Office of Inspector General
Corporation for National and Community Service

PRE-AUDIT SURVEY OF THE GEORGIA COMMISSION FOR SERVICE AND VOLUNTEERISM

OIG REPORT NUMBER 04-04
AUGUST 22, 2003

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

COTTON & COMPANY LLP
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Alexandria, Virginia 22314

This report was issued to Corporation management on November 28, 2003. Under the laws and regulations governing audit follow up, the Corporation is to make final management decisions on the report's findings and recommendations no later than May 28, 2004, and complete its corrective actions by November 28, 2004. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of Inspector General
Corporation for National and Community Service
Audit Report 04-04

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

Introduction

The Corporation for National and Community Service, pursuant to the National and Community Service Trust Act, 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 retained Cotton & Company LLP to perform a pre-audit survey of the Georgia Commission for Service and Volunteerism. The objective of the pre-audit survey was to evaluate: (1) the adequacy of the pre-award selection process; (2) the administration of grant funds; and (3) grant monitoring. The audit period included Program Years 2000 – 2001 and 2001 – 2002.

The Commission was awarded AmeriCorps Formula, AmeriCorps Competitive, Program Development and Training, and Administrative grants of approximately $11,323,000 for the period covered by the survey. The auditors noted that the Commission had submitted duplicate Financial Status Reports, had not implemented its risk assessment tool, had not incorporated all of its practices into the Policies and Procedures Manual, and did not retain subgrantee A-133 reports for three years from the date of receipt. However, the auditors do not recommend performance of a full scope audit at this time.

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

The Office of Inspector General provided the Georgia Commission and the Corporation a draft of this report for their review and comment. Their responses are included in their entirety as Appendices C and D, respectively.

OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
PRE-AUDIT SURVEY OF THE
GEORGIA COMMISSION FOR SERVICE AND VOLUNTEERISM

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COTTON & COMPANY LLP
auditors • advisors

August 22, 2003

Office of Inspector General
Corporation for National and Community Service

Cotton & Company LLP performed a pre-audit survey of the Georgia Commission for Service and Volunteerism (Commission) in accordance with the terms of the statement of work, dated June 24, 2003, by and between Cotton & Company and the Office of Inspector General (OIG), Corporation for National and Community Service (Corporation).

The primary survey objectives were to evaluate:

- The adequacy of the Commission's pre-award selection process.
- The procedures for fiscal administration of Corporation grants.
- The effectiveness of the Commission's procedures for monitoring subgrantees, including AmeriCorps member activities, service hours, and statistics, and other information related to program accomplishments.

We also issued a letter to the OIG concerning our conclusions regarding audit risk, and recommendations as to the nature and scope of additional procedures.

We conducted our procedures in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States in 2003. We were not engaged to and did not conduct an audit of financial statements, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Further, our procedures were not sufficient to express an opinion on the Commission's internal control or on its compliance with laws, regulations, contracts, and grants. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the OIG and is not intended to be and should not be used by anyone other than the OIG.

COTTON & COMPANY LLP

Alan Rosenthal, CPA
Partner

SUMMARY OF RESULTS

We were engaged by the Office of Inspector General, Corporation for National and Community Service, to provide an assessment of the systems and procedures in place at the Georgia Commission for Service and Volunteerism (Commission) for administering its AmeriCorps grants and monitoring the fiscal activity of its subgrantees. The primary purpose of this pre-audit survey was to evaluate:

- The adequacy of the pre-award selection process.
- The administration of grant funds.
- Grant monitoring.

Based on results of procedures performed, we have made the following preliminary assessments regarding the Commission's systems for administering its AmeriCorps grants:

- Duplicate Financial Status Reports (FSRs) were filed with the Corporation during the period covered by our pre-audit survey.
- The Commission administers an open, competitive process to select national service subgrantees. It has not, however, incorporated its policies and procedures related to selecting subgrantees and risk assessment tools into its official *Georgia Commission for Service and Volunteerism Policies and Procedures Manual.*
- The Commission has established control policies and procedures to administer the Corporation's grant funds. It has not, however, incorporated these in its official *Policies and Procedures Manual.*
- The Commission has established procedures to evaluate and monitor subgrantees. It does not, however, have a policy to ensure compliance with the requirement to maintain copies of subgrantee Office of Management and Budget (OMB) Circular A-133 audit reports for three years.

The findings and recommendations presented in this report describe these matters in detail and address additional issues noted during the survey.

During the period of our pre-audit survey, the Commission's AmeriCorps grants were not audited as a major program under OMB Circular A-133. Based on our preliminary assessment, however, we do not recommend performance of a full-scope audit for Program Years 2000-2001 and 2001-2002.

We recommend that the Corporation follow up with the Commission to determine that appropriate corrective actions are taken to address the conditions reported herein, and that the Corporation consider these conditions in its future oversight and monitoring of the Commission.

BACKGROUND

The Corporation for National and Community Service

The National and Community Service Trust Act of 1993, which amended the National and Community Service Act of 1990, established the Corporation for National and Community Service. The Corporation funds opportunities for Americans to engage in service that fosters civic responsibility, strengthens communities, and provides educational opportunities for those who make a substantial commitment to service.

The Corporation awards grants and cooperative agreements to State commissions, nonprofit entities, and tribes and territories to assist in creating full- and part-time national and community service programs. Through these grants, AmeriCorps members perform service to meet educational, human, environmental, and public safety needs throughout the nation, especially addressing needs related to poverty. In return for their service, program participants may receive a living allowance and post-service educational benefits.

Approximately three-fourth of the Corporation's AmeriCorps funds are awarded to State commissions. State commissions are responsible for developing and communicating a vision and ethic of service throughout their State.

Additionally, State commissions, acting as grantees, distribute funds to subgrantees to enable them to administer service programs. State commissions are responsible for monitoring subgrantee compliance with grant requirements. The commissions also are responsible for providing training and technical assistance to the service programs. State commissions are, however, prohibited from directly operating national service programs.

The Georgia Commission for Service and Volunteerism

The Commission was established in December 1993 by executive order of the Governor as the Georgia State Commission on National and Community Service. The executive order was amended in November 1997 to place the Commission within the Department of Community Affairs (DCA) and was renamed as the Georgia Commission for Service and Volunteerism. The amendment also gave additional authority to the DCA commissioner.

The DCA provides the Commission with management and infrastructure benefits, including human resources, financial accounting, administrative assistance, and procurement. The Commission operates under bylaws revised on September 15, 2000.

The Commission has six full-time employees, including an executive director, assistant director, grants compliance manager, and three program representatives. In addition, two other individuals, a division director and an administrative assistant, support the Commission on a part-time basis. These individuals allocate a portion of their salaries to the Commission.

The Commission is annually subject to an OMB Circular A-133 audit performed by the Georgia Department of Audits and Accounts. The Corporation's grants however, have never been tested as major programs.

The Commission provided the following information for Program Years 2000-2001 and 2001-2002.

Program Year	Corporation Funding	Number of Subgrantees
2000-2001	$5,332,591	17
2001-2002	$5,990,825	21

OBJECTIVES, SCOPE, AND METHODOLOGY

We were engaged by the Office of Inspector General, Corporation for National and Community Service, to provide an assessment of the systems and procedures in place at the Commission for administering its AmeriCorps grants and monitoring the fiscal activity of its subgrantees. The primary purpose of this pre-audit survey was to evaluate:

- The adequacy of the pre-award selection process.
- The administration of grant funds.
- Grant monitoring, including:
  1. Fiscal monitoring of AmeriCorps State subgrantees;
  2. Monitoring of program accomplishments and other performance statistics; and
  3. Monitoring of AmeriCorps member eligibility and service-hour reporting.

Our survey included the following procedures:

- Reviewing applicable laws, regulations, grant provisions, the Corporation's *State Administrative Standards Tool*, and other information to gain an understanding of legal, statutory, and programmatic requirements.
- Reviewing OMB Circular A-133 reports and grant agreements between the Corporation and the Commission for Program Years 2000-2001 and 2001-2002.
- Obtaining information from Commission management to complete the flowcharts in Appendix A, which documents the hierarchy of Corporation funding to the Commission for Program Years 2000-2001 and 2001-2002.
- Conducting inquiries, observations, investigations, recalculations, evaluations, and examinations of a limited sample of source documents to meet the objectives and methodology specified in Appendix B.

As part of the procedures performed, we documented and tested the internal controls in place at the Commission. We summarized the results of our work to develop the findings and recommendations presented in this report. We discussed all findings with Commission management during an exit conference on August 22, 2003. Additionally, we provided a draft of this report to the Commission and the Corporation. Commission and Corporation responses to our findings and recommendations are included as Appendices C and D, respectively.

RESULTS OF FIELDWORK

Internal Control

According to 46 CFR § 2541.200, the Commission must maintain financial management systems that provide for "accurate, current, and complete disclosure of the financial results of financially assisted activities." The Commission must also provide "[e]ffective control and accountability... for all grant and subgrant cash, real and personal property, and other assets."

As an entity within DCA, the Commission forwards all accounting functions (except for receiving, reviewing, and approving payments for periodic draw-downs from subgrantees), after approval, to the DCA's Accounting Division for processing in accordance with DCA procedures. The DCA Accounting Division is required to follow State of Georgia policies.

The Commission maintains an extensive system for tracking and recording subgrantee expenditures. It also forwards Commission-recorded subgrantee expenditures to the DCA Accounting Division, which enters the information into official books of record through the Purchase Order System. A monthly reconciliation process is conducted between the Commission office and DCA Accounting Division to ensure agreement between accounting records.

Additionally, the Commission's *Policies and Procedures Manual* includes hundreds of pages of policies and procedures from the Commission, the State of Georgia, and notices provided by the Corporation. These policies and procedures cover rules for human resources, travel, administrative, and subgrantee assessments and monitoring.

The core of the Commission's financial monitoring process is accomplished through desk reviews and draw-down procedures conducted on a weekly basis. Weekly desk reviews and drawdown procedures include reviews of subgrantee periodic expense reports, reviews of supporting documentation for claimed expenditures, verifications of claimed member and staff salaries, and reviews of subgrantee administrative costs and match requirements.

The Commission also conducts financial site-visit monitoring. Subgrantees are scheduled for financial site-visit monitoring on a rotating basis and according to an assessment of risk related to a specific subgrantee (e.g., whether the subgrantee has provided supporting documentation for its expenses when filing Periodic Expense Reports (PERs) and the quality of the subgrantee's financial systems).

In addition to financial monitoring, the Commission conducts program monitoring of its subrecipients. Subrecipients are required to prepare Annual Progress Reports and submit these reports via the Web Based Reporting System (WBRS). The Commission reviews these reports and completes Progress Report Analysis sheets.

Also, at the beginning of the program year, subgrantees are required to enter their program objectives into WBRS. Once entered, these objectives cannot be changed unless a formal request is made, and the Commission approves the request.

Commission staff also visit subgrantee sites at least once a year and up to four times a year for high-risk subgrantees. During these site visits, Commission staff review member files, including service logs (timesheets), to ensure that all required information is on file and that member forms and other change-of-status forms are completed in a timely manner.

Finding: Duplicate FSRs were filed with the Corporation during the period covered by the pre-audit survey.

The DCA Accounting Division incorporated the preparation of FSRs for subgrantee funds and the submission of those FSRs to the Corporation into services it provided to the Commission. The Commission, however, was already preparing complete AmeriCorps FSRs and submitting them via WBRS. Thus, two FSRs for each reporting period were submitted to the Corporation. Additionally, the DCA Accounting Division prepared FSRs presenting Federal-share costs based solely on amounts drawn down and did not include information on match.

45 CFR § 2541.200(b)(1) states:

> **Financial Reporting**. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

Recommendation: We recommend that the Commission follow up to ensure that only one FSR is submitted for each reporting period, and that each FSR contain all requisite information correctly stated. To this end the Commission and DCA Accounting Division met to discuss proper reporting requirements for FSRs subsequent to this pre-audit survey.

Selecting Subgrantees

45 CFR § 2550.80 (b) requires each State commission to:

> Administer a competitive process to select national service programs to be included in any application to the Corporation for funding.

The Commission administers an open, competitive process to select national service subgrantees. In competitive application years, the Commission issues a Notice of Funds Available (NOFA)

letter that is widely distributed. A NOFA meeting schedule is then established throughout the State and notices of these forthcoming meetings are publicly posted in advance to further advertise the events.

At these meetings, the Commission provides potential applicants with an overview of the program, including goals and objectives, application requirements, application materials, and sample budget sheets. Interested parties are then requested to submit a letter of intent to apply.

Subgrantee applications are submitted by the Commission to a peer review panel. Peer reviewers are required to sign a conflict-of-interest and privacy statement, and reviewers attend an orientation meeting. Grant applications, along with instructions and score sheets, are sent to the reviewers. The reviewers then meet to discuss and combine their score sheets to arrive at one final score sheet. Based on peer review panel recommendations, the Commission notifies applicants by letter whether their applications have been accepted or rejected.

***Finding: The Commission has not incorporated policies and procedures for selecting subgrantees into its official* Policies and Procedures Manual.**

Although the Commission has put into practice several policies and procedures related to selecting subgrantees, it has not incorporated them into its official *Policies and Procedures Manual.*

Recommendation: We recommend that the Commission incorporate its subgrantee selection practices into its official *Policies and Procedures Manual.*

***Finding: The Commission has not implemented or incorporated policies and procedures for risk assessments into its official* Policies and Procedures Manual.**

The Commission has instituted procedures related to subgrantee risk assessments and has developed tools to aid in the risk assessment process. These tools, however, have not been implemented or included into its official *Policies and Procedures Manual.*

Recommendation: We recommend that the Commission implement its risk assessment practices and incorporate them into its official *Policies and Procedures Manual.*

Administering Grant Funds

According to 45 CFR § 2550.80 (d), State commissions "will be responsible for administering the grants and overseeing and monitoring the performance and progress of funded programs."

As a unit of DCA, the Commission is required to follow State of Georgia policies, procedures, and documentation processes with regard to authorizing and claiming expenditures against grant funds. Additionally, the Commission has developed its own practices with regard to the expenses it incurs for Federal grants and for financial monitoring of subgrantees. The Commission also uses several tools for administering grant funds.

The Commission uses a Current Monthly Budget Comparison Report (General Ledger Report) created by DCA. This report lists expenditures by category that are presented in the budget and provides information on budgeted amount, monthly expenditures by category, percentages of budgeted amount expended in the month, year-to-date totals by expenditure category, year-to-date allotment (this column records any changes to previous budgeted amounts), percentage of budgeted amounts expended, and amount of funds remaining.

Another tool used by the Commission is the Expense Detail Report, which provides general ledger account information, including the transaction date, amount, name of the vendor/employee responsible for the expenditure, and a brief explanation of the purpose for the expenditure.

Commission management also prepares a Monthly Program Financial Status Report. This report includes the name of the program receiving Corporation funds, award amount, award balance remaining, grant type, and any pertinent issues related to grant execution.

Likewise, several controls are in place to administer grant funds, including policies and procedures, authorization forms, expense reimbursement forms, and documentation requirements for claimed expenditures. Travel expenses and car leasing requests must be pre-approved. Completed pre-approval forms must include information related to purpose, date, dollar value, charge code, organization code, and appropriate signatures.

The DCA also requires completion of a purchase requisition for obtaining goods and services. Requisitions must also include information related to organization code, project code, material/service descriptions, quantity, and amount. Approval signatures are also required.

***Finding: The Commission has not incorporated its policies and procedures for administering Corporation grant funds into its official* Policies and Procedures Manual.**

The Commission has established several policies and procedures for subgrantee financial monitoring, but has not formalized these in a document. These consist of PER reviews, FSR reviews, expense documentation reviews, financial site visits, financial procedure review checklists, financial monitoring desk review procedures, and subgrantee reimbursement procedures. Although these monitoring policies and procedures have been conveyed to subgrantees through official memorandums and e-mails, they have not been incorporated into the Commission's official *Policies and Procedures Manual.*

Recommendation: We recommend that the Commission incorporate its procedures for administering Corporation grant funds into its official *Policies and Procedures Manual.*

Evaluating and Monitoring Grants

45 CFR § 2550.80.(e) states that the Commission, "in concert with the Corporation, shall be responsible for implementing comprehensive, non-duplicative evaluation and monitoring systems."

The Commission has established policies and procedures to evaluate and monitor its subgrantees, including reviewing program and financial reports, scheduling annual visits, and reviewing programmatic progress reports. During site visits, Commission personnel use standard checklists to guide their inquiries and to identify and communicate program strengths and weaknesses.

Additionally, Commission personnel also interact with program managers via telephone and e-mail, interview AmeriCorps members, and conduct programmatic desk reviews. Program directors are also required to attend all retreats, bimonthly meetings, and other Commission-sponsored events unless specifically excused in writing by the Executive Director. Program directors report on member activities at these meetings.

Finding: The Commission does not have a policy to ensure compliance with retention requirements for subgrantee OMB Circular A-133 reports.

The Commission did not have copies of OMB Circular A-133 reports on file for at least the past three years for all five subgrantee files we tested.

OMB Circular A-133, Subpart C, Auditees, Section .320, Report Submission, Paragraph (g), states:

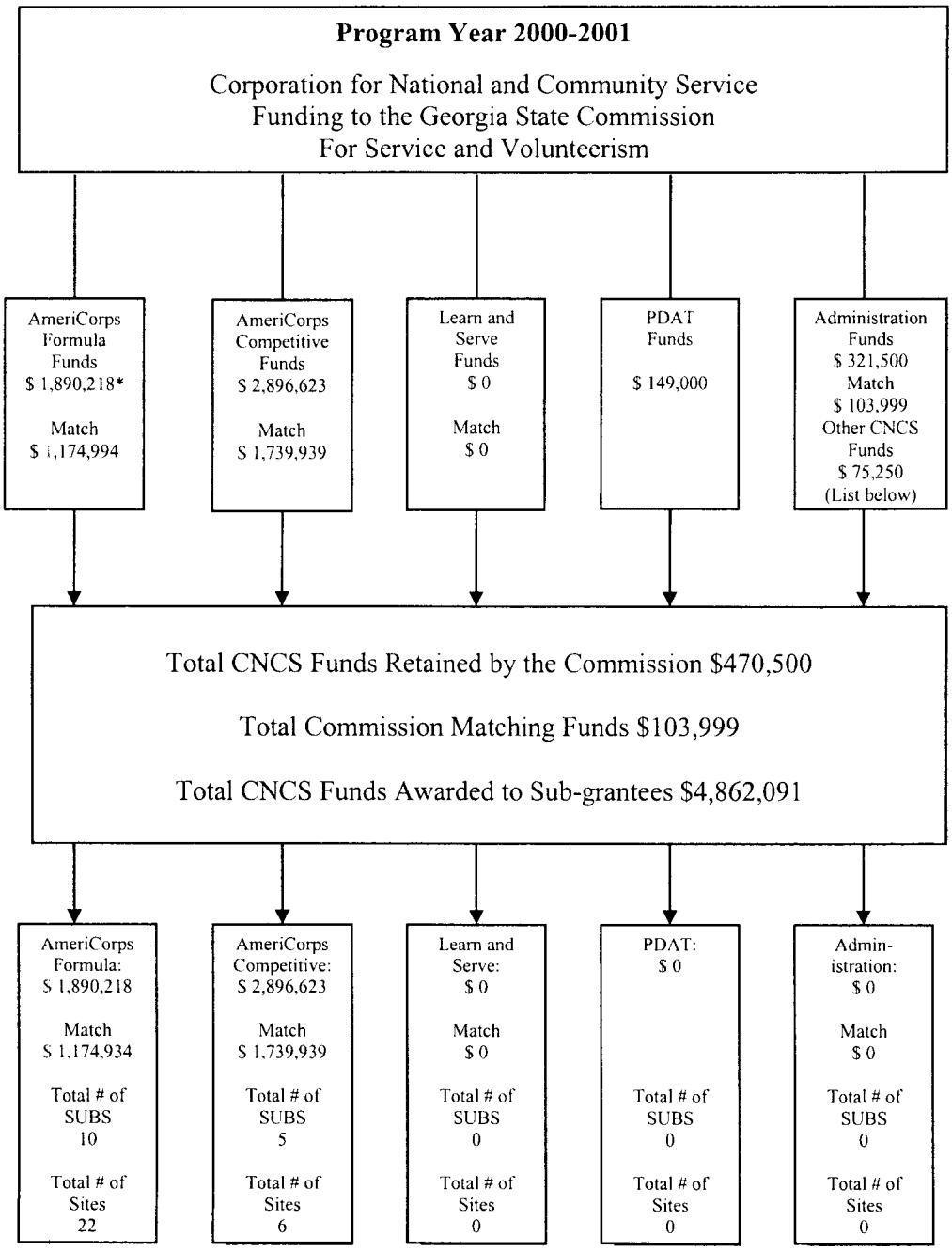
> **Report retention requirements.** Auditees shall keep one copy of the data collection form described in paragraph (b) of this section and one copy of the reporting package described in paragraph (c) of this section on file for three years from the date of submission to the Federal clearinghouse designated by OMB. Pass-through entities shall keep subrecipients' submissions on file for three years from date of receipt.

Recommendation: We recommend that the Commission formulate and implement written procedures for obtaining and reviewing subgrantee OMB Circular A-133 reports for at least the past three years. We also recommend that the Commission include these procedures in its official *Policies and Procedures Manual.*

APPENDIX A

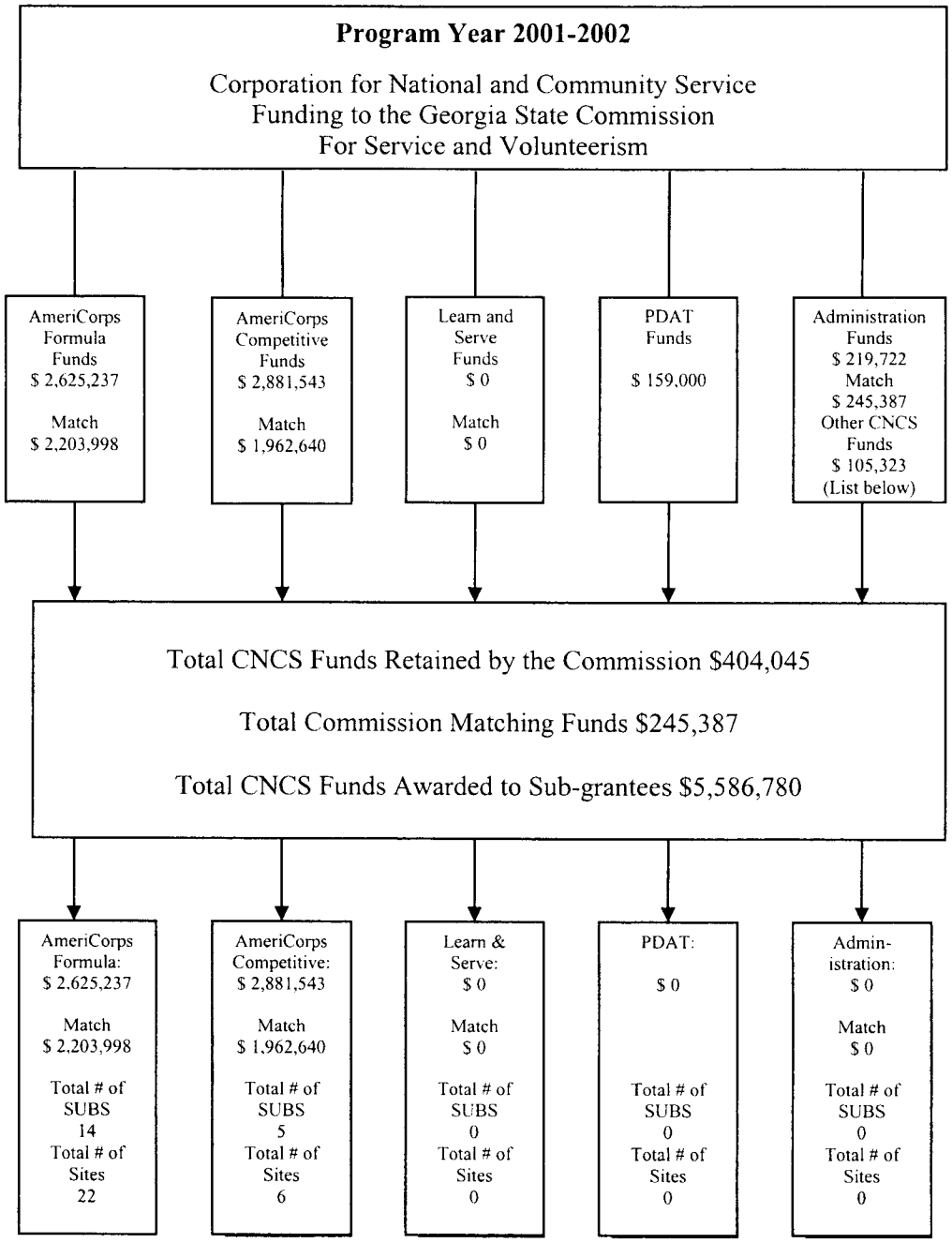
FUNDING HIERARCHY FLOWCHARTS

Office of Inspector General
Corporation for National and Community Service
State Commission Pre-Audit Survey: Georgia
Funding Hierarchy Flowchart



* The FSR for the AmeriCorps Formula Funds presents total Federal awards of $1,910,218, which is $20,000 greater than the actual award amount. The Commission has explained that two $10,000 planning grants were reallocated to another subgrantee, resulting in a $20,000 overstatement on the FSR.

Office of Inspector General
Corporation for National and Community Service
State Commission Pre-Audit Survey: Georgia
Funding Hierarchy Flowchart



* The amount of $80,000 was awarded to two subgrantees; $69,000 for Promise Fellows and $11,000 for Education Awards. The Commission retained $25,000 awarded for the Disability grant.

APPENDIX B

DETAILED ENGAGEMENT OBJECTIVES AND METHODOLOGY

Office of Inspector General
Corporation for National and Community Service
State Commission Pre-Audit Survey: Georgia
Detailed Engagement Objectives and Methodology

INTERNAL CONTROL

Our objective was to assess the adequacy of financial systems and documentation maintained by the Commission to provide reasonable assurance that transactions were properly recorded and accounted for to: (1) permit preparation of reliable financial statements and Federal reports; (2) maintain accountability over assets; and, (3) demonstrate compliance with laws, regulations, and other compliance requirements.

To achieve these objectives, we reviewed promulgated guidance as well as identified internal control objectives and characteristics related to the Commission's ability to ensure compliance with Federal laws, regulations, and program compliance. Through inquiry, observation, and inspection of documents, we documented and tested the Commission's controls related to the control environment, activities allowed or unallowed, and allowable costs: eligibility, matching, period of availability of Corporation funds, procurement, suspension and debarment, program income, subgrantee monitoring, and Commission reporting to the Corporation.

SELECTING SUBGRANTEES

Our objective was to determine if the Commission had an open, competitive process to select national service subgrantees, including policies and procedures related to assessing the adequacy of potential subgrantee financial systems, subgrantee controls to administer a Federal grant program, and processes for preventing conflicts of interest in the selection process at the Commission. We also determined if the Commission's systems and controls related to selecting subgrantees were functioning as designed.

To achieve these objectives, we interviewed key Commission management and documented procedures performed by the Commission during the pre-award financial and programmatic risk assessment of potential subgrantees. We also interviewed key Commission management and documented procedures performed by the Commission to select subgrantees.

Next, we obtained and reviewed the official policies and procedures of the Commission related to selecting subgrantees as established in the Commission's *Policies and Procedures Manual.* We also obtained and reviewed copies of desk procedures used by Commission personnel for selecting subgrantees. We compared documented procedures discerned from management interviews to the Commission's *Policies and Procedures Manual* and to the desk procedures used by Commission personnel.

We then reviewed documentation to determine if selection officials signed conflict-of-interest and privacy forms for each subgrantee applicant tested, and if the Commission maintained these

forms. Documentation included risk assessment tools, peer review packages, correspondence, memoranda, e-mails, scorecards, and peer review assessment sheets.

We also tested whether the Commission's systems and controls related to selecting subgrantees were functioning as designed. Our testing methodology included selection of a judgmental sample of subgrantee selection files and a review of file documentation for evidence of selection criteria, as defined by Commission interviews, the Commission's *Policies and Procedures Manual,* and Commission personnel desk procedures.

ADMINISTERING GRANT FUNDS

Our objectives were to:

- Assess the adequacy of the systems and controls used by the Commission to maintain appropriate financial management systems to disburse funds and track Commission and program expenses according to legal and grant requirements.

- Determine if the Commission's organizational structure, staffing level and staffing mix were conducive to effective grant administration.

- Determine if the Commission provided adequate guidance to subgrantees related to maintenance of financial systems, records, supporting documentation, and reporting of subgrantee activity.

- Assess the adequacy of financial systems and documentation maintained by the Commission to support oversight of subgrantees and required reporting to the Corporation, such as FSRs, enrollment and exit forms, change of status forms, and audit reports.

- Determine if the Commission had procedures in place to verify the accuracy and timeliness of reports submitted by subgrantees.

To achieve the above objectives, we interviewed key Commission management and DCA Accounting Department management and documented the policies and procedures used by both to administer grant funds. We also gained an understanding of both the manual and automated systems used by Commission and DCA personnel to administer grant funds through inquiry, observation, and by system walkthroughs.

Next, we obtained and reviewed the Commission's official policies and procedures related to administering grant funds, as established in its *Policies and Procedures Manual.* We also obtained and reviewed copies of desk procedures for administering grant funds used by both Commission and DCA accounting personnel. We compared documented procedures discerned from management interviews to both the Commission's *Policies and Procedures Manual* and to the desk procedures used by Commission and DCA personnel.

We then observed the Commission's subgrantee drawdown process, gained an understanding and reviewed documentation related to the U.S. Department of Health and Human Services drawdowns by DCA, observed the Commission's processes and procedures related to subgrantee PERs, and required supporting documentation. We also observed the Commission's procedures for reviewing the allowability of subgrantee expenditures, reviewed its assessment of match and administrative expenses claimed by a subgrantee on a Corporation grant, and reviewed the Commission's procedures for verification of program members and staff hours charged to a grant.

Next, we reviewed DCA's accounting posting modules for recording subgrantee pass-through transactions and the Commission's direct Corporation grant expenditures. We also observed the flow of financial information through DCA's accounting system. We further compared these procedures to Commission and DCA Accounting Department policies and the procedures.

We reviewed FSRs and progress reports submitted by subgrantees and FSRs submitted by the Commission to the Corporation to assess accuracy. We also reviewed financial reports obtained from the DCA Accounting Department and compared them to similar reports produced by the Commission.

We also tested whether the Commission's systems and controls related to administering grant funds were functioning as designed. Our testing methodology included selection of a judgmental sample of subgrantee files. We reviewed documentation and other corroborating documentation to verify that policies and procedures were in operation.

EVALUATING AND MONITORING GRANTS

Our objectives were to:

- Identify and assess the adequacy of the systems and controls used by the Commission to implement a comprehensive evaluation and monitoring process for its subgrantees.

- Determine if the Commission had an established subgrantee site visit program in place and assess the effectiveness of its design in achieving monitoring objectives.

- Determine the adequacy of Commission procedures to assess subgrantee compliance with Corporation regulations (e.g., eligibility of members, service hour reporting, prohibited activities, payment of living allowances to members, and allowability of costs claimed under grants by subgrantees).

- Assess the adequacy of Commission procedures for obtaining, reviewing, and following up on findings included in subgrantee OMB Circular A-133 audit reports, where applicable.

- Determine if program goals were established, and if program results and performance statistics were accurately reported and compared to these goals.

- Assess the adequacy of procedures in place to evaluate whether subgrantee programs were achieving their intended purposes.

To achieve these objectives, we interviewed key Commission management and documented policies and procedures used by the Commission for monitoring and evaluating subgrantees. Next, we obtained and reviewed Commission policies and procedures related to monitoring and evaluating subgrantees as established in the Commission's *Policies and Procedures Manual.* We also obtained and reviewed personnel job descriptions and copies of desk procedures for monitoring and evaluating subgrantees. We compared documented procedures, discerned from management interviews, to the Commission's *Policies and Procedures Manual* and to the desk procedures used by the Commission.

We gained an understanding of the Commission's Work Program System, which included its use of centralized tracking and reporting systems through DCA's Bartelby system. We observed system functionality and system controls. We selected one subgrantee and traced the work program, including supporting documentation for program elements, for one program year for that subgrantee.

We then obtained and reviewed checklists and other documentation used by the Commission to monitor and evaluate its subgrantees, including Program Requirements Checklists, AmeriCorps Member File Review Checklists, Desk Audit Forms, site visit reports, site visit responses, Progress Report Analysis sheets, e-mails, and correspondence.

We also tested the Commission's systems and controls related to evaluating and monitoring subgrantees to determine if they were functioning as designed. Our testing methodology included selection of a judgmental sample of subgrantee files. We reviewed other corroborating documentation to verify that policies and procedures were in operation. We further determined if the Commission had received and reviewed OMB Circular A-133 audit reports from subgrantees.

APPENDIX C

GEORGIA COMMISSION FOR SERVICE AND VOLUNTEERISM RESPONSE

GEORGIA DEPARTMENT OF
COMMUNITY AFFAIRS

Mike Beatty
COMMISSIONER

Sonny Perdue
GOVERNOR

November 14, 2003

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

Dear Mr. George:

This letter is the Georgia Commission for Service and Volunteerism's (GCSV) official response to your letter of October 17, 2003, containing the draft report on the results of our pre-audit survey which was conducted by Cotton & Company, LLC, at our offices during the week of August 11, 2003. We are pleased to inform you that we concur with the findings outlined in that report and have already acted as suggested on each recommendation which was made. The written policies which were suggested to be placed in writing in our policy notebook have been done and are already activated. Copies of those policies will follow under separate cover.

Our Grants Compliance Officer (Internal Auditor) did find two mistakes on the second of the two Funding Hierarchy Flowcharts which are found in the Appendix A. The block in the chart for Program Year 2001-2002 on the second tier at the far left titled "AmeriCorps Formula Funds reads on your draft $2,625,236 and should read $2,625,237. You will note that the correction will match the same number in the lowest tier of blocks at the far-left side of the page. In the top line on the third tier block titled "Total CNCS Funds Retained by the Commission" your copy reads $403,954 and should read $404,045.

A copy of that Appendix page showing the two errors is attached to this letter and is highlighted in light blue color. The Internal Auditor has indicated in the right-hand margin of that page which numbers were used to arrive at $404,045. Should you need additional information concerning how we arrived at these totals, please contact Mr. John Napolitano, Grants Compliance Officer for the GCSV, directly at (404) 679-0562.

We will have a letter with copies of the written policies referred to in my first paragraph above in the mail to you by the middle of the week of November 17, 2003. I would like to mention here that we found the pre-audit experience positive and very informative and helpful in leading us toward the implementation of written policies and

procedures where we were lacking those, as well as in overall validation of the high quality program management systems under which we operate.

Should you need additional information from me please feel free to call (404) 327-6844. I am usually in the office from 9:00 AM until 6:30 PM each day. We look forward to your response concerning the mathematical errors on the flow chart described herein.

Sincerely,

James P. Marshall, Jr.
Executive Director
Georgia Commission for Service & Volunteerism

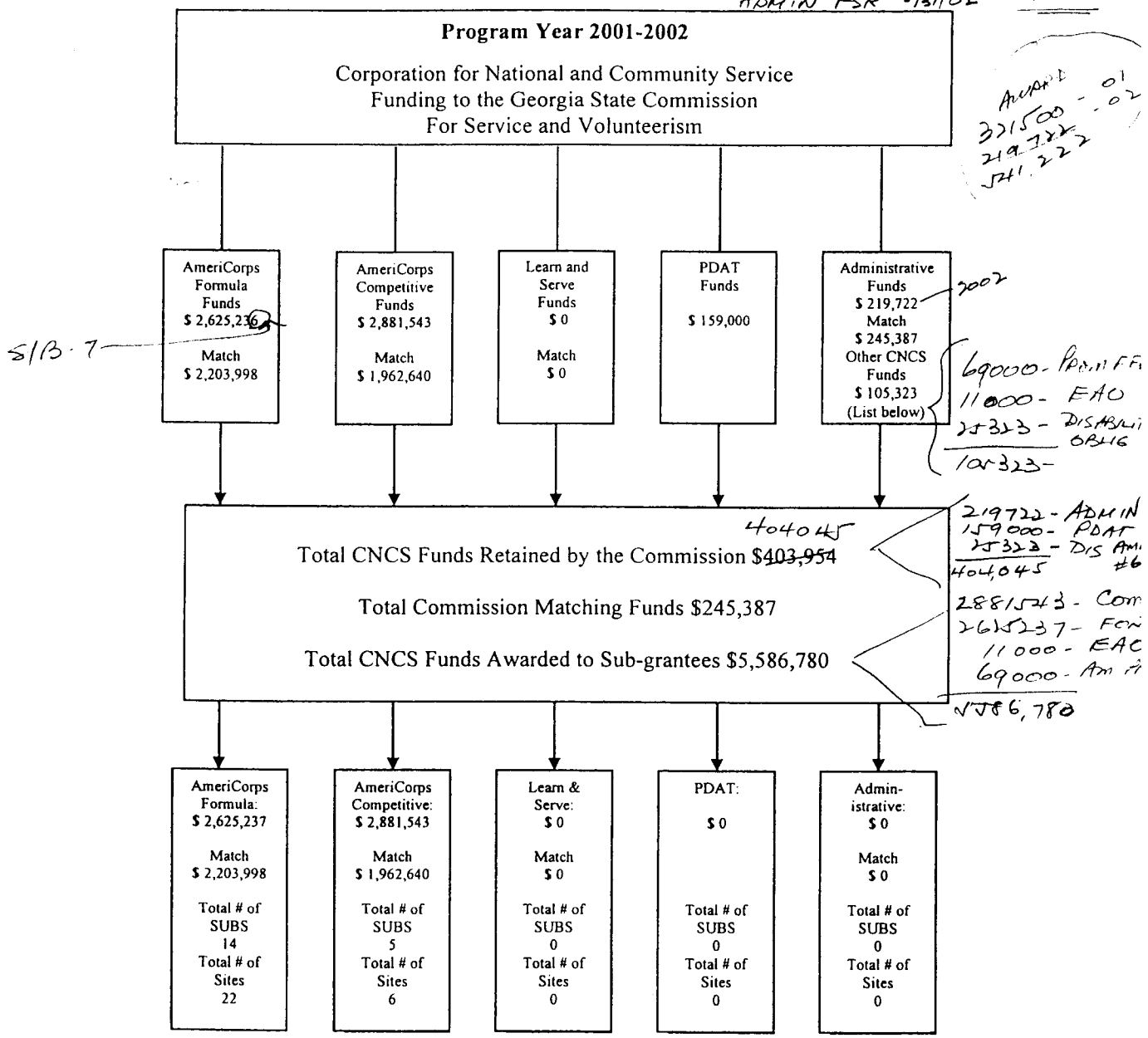
CC: Carol Bates
Alan Rosenthal
Terry Ball
Heather Pritchard
John Napolitano
Cheryl Blankenship
Karen Peters
Gayle Hilleke

Attachment as noted on page one.

Appendix A

AWARD 01- 321500
" 02 219722
TOTAL - 541,222
MATCH- 01 103 999
" -02 245 387
TOTAL - 349 386
UNOBLIGATED - 191,836
ADMIN FSR 12/31/02 191,837

Office of Inspector General
Corporation for National and Community Service
State Commission Pre-Audit Survey: Georgia
Funding Hierarchy Flowchart



Draft Report Dated 8/22/03 is for Discussion Purposes Only

APPENDIX D

CORPORATION RESPONSE

Corporation for
NATIONAL & COMMUNITY SERVICE

To: Russell George, Inspector General

From: Peg Rosenberry, Director of Grants Management

Cc: Michelle Guillermin, Chief Financial Officer
Rosie Mauk, Director of AmeriCorps

Date: November 17, 2003

Subject: Response to OIG Draft Audit Report 04-04: Pre-Audit Survey of the Georgia Commission for Service and Volunteerism

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We have reviewed the draft Pre-Audit Survey of the Georgia Commission for Service and Volunteerism and the Commission's response to the report. The Commission stated that they concurred with the findings outlined in the report and have already acted on each recommendation. Due to the limited timeframe for response to this draft, we have not yet confirmed that corrective actions have been implemented. We will do so once the final survey is issued.