely manner.

Recommendation

We recommend that the Commission work with the State Planning Office to ensure that adequate staffing is available to prepare and submit the FSRs on a timely basis.

2. The subgrantees were often late in their submission of FSRs and Quarterly Progress Reports (QPRs) to the grantee. Only one of the four subgrantees consistently submitted reports on time. Our test showed that ten of the twenty-nine reports submitted by Wolfe's Neck Farm Foundation were late from three to seventy-two days, or four days on average; thirteen of the twenty-four submitted by Coastal Enterprises, Inc. were late from one to 117 days, or fifteen days on the average; and ten of the twenty-four submitted by the Maine Department of Labor/Workforce Development Centers were late from four to ninety-six days, or ten days on the average.

AmeriCorps Provision No. 16, entitled "Reporting Requirements" provides for the submission of quarterly FSRs and QPRs. The Commission also established subgrantee FSR and QPR due dates in order to provide the time necessary to prepare aggregate Commission FSRs and QPRs and to meet the Corporation's due date schedule. We compared the subgrantee due dates with subgrantee submission dates to arrive at the results shown above.

Recommendation

We recommend that the Commission provide training and develop a procedure to remind subgrantees that they must submit FSRs and QPRs on a timely basis.

3. The Maine Department of Labor/Workforce Development Centers paid two of its members living allowances that exceeded the authorized amounts under the AmeriCorps program. The Corporation's share of the overpayments amounted to $206 for years 1998 and 1999, and $384 for years 2000 and 2001. The subgrantee could not explain how the overpayments occurred. However, it appeared from our review that insufficient monitoring of the living allowances paid by the subgrantee resulted in the overpayments.

Recommendation

We recommend that (1) the Commission establish oversight policies and procedures to ensure that subgrantees comply with the ceiling limitations for AmeriCorps member living allowances; and (2) the Corporation follow up with the Commission to determine if questioned and unsupported amounts should be disallowed and recovered.

4. In-kind contributions reported by the Maine Department of Labor/Workforce Development Centers for cost-matching purposes were not always reasonable or verifiable. For example, we noted instances where excessive hourly rates were used and other instances where lump sum amounts were shown without a breakdown of the components.

This was caused by the subgrantee's failure to effectively monitor the quantity and quality of the documentation submitted to support in-kind contributions. In addition, the Commission has not provided sufficient guidance and monitoring of the documentation provided by the subgrantee to support in-kind contributions.

AmeriCorps Provision No. 13, entitled "Matching Requirements", states in part, that the value of grantee and third-party contributions of services and property will be determined in accordance with applicable cost principles set forth in Office of Management and Budget Circulars A-21, A-87, A-122, and the approved budget.

Since the Commission's required matching by the subgrantee exceeds that of the Corporation's matching requirements, the lack of effective monitoring of in-kind contributions has minimal effect on the Corporation's grants, and, as a result, there were no questioned costs.

Recommendation

We recommend that the Commission provide guidance and future monitoring of subgrantees to ensure that acceptable documentation is maintained to support in-kind contributions.

INTERNAL CONTROLS

In planning and performing our audit of awards costs, as presented in Schedule 1 for the period October 1, 1998, to September 30, 2001, we considered the Commission's internal controls. This was done to establish auditing procedures that would determine if the costs claimed by the Commission were allowable, allocable and reasonable, 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, estimates and judgments by management are required to assess the expected benefits and related costs on internal control policies and procedures. The objective of internal controls is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization, and that transactions are recorded properly to permit the preparation of financial reports 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 because the effectiveness of the design and operation of policies and procedures may deteriorate. We consider the following matters to be material.

5. The State Planning Office provides financial management services to the Commission utilizing the Maine Financial and Administrative Information System (MFASIS). While MFASIS has the capability to account for grant funds by specific grant and object codes, we found that the State Planning Office did not adequately account for the Corporation and Commission's shares of expenditures. The following deficiencies were noted in the State Planning Office's accounting for Corporation and Commission expenditures:

1. Financial Status Report (FSR) amounts reported to the Corporation for National and Community Service for Corporation and Commission's shares of outlays were not reconciled to the general ledger or other supporting documents.
2. Grant drawdowns were not reconciled to the corresponding incurred costs in the general ledger.
3. Controls were not in place to ensure the Commission's cost match requirements were met.
4. Personnel costs used for matching purposes were not always supported by attendance records, such as time sheets or alternative methods provided for by OMB Circular A-87.
5. Expenses were often moved between grants by adjusting journal entries. On several occasions the wrong grant was charged and adjusting entries had not been made to correct the errors.

6. Expenses for the Commission's share of outlays were sometimes charged to grant funds.
7. MFASIS accumulates expenditures by grant and object codes in greater detail than that of the budget line items; however, it does not summarize the expenditures by budget line item.
8. FSRs were not submitted timely.

We could not identify all of the causes for the deficiencies. We acknowledge that the State Planning Office has requested the assistance of the State Auditor in resolving these deficiencies and improving the system's internal controls. We were also told that the State is implementing a new timekeeping system. This system is able to record hours and labor costs by cost objective.

Recommendation

We recommend that the Commission work with the State Planning Office to develop procedures and processes to address the internal control weaknesses to ensure adequate and proper financial management of the Commission's grant programs.

6. The State Planning Office (SPO) had not performed a reconciliation between Financial Status Report (FSRs) amounts, actual expenses, and drawdowns for the Administrative, Program Development and Training, and Disability grants. These reconciliations could not be provided, even though we were informed that the drawdowns made by the Commission were done on a cash basis, i.e., drawdowns were made after the expenses had been incurred. We therefore concluded that the SPO did not adequately account for specific grant expenditures in relation to amounts reported on FSRs and drawdowns made on specific grants.

> *For example, under Administrative grant 01SCSME021, the SPO made drawdowns totaling $165,329.66 from the inception of the grant period to September 30, 2001; had reported FSR amounts from the inception to September 30, 2001, of $160,139.00; and had general ledger expenses of $102,215, from the inception to September 30, 2001. Also, to illustrate the difficulty in accounting for funds by specific grant numbers, the SPO in its September 19, 2001, drawdown of $78,056.85 under 01SCSME021, included expenses for three different grants ($27,664.13 for 01SCSME021; $35,719.58 for Administrative grant 94SCSME021; and, $14,673.14 for Disability grant 97DSCME021). We noted that the drawdown for 94SCSME021 is dated September 19, 2001, for a grant that ended December 31, 2000. The final closeout FSR for 94SCSME021 dated March 8, 2002, reported that the total Federal outlays of $991,908 had been disbursed as of December 31, 2000. The SPO prepared a journal voucher adjusting entry accepted on March 12, 2002, that moved the $35,719.58 from 94SCSME021 back to*

01SCSME021. A journal voucher adjusting entry dated May 3, 2002, moved the $14,673.14 from 97DSCME021 back to 01SCSME021.

During our audit period, October 1, 1998, to September 30, 2001, the drawdowns for the Administrative, PDAT and Disability grants exceeded total actual expenditures by $106,743, while the expenditures reported on the FSRs for the same grants exceeded total actual expenditures in the general ledger by $49,194.

The AmeriCorps Provision, entitled "Financial Management Provisions", requires that the grantee maintain a financial management system that includes "... sufficient internal controls."

Recommendation

We recommend that the Commission work with the State Planning Office to (1) develop a process for reconciling amounts drawn down to corresponding amounts in the Commission's records and the FSRs, and (2) resubmit FSRs for the Administrative, PDAT and Disability grants to reflect actual expenditures incurred on each of these grants to date.

7. The Commission did not have adequate controls to ensure that its share of matching costs were properly monitored, fully documented, and accurately reported. Our audit of the documentation for matching costs for Administrative Grant Nos. 94SCSME021 and 01SCSME021 identified the following:

94SCSME021

Cost Category	Amount	Reason
Personnel Costs	$29,256	No supporting documentation and/or an informal allocation process that was not in accordance with OMB Circular A-87.
Office Consumables	4,200	No supporting documentation
Match Shortfall	145,734	No supporting documentation
01SCSME021		
Personnel Costs	29,256	No supporting documentation and/or an informal allocation process that was not in accordance with OMB Circular A-87.
Total	$208,446	

For grant No. 94SCSME021, the Commission was required to provide matching costs totaling $343,089 based on grant funds budgeted for periods between November 1, 1997, and March 31, 2000. The Commission provided us with $197,355 in matching costs documentation, leaving a match shortfall of $145,734.

We question $62,712 in unsupported costs and have classified the remaining $145,734 as shortfall in the Commission's required matching costs for the Administrative grant.

Recommendation

We recommend that (1) the Commission develop the internal controls necessary to ensure that its share of matching costs are properly monitored, fully documented and accurately reported; and (2) the Corporation follow up with the Commission to determine if questioned and unsupported amounts should be disallowed and recovered.

8. The Commission received reimbursement of $27,730 from other States, individuals and non-profit organizations for their share of training costs paid for by the Commission using Program Development and Training (PDAT) funds. These reimbursements were not credited to the PDAT grant, as required by OMB Circular A-87, Attachment A. In addition, it was not possible to determine whether the reimbursements were used for PDAT activities.

This condition was caused by the Commission not crediting the reimbursements received from others to the PDAT grant and then commingling the reimbursements with Commission funds received from other sources in the same "014 Special Revenue Account". Testing of subsequent expenditures from the special revenue account could not determine if the PDAT reimbursements were spent by the Commission on PDAT activities.

We are questioning the $27,730 of PDAT expenditures that were reimbursed by others.

Recommendation

We recommend that (1) the Commission take action to ensure that future reimbursements for PDAT training are credited back to the PDAT grant rather than be recorded in a special revenue account; and (2) the Corporation follow up with the Commission to determine if questioned and unsupported amounts should be disallowed and recovered.

9. The State Planning Office was unable to provide documentation supporting five of the nineteen transactions selected for testing under the PDAT grant. These five transactions totaling $3,655, incurred under the 1998-99 grant, were for:

Travel	$1,733
Conferences	450
Printing/Binding	1,472
Total	$3,655

The Commission's staff (State Planning Office) was unable to locate either the original supporting documentation or retrieve copies of the documentation from the State Finance Office. Therefore, we are questioning the entire $3,655 as unsupported costs.

Recommendation

We recommend that (1) the Commission provide documentation supporting the five transactions, and (2) the Corporation follow up with the Commission to determine if questioned and unsupported amounts should be disallowed and recovered.

10. The Administrative, Program Development and Training, and Disability grants were charged $35,024 of overhead-type costs that were to be used as matching costs for the Administrative Grant. According to a State Planning Office official, overhead-type costs are automatically charged to the grants by their financial management system. These costs should be taken out of the grants by adjusting journal entries.

The allocation of overhead-type costs to the Administrative, Program Development and Training, and Disability grants is attributed to internal control weaknesses in the State Planning Office program involving staff training, supervision, and oversight.

We are questioning the $35,024 of overhead costs charged to these grants that should have been allocated to the Administrative grant as matching costs.

Recommendation

We recommend that the Commission work with the State Planning Office to ensure that future overhead costs are properly allocated to the Administrative grant as matching costs. We also recommend that the $35,024 in overhead costs be removed from these grants as allowable cost and transferred to the Administrative grant as matching costs.

11. Based on our sample of direct costs charged to the two Administrative grants (94SCSME021 and 01SCSME021), we identified $31,922 in expenses that had been incorrectly charged to the grants in the following categories:

94SCSME021

Cost Category	Amount	Reason
Telephone	$ 1,343	Budgeted as matching cost
AmeriCorps Expenses	15,000	Not allocable to Administrative grant
Personnel Costs	11,628	Budgeted as matching cost

Temporary Services	(4,309)	Duplicate Adjustment
Subtotal	$23,662	

01SCSME021

Personnel Costs	$ 5,381	Budgeted as matching cost
Printing/Binding	2,879	Budgeted as matching cost
Subtotal	$ 8,260	
Total	$31,922	

The State Planning Office attributed the misallocation of these costs to the Administrative grants to coding errors. However, we believe that the root cause is due to internal control weaknesses related to staff training, supervision and oversight.

We are questioning $31,922 charged to the Administrative grants.

Recommendation

We recommend that (1) the Commission work with the State Planning Office to ensure that these type of costs are properly charged to the correct funding source and to transfer those costs that are properly allocable to its matching share or to AmeriCorps grants, and (2) the Corporation follow up with the Commission to determine if questioned and unsupported amounts should be disallowed and recovered.

12. Subgrantees did not maintain documentation as required by AmeriCorps provisions.

    a. The Maine Department of Labor/Workforce Development Centers did not maintain eligibility documentation to support all of its program participants. Files were not complete for two of forty-seven participants we reviewed. This condition was caused by the subgrantee's failure to follow standard procedures for obtaining and verifying a member's eligibility for the AmeriCorps program before allowing the member to serve.

    AmeriCorps Provision No. 6, entitled"Member Eligibility, Recruitment and Selection", requires that the grantee maintain verifiable records that document each member's eligibility to serve.
    Without complete member files, the Commission cannot verify that eligibility requirements are being met. In order to ensure that grant funds are used for the purposes intended, it is important to make certain that the intended target group is receiving the funding. Due to the inability to validate member eligibility in the above cases, we questioned the living allowances and related benefits of $392 (Program Year 2000-01) for the two members whose

eligibility documentation could not be located. Because the members did not complete their member contracts, they did not receive an Education Award.

b. Some member files of Coastal Enterprises, Inc. did not contain required contracts and position descriptions. Of the sixteen files reviewed, two were missing contracts and three were missing position descriptions. This condition was caused because the subgrantee did not fully understand program requirements.

AmeriCorps Provision No. 7, entitled "Training Supervision and Support", states: The Grantee must require that members sign contracts that stipulate the following:

- the minimum number of service hours and other requirements (as developed by the Program) necessary to be eligible for an educational award;
- acceptable conduct;
- prohibited activities;
- requirements under the Drug-Free Workplace Act;
- suspension and termination rules;
- the specific circumstances under which a member may be released for cause;
- the position description;
- grievance procedures."

c. Some of the files of all subgrantees reviewed did not contain mid-term or end-of–term evaluations or did not include supervisors' signatures. The following chart presents the results of our audit test of the evaluations.

	Form	Number Tested	Number Missing/Incomplete
Wolfe's Neck Farm Foundation	Mid-Term	13	13
	End-of-Term	13	13
Coastal Enterprises, Inc.	End of-Term	16	2
Jobs for Maine's Graduates	Mid-Term	16	14
	End-of-Term	16	5
Maine Department of Labor/Workforce Development Centers	Mid-Term	47	25
	End-of-Term	47	29

For the Wolfe's Neck Farm Foundation, we found that mid-term and end-of-term evaluations were not prepared for any of its members during program year 1998-1999, or for reduced part-time members during program year 1999/2000. During program year 2000-2001, evaluations were prepared by the members, but not signed by site supervisors.

AmeriCorps Provision No. 7, entitled "Training Supervision and Support", requires written mid-term and end-of-term evaluations of each member.

Evaluations provide feedback to members regarding the quality and quantity of their work. They provide supervisors with an opportunity to give guidance, correct misunderstandings, offer praise, share experiences, and increase confidence.

Recommendation

We recommend that (1) the Commission reemphasize to its subgrantees the need to adhere to the documentation requirements of AmeriCorps provisions; and (2) the Corporation follow up with the Commission to determine if questioned and unsupported amounts should be disallowed and recovered.

13. Two subgrantees charged administrative costs in excess of grant provisions against their grants. The subgrantees were allowed to charge a fixed 5 percent of the total of their Commission funds expended; however, the following subgrantees overcharged their grants by a total of $1,992 during program years 1998 through 2001.

	Program Year	
	1998/99	2000/01
Wolfe's Neck Farm Foundation	$922	$115
Coastal Enterprises, Inc.	-	955
Total	$922	$1,070

The overbilling for administrative costs was caused by the subgrantees' failure to determine that the amounts billed did not exceed the 5 percent limit on the final expense report.

The AmeriCorps Provision, entitled "Administrative Costs", states that "If approved on a case-by-case basis by the Corporation, the grantee may charge, for administrative cost, a fixed 5 percent of the total of the Corporation funds expended."

Recommendation

We recommend that (1) the Commission reemphasize to subgrantees the need to properly monitor their application of the fixed 5 percent rate in charging for administrative costs,

and (2) the Corporation follow up with the Commission to determine if questioned and unsupported amounts should be disallowed and recovered.

14. Two subgrantees charged costs against their Commission grants that were either unallowable or unsupported by proper documentation. As a result, a total of $4,814 in costs charged against Commission grants by the following subgrantees is questioned:

	Grant Years		
	1998-99	1999-00	2000-01
Wolfe's Neck Farm Foundation			
Costs Incurred After End of Grant Period	$189	$2,321	$287
Jobs for Maine's Graduates			
Staff Benefits, Travel, and Supplies	-	-	190
Salary Costs	-	-	1,827
Total	$189	$2,321	$2,304

The AmeriCorps Provision, entitled "Responsibility For Administering the Grant", requires the Commission to act in a judicious and reasonable manner in expending grant funds.

Wolfe's Neck Farm Foundation incurred and charged a total of $2,797 in costs against its Commission grants (94ASCME020 and 00ASFME020) after the expiration dates. The charges included costs for training, education, supplies, equipment, transportation and administration.

Jobs for Maine's Graduates charged a total of $2,017 against its Commission grant (99ASHME020) without supporting documentation. The charges included costs for salaries, benefits, and miscellaneous items.

Recommendation

We recommend that (1) the Commission reemphasize to subgrantees the requirement that only costs incurred during the grant period and supported by appropriate documentation be charged to the AmeriCorps grants, and (2) the Corporation follow up with the Commission to determine if questioned and unsupported amounts should be disallowed and recovered.

Follow-Up on
Pre-Audit Survey of the
OIG Audit Report No. 01-19

Recommendation No. 1

The Commission should develop and implement control procedures to restrict the level of access authority granted to the different users of WBRS, as appropriate.

Current Status

The current level of control procedures to restrict the level of access authority in WBRS is considered appropriate. We consider this recommendation closed.

Recommendation No. 2

The Commission should enforce procedures to ensure compliance in the preparation and timely submission of FSRs. In addition, the Commission should enforce its policy regarding e-mailing subgrantees when their FSRs are late.

Current Status

While the Commission has taken steps to improve compliance in the preparation and timely submission of FSRs, our current audit does have a finding regarding the timely submission of FSRs by subgrantees. However, it was noted that the majority of the untimely filings were in the earlier years of our audit period. This recommendation is still open.

Recommendation No. 3

The Commission should develop and implement procedures to test both fiscal and programmatic selected transactions during site visits on an annual basis (Member eligibility, prohibited activities, allowability of costs). The number of files selected for transaction testing should be increased to provide a more representative sample of the population, and the items selected for review should be specifically identified in the site visit documentation.

Current Status

The Commission has developed and implemented a risk-based monitoring strategy that governs the planning, performance, and documentation of site visits. This recommendation is considered closed.

Recommendation No. 4

The Commission should establish an internal review procedure to ensure site visit documentation is comprehensive, complete, and retained in subgrantee files for future reference.

Current Status

The Commission has taken steps to ensure that site visit documentation is comprehensive, complete and retained in subgrantee files. We consider this recommendation closed.

Recommendation No. 5

The Commission should develop and implement written procedures to verify the accuracy of reported subgrantee performance measures and program results during site visits. Specific items verified should be identified in the site visit documents included in subgrantee files.

Current Status

The Corporation, in its Proposed Management Decision of August 10, 2001, stated that the verification of results may come from and be obtained in a variety of ways. These include feedback from stakeholders, surveys of service grantees, or as a part of formal or informal evaluation efforts. The Corporation, on September 26, 2001, finalized the Management Decision by stating that the issue for this finding had been addressed in the Proposed Management Decision. We consider this recommendation closed.

Leon Snead & Company, P.C.

Rockville, Maryland
March 28, 2003

Leon Snead & Company, P.C.

Schedule 1

Maine Commission for Community Service
Consolidated Schedule of Award Costs

Corporation for National and Community Service Awards

Award Number	Program	Approved Budget	Claimed Costs	Questioned Costs	Reference
94ASCME020	AmeriCorps	$3,486,802	$2,203,877	$4,593	Exhibit A
00ASCME020	AmeriCorps	1,837,285	738,666	776	Exhibit B
00ASFME020	AmeriCorps	980,899	358,120	402	Exhibit C
99ASHME020	AmeriCorps-Governor's Initiative	901,492	595,463	2,017	Exhibit D
94SCSME021	Administrative	343,089	273,611	166,873	Exhibit E
01SCSME021	Administrative	201,249	160,139	162,190	Exhibit F
95PDSME021	PDAT	553,000	430,046	119,344	Exhibit G
97DSCME021	Disability	70,448	54,613	14,308	Exhibit H
99APSME020	Promise Fellows	243,741	210,836	-0-	_____
98APSME020	Promise Fellows	125,000	125,000	-0-	_____
98ARCME020	America Reads	148,750	142,203	-0-	_____
99MMDME007	Make A Difference	2,000	1,899	-0-	_____
Total		$8,893,755	$5,294,473	$470,503	

Maine Commission for Community Service
Notes to Consolidated Schedule of Award Costs

Reporting Entity

The accompanying consolidated Schedule of Award Costs includes amounts budgeted, claimed, and questioned under AmeriCorps, Administration, Program Development and Training, Disability, and Promise Fellows grants awarded to the Maine Commission for Community Service by the Corporation for National and Community Service for the period from October 1, 1998, to September 30, 2001 (periods vary by individual grant).

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

Summary of Significant Accounting Policies

Basis of Accounting

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

Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the Schedule of Award Costs include the cost of equipment purchased during the period rather than a provision for depreciation. The equipment acquired is owned by the Commission while used in the program for which it was purchased or in other future authorized programs. However, the Corporation has 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.

Questioned Costs

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 awards, or those costs which require additional support by the grantee or which require interpretation of allowability by the Corporation.

Exhibit A

Schedule of Award Costs
Maine Commission for Community Service
Award Number 94ASCME020 (AmeriCorps)

	Approved Budget	Claimed Costs	Questioned Costs	Reference
Maine Department of Labor/Workforce Development Centers	$1,268,466	$821,089	$206	Note 1
Coastal Enterprises, Inc.	788,519	459,167	955	Note 2
Wolfe's Neck Farm Foundation	463,907	283,085	3,432	Note 3
Subtotal	2,520,892	1,563,341	4,593	
Others	965,910	640,536	-0-	Note 4
Total	$3,486,802	$2,203,877	$4,593	

Notes

1. The questioned amount represents living allowances paid in excess of the amount authorized by the grant. The overpayment consists of living allowance ($182), FICA ($14), and administrative costs ($10).
2. The questioned costs represent administrative costs charged against the grant during the 2000-01 program year in excess of the 5 percent total cost ceiling.
3. The questioned amount represents $2,510 in costs incurred and charged against the grant after its expiration date and $922 in administrative costs charged against the grant during the 1998-99 program year in excess of the 5 percent total cost ceiling.
4. During the period covered by our audit, the Commission had up to eight different subgrantees. Therefore, we used a sampling approach to test the claimed costs. The claimed costs reported include costs claimed by subgrantees that were not tested as part of this audit.

Exhibit B

Schedule of Award Costs
Maine Commission for Community Service
Award Number 00ASCME020 (AmeriCorps)

	Approved Budget	Claimed Costs	Questioned Costs	Reference
Maine Department of Labor/Workforce Development Centers	$1,333,953	$536,426	$776	Note 1
Coastal Enterprises, Inc.	592,332	202,240	-0-	
Others	(89,000)	-0-	-0-	
Total	$1,837,285	738,666	$776	

Note

1. The questioned amount is due to lack of eligibility documentation and an overpayment. The total eligibility cost questioned consists of $392 in costs claimed for two AmeriCorps members in which the member files were missing key eligibility documentation. The members dropped out of the program early. The $384 overpayment consists of living allowances paid in excess of the amount authorized by the grant. This overpayment consists of the living allowances ($339), administrative costs ($26) and FICA ($19).

Exhibit C

Schedule of Award Costs
Maine Commission for Community Service
Award Number 00ASFME020 (AmeriCorps)

	Approved Budget	Claimed Costs	Questioned Costs	Reference
Wolfe's Neck Farm Foundation	$280,000	$131,023	$402	Note 1
Others	700,899	227,097	-0-	Note 2
Total	$980,899	$358,120	$402	

Note

1. The questioned amount consists of (a) $287 in costs incurred and charged against the grant after its expiration date, and (b) $115 in administrative costs charged during the 2000-01 program year in excess of the 5 percent total cost ceiling.

2. During the period covered by our audit, the Commission had up to eight different subgrantees. Therefore, we used a sampling approach to test the claimed costs. The claimed costs reported include costs claimed by subgrantees that were not tested as a part of this audit.

Exhibit D

Schedule of Award Costs
Maine Commission for Community Service
Award Number 99ASHME020
(AmeriCorps-Governor's Initiative)

	Approved Budget	Claimed Costs	Questioned Costs	Reference
Jobs for Maine's Graduates	$901,492	$595,463	$2,017	Note 1

Note

1. The questioned costs represent two instances ($1,827 and $190) in which salaries, benefits and miscellaneous costs were claimed and reported on the October 2000 Financial Status Report without sufficient supporting documentation.

Exhibit E

Schedule of Award Costs
Maine Commission for Community Service
Award Number 94SCSME021 (Administrative)

			Reference
Approved Budget		$343,089	
Claimed Costs		273,611	
Questioned Costs			
Difference Between FSR and General Ledger	($49,686)		Note 1
Ineligible Costs for Reimbursement	37,368		Note 2
Unsupported Costs for Match	33,456		Note 3
Match Shortfall	145,734		Note 4
Total Questioned Costs		$ 166,872	

Notes

1. The questioned amount represents the amount understated on the Financial Status Reports when compared to the general ledger.

2. The questioned amount consists of erroneous charges against the Administrative grant for (a) $1,343 in telephone costs budgeted as a State match item; (b) $11,628 in payroll costs for a receptionist that was budgeted as a State match item; (c) a $15,000 cooperative agreement payment to the University of Southern Maine that should have been paid from an AmeriCorps grant; (d) $4,309 to be returned to the grant which had improperly been taken out of the grant twice through adjustments; and (e) $13,706 in overhead-type costs that were reported and claimed as administrative expenses against this grant, but had been budgeted as a State match item. This amount also includes $769 in costs identified in the Commission's financial management system as "No Report Category" costs rather than charges to a specific grant. We assigned these costs to this grant, since the costs were either Administrative, PDAT or Disability type expenses.

3. The questioned amount consists of $29,256 in personnel costs and $4,200 in office consumable costs used for matching purposes for which supporting documentation was not provided.

4. The questioned amount is for the period November 1, 1997, to March 31, 2000, during which $343,089 in cost matching was required; however, the Commission provided documentation totaling $197,355. Accordingly, the difference of $145,734 is questioned.

Exhibit F

Schedule of Award Costs
Maine Commission for Community Service
Award Number 01SCSME021 (Administrative)

			Reference
Approved Budget		$201,249	
Claimed Costs		$160,139	
Questioned Costs			
Difference Between FSR and General Ledger	$57,924		Note 1
Ineligible Costs for Reimbursement	11,895		Note 2
Unsupported Costs for Match	29,256		Note 3
Excess Drawdown	63,115		Note 4
Total Questioned Costs		$162,190	

Notes

1. The questioned amount represents the amount overstated on the Financial Status Reports when compared to the general ledger.

2. The questioned amount consists of erroneous charges against the Administrative grant for (a) $5,381 in receptionist payroll costs budgeted as a State match item, (b) $2,879 in annual report printing costs budgeted as a State match item, and (c) $3,635 in overhead-type costs that were reported and claimed as administrative expenses against the grant, but had been budgeted as matching costs for the grant.

3. The questioned amount represents costs for which supporting documentation was not provided.

4. The questioned amount represents the excess of amounts, over actual expenses that were drawn down by the Commission.

Exhibit G

Schedule of Award Costs
Maine Commission for Community Service
Award Number 95PDSME021
Program Development and Training (PDAT)

			Reference
Approved Budget		$553,000	
Claimed Costs		430,046	
Questioned Costs			
Difference Between FSR and General Ledger	$16,530		Note 1
Excess Drawdown	55,430		Note 2
Unsupported Expenditures	27,730		Note 3
Unsupported Costs	3,655		Note 4
Ineligible Costs for Reimbursement	15,999		Note 5
Total Questioned Costs		$119,344	

Notes

1. The questioned amount represents the amount overstated on the Financial Status Reports when compared to the general ledger.

2. The questioned amount represents the excess of amounts, over actual expenses that were drawn down by the Commission.

3. The questioned amount represents reimbursements received from other States, individuals, and non-profit organizations for training costs paid from the Commission's PDAT grant funds. These funds were commingled in an account with receipts intended for other purposes and were not traceable to PDAT activities.

4. The questioned amount represents costs for program year 1998-99 for which supporting documentation could not be located. The amount consists of travel ($1,733), conference charges ($450), and printing/binding ($1,472).

5. The questioned amount represents overhead-type costs reported and claimed as PDAT expenses, but which had been budgeted as a State match item for the Administrative grant.

Exhibit H

Schedule of Award Costs
Maine Commission for Community Service
Award Number 97DSCME021 (Disability)

			Reference
Approved Budget		$70,448	
Claimed Costs		54,613	
Questioned Costs			
Difference Between FSR and the General Ledger	$24,426		Note 1
Drawdowns less than Booked Expenditures	(11,802)		Note 2
Ineligible Costs for Reimbursement	1,684		Note 3
Total Questioned Costs		$14,308	

Notes

1. The questioned amount represents the amount overstated on the Financial Status Reports when compared to the general ledger.

2. This amount represents incurred costs that had not been drawn down from this grant. In as much as the costs are commingled with PDAT and Administrative costs, some of the Disability costs could have been reported under the other grants.

3. The questioned amount represents overhead-type costs reported and claimed as Disability program expenses against this grant, but which had been budgeted as a State match item for the Administrative grant.

Appendix A

Response of Maine Commission for Community Service

STATE OF MAINE
EXECUTIVE DEPARTMENT
STATE PLANNING OFFICE
38 STATE HOUSE STATION AUGUSTA, MAINE 04333

JOHN ELIAS BALDACCI
GOVERNOR

DAVID E. KEELEY
ACTING DIRECTOR

June 25, 2003

J. Russell George
Inspector General
Corporation for National and Community Service
1201 New York Ave., NW Suite 830
Washington DC 20525

Dear Mr. George:

Enclosed is our response to the draft OIG Audit Report titled "Incurred-Cost Audit of Grants Awarded to the Maine Commission for Community Service" Audit Report No. 03-06 dated March 28, 2003.

In reviewing the audit findings and questioned costs for the awards during the audit period, we found several of the recommendations to be of particular value to the State Planning Office because they will help improve our financial management of not only awards from the Corporation of National Service, but also of other federal awards managed by this office. The State Planning Office would also like to thank the auditors for their professionalism during the audit. The State Planning Office's management of federal awards will be enhanced because of their work.

We are pleased to find that oversight of subgranted funds is affirmed as one of our strengths. As reported in the audit, questioned costs in this category amounted to only 0.01% ($7,788) of the $7.4 million awarded to subgrantees. In part, this is attributable to the Web-Based Reporting System which has transformed grant management and oversight for both State Commissions and subgrantees.

As noted on page four of the audit report, the Maine Commission for Community Service operates as a division of the Maine State Planning Office in Augusta. The Management and Support unit of State Planning handles the accounting and financial operations for the entire agency, including the Commission for Community Service. The responses in this letter represent the joint views of the Director of Finance for the State Planning Office and the Director of the Maine Commission for Community Service.

Compliance Findings:

- Finding 1. The Commission did not submit Financial Status Reports (FSRs) for the Administrative and Program Development and Training grants on a timely basis as required by the grant provisions.

OFFICE LOCATED AT 184 STATE STREET, AUGUSTA, ME
PHONE (207) 287-3261 FAX (207) 287-6489

Response to #1: This finding is for the Administrative, PDAT and Disability grants. The State Planning Office agrees with the finding and corrective action has been taken to ensure that FSR's are filed timely.

- Finding 2. The subgrantees were often late in their submission of FSRs and Quarterly Progress Reports to the grantee.

Response to #2: Reporting of Financial Status Reports by the Sub Grantee's had been a problem during the first year of the audit period, however reviewing WBRS for filing of AmeriCorps reports we find that since June 30, 1999 -- the first report on WBRS -- no report has been late.

With regard to Quarterly Progress Reports, the Commission had recognized the problem and begun to take action before the audit was conducted; however the changes occurred after the audit period. The Commission provided additional technical assistance to subgrantees regarding how best to compile and report analysis of their accomplishment and evaluation and performance data. The effect of this can be seen in the timeliness of 2002 reports due: the range of late submissions is down to between one day and 15 days with most programs showing significant improvement in timeliness. For example, Coastal Enterprises went from an average 15 days late to an average 8 days; Dept of Labor went from an average of ten days late to having every report only 1 day late; and the new program which was not operating during the audit period (Maine Response Team) submitted all but three reports on time and the late reports were submitted on average 2 days late.

The Commission continues to be dissatisfied with the compliance rates of subgrantees, particularly because the Web Based Reporting System (WBRS) has feature that facilitate reporting. The Commission board's task force on Grant Selection and Performance is studying the issue of compliance along with other performance expectations with the goal of having a systematic way of factoring those facets into continuation funding decisions. The task force's work will be completed by October 2003.

- Finding 3: The Maine Dept. of Labor/Workforce Development Centers paid two of its Members living allowances that exceeded the authorized amounts under the AmeriCorps program [by a total of $590].

Response to #3: Both the subgrantee and the Commission concur that the overpayments occurred. The Commission will review its policies on attendance of subgrantee staff at training on administration of these grants. It may be that the practice of having only the project and program directors attend will be altered to require attendance of the sponsoring organizations fiscal staff. At present, they are strongly encouraged but not required to attend after the initial year of operation. Thus, new hires in fiscal departments may not be getting full orientation in subsequent years.

- Finding 4: In-kind contributions reported by the Maine Dept. of Labor/Workforce Development Centers for cost-matching purposes were not always reasonable or verifiable.

Response to #4: The Commission was concerned about this finding because all documentation previously reviewed during monitoring visits was thorough and detailed. In pursuing the issue with the subgrantee, two things emerged. First, the subgrantee did not comprehend the implications of a finding that did not have questioned costs and, therefore, did not pull out stored records for the auditors. Second, when pressed by the Commission, the subgrantee provided documentation that included a fax dated June 13, 2000 and transmitted on letterhead of the donor with the value of professional services stated clearly and in detail. They also produced an in-kind contribution form date stamped July 20,2000 with proper detail to support the project match.

To ensure the Commission's opinion of the subgrantees records is well founded, the Commission has also instituted a procedure for one year that requires the program to provide documentation for in-kind match amounts randomly selected from the WBRS Quarterly Income Reports. Documentation provided for the quarters so far is complete, meets standards, and matches the value reported on income and expense statements.

Internal Controls:

- Finding 5. The State Planning Office provided financial management services to the Commission using the Maine Financial and Administrative Information System (MFASIS). While MFASIS has the capability to account for grant funds by specific grant and object codes, we found the State Planning Office did not adequately account for the Corporation and Commission's shares of expenditures.

Response to #5. The State Planning Office is working with the Department of Audit and the State's Controllers Office to develop written internal control policies, and has taken steps to address the weaknesses discovered by the auditors. The steps taken to date include removing the business manager who was responsible for the grants financial management and assigning the duties to a Staff Accountant who has a proven record of managing federal grants. She recently over saw the audit of another federal program managed by the State Planning Office and no finding or questioned costs was found. The Controller's Office notified State Planning that a final draft of internal control policies will be completed by June 27, 2003, making it possible to finalize and implement these by September 1, 2003.

- Finding 6. The State Planning Office (SPO) had not performed a reconciliation between Financial Status Report (FSRs) amounts, actual expenses, and draw downs for the Administrative, Program Development and Training, and Disability grants. These reconciliations could not be provided, even though we were informed that the draw downs made by the Commission [SPO] were done on a cash basis....

Response to #6. A written policy and procedure is being developed for reconciling amounts drawn to corresponding amounts in the commission records and the financial status reports. The procedure will be used to resubmit all FSR's for the Administrative, PDAT and Disability awards from the beginning of the audit period to the award end date of through the current period which ever is later.

- Finding 7. The Commission did not have adequate controls to ensure that its share of matching costs were properly monitored, fully documented, and accurately reported.

Response to #7. There are several issues underlying this finding and all are being addressed. First, however, it is noted that the Commission uses an in-kind donation form to record the proper value of any goods, services, training space, or equipment that are contributed by partners in support of Commission activities. Those invoices have been retrieved from the business manager's files, organized and properly associated with the years for which they are match. Just under $37,000 additional verifiable match was identified by doing this.

Second, it is acknowledged that the business manager supplying reports to the auditors did not fully search the accounting system for recorded match. Whether it happened because of miscommunication or inability to query the system correctly, no one can determine. Nearly $40,000 additional match in properly recorded entries were identified in a query of the accounting system that followed the audit.

A third contributing factor has historic roots. The State Planning Office does have a negotiated indirect rate with its cognizant federal agency, the Dept. of Commerce. That rate has not been used as match because the Commission was instructed by CNCS in 1994 that such an approach was not allowed for the Administrative grant. Thus, for nearly 10 years, the Commission and State Planning have attempted to document as direct costs those expenses which, in other federal grants, are allocated through the indirect rate . Obviously, we have not succeeded. Through the audit, State Planning/Commission staff learned that the historic information was not correct and (to our relief) the negotiated indirect rates could be used. The Commission proposes to request that the percentage for each year be used in place of the inadequate and informal allocation process which the auditors found lacking. Doing this will not only put match claimed on much more solid ground but it will also make treatment of the Commission grants consistent with State Planning's treatment of other federal grants it administers. If accepted, $193,767 in additional match would be then verifiable under accepted accounting practices.

The additional match documentation has been submitted to the Corporation for National and Community Service for their review and consideration.

- Finding 8. The Commission received reimbursement of $27,730 from other States, individuals and non-profit organizations for their share of training costs paid for by the Commission using Program Development and Training (PDAT) funds.

Response to #8. This condition was brought on by the fact that we were trying not to co-mingle federal and non federal funds. Due to miscommunications regarding the use of the matching funds they were commingled with other Corporation matching funds. The State Planning Office will review its policy on reimbursements and take appropriate action to prevent this type of issue from reoccurring.

- Finding 9. The State Planning Office was unable to provide documentation supporting five of the nineteen transactions selected for testing under the PDAT grant. These five transactions totaling $3,655, incurred during 1998-99 grant were for [travel, conferences, printing/binding].

Response to #9. The request for this documentation was late in the audit and we discovered that one box of records was lost during one of SPO's three moves. We were not able to locate the documentation from archives prior to the deadline for submission to the auditors; however, we are confident that we can provide acceptable supporting documentation during the resolution process.

- Finding 10. The Administrative, Program Development and Training, and Disability grants were charged $35,024 of overhead-type costs that were to be used as matching costs for the Administrative Grant.

Response to #10. We agree with this finding and steps and we already have charged the matching account for the sta-cap costs.

- Finding 11. Based on our sample of direct costs charged to the two Administrative grants (94SCSME021 and 01SCSME021), we identified $31,922 in expenses that had been incorrectly charged to the grants ....

Response to #11. The questioned costs in this finding are due to coding errors and the items budgeted as match have been or will be corrected by moving cash in the amount of the questioned cost to the account.

The $15,000 that was not allocable to the Administrative grant also is a coding error. We will work with the Corporation during resolution to determine the best way to handle a correcting entry.

The final adjustment is for Temporary Services and again we will work with the Corporation during resolution to determine the best way to handle a correcting entry.

- Finding 12. Subgrantees did not maintain documentation as required by AmeriCorps provisions.

Response to #12. The first item in the finding (documentation of eligibility) nearly always relates to summer or seasonal positions. The Commission appreciates the challenges subgrantees face in fielding summer teams of AmeriCorps members but we find ourselves continually at odds with subgrantees over their methods of meeting enrollment targets and compliance with the 30-day rule. During routine monitoring visits, the Commission has noted and cited programs for nearly all the issues identified by auditors. The Commission's Grant Selection and Performance Task Force (formed in November 2002) is including these matters in its study of how to factor compliance into continuation and funding decisions. As noted earlier, that group is expected to report recommendations to the full commission in early autumn.

- Finding 13. Two subgrantees charged administrative costs in excess of grant provisions against their grants. The subgrantees were allowed to charge a fixed 5 percent of the total of their Commission funds expended; however, [Wolfe's Neck Farm and Coastal Enterprises] overcharged their grants by a total of $1,992 during the program years 1998 through 2001.

Response to #13. There are two elements to this response. First concerns the action the Commission took to provide quarterly feedback on key fiscal requirements to the subgrantees. This spreadsheet includes a calculation of the administrative line and indicates whether it is within the regulation 5% or not.

Second, we recognize that both subgrantees acknowledge over billing the grants and we will work with the Corporation to resolve this.

- Finding 14. Two subgrantees charged costs against their Commission grants that were either unallowable or unsupported by proper documentation. As a result, a total of $4,814 in costs charged against Commission grants by the … subgrantees is questioned.

Response to #14. The Commission recognizes that Jobs for Maine's Graduates acknowledges charging grants for which it does not have proper documentation to support the expense.

In the case of Teach Maine, we respectfully disagree with the elements of the finding and support the subgrantees claim that was entitled to funds it claimed during the close out period. One amount ($1,126 for administration) was incurred but not billed during the grant performance period. The travel reimbursements to Members completing their service year during the close out period were also proper because they were essential to the volunteer activities of the Members. This practice of continuing to incur and pay Member-related expenses during the closeout period, happened during a time when the Corporation's preferred way of closing out a particular budget year and the associated AmeriCorps volunteers meant having members serve after the grant period. All Members would complete service on time for the final budget and performance reports to be submitted but, at that time, no cost extensions were not used (although they are now). We have reviewed Teach Maine's documentation and will submit it to the Corporation during resolution.

We appreciate the opportunity to respond to the draft Audit Report. If you have any questions, please contact Maryalice Crofton, Director of the Maine Commission for Community Service at (207) 287-8931.

Sincerely,

Ralph A. Van Den Bossche
Director of Finance
State Planning Office

Maryalice Crofton
Director
Maine Commission for Community Service

Appendix B

Response of the Corporation for National and Community Service

Corporation for
NATIONAL &
COMMUNITY
SERVICE

To: Russell George, Inspector General

From: Margaret Rosenberry, Director of Grants Management

Date: June 30, 2003

Subj: Response to OIG Draft Audit Report 03-06: Incurred Cost Audit of Grants Awarded to the Maine Commission for Community Service

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We have reviewed the draft audit report of the grants to the Maine Commission. Due to the limited timeframe for response, we have not analyzed documentation provided by the 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. The Maine Commission has also provided an extensive response and is working on corrective action as necessary.

We should also note that the Maine Commission is sending extensive back-up documentation to the Corporation to address questioned costs related to the administrative grant. We will review the supporting documentation during the audit resolution process. Based on our preliminary discussions with the Maine Commission and its prompt corrective action and careful search and retrieval of historical records, we anticipate that these costs will have adequate support and will be allowed.