

Office of Inspector General Corporation for National and Community Service

AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO LOUISVILLE METRO COMMUNITY ACTION PARTNERSHIP FOSTER GRANDPARENT PROGRAM RETIRED AND SENIOR VOLUNTEER PROGRAM

OIG REPORT NUMBER 06-29



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

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This report was issued to Corporation management on May 26, 2006. 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 November 27, 2006, and complete its corrective actions by May 26, 2007. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



OFFICE OF INSPECTOR GENERAL

Audit of Corporation for National and Community Service
Grants Awarded to the
Louisville Metro Community Action Partnership
Foster Grandparent Program and Retired and Senior Volunteer Program
Audit Report 06-29

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Conrad and Associates, L.L.P. (Conrad) to perform an incurred-cost audit of grants awarded to the Louisville Metro Community Action Partnership Foster Grandparent Program and the Retired and Senior Volunteer Program (Louisville).

During the audit period, Louisville claimed \$765,447 in grant costs for the Foster Grandparent Program, and \$290,530 for the Retired and Senior Volunteer Program. Of these amounts, the auditors questioned costs of \$16,171 and \$5,441, respectively. The auditors also identified four internal control reportable conditions and four issues of noncompliance with Federal laws and grant provisions. None of these issues are considered material weaknesses.

In its detailed response to the draft audit report, Louisville documented its corrective actions and improvements to the internal control and compliance issues, but it did not address the questioned costs.

The OIG reviewed Conrad's report and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on Louisville's financial statements, conclusions about the effectiveness of internal control or conclusions on compliance with laws and regulations. Conrad is responsible for the attached auditor's report dated January 13, 2006, and the conclusions expressed in the report. However, our review disclosed no instances where Conrad did not comply, in all material respects, with generally accepted government auditing standards.

The OIG provided officials of Louisville Metro Community Action Partnership and the Corporation with a draft of this report for review and comment. Their responses are included as Appendices A and B, respectively.

This report is a matter of public record and its distribution is not limited.



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**Audit of Corporation for National and Community Service
Grants Awarded to
Louisville Metro Community Action Partnership**

**Foster Grandparent Program and
Retired and Senior Volunteer Program**

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**Foster Grandparent Program and
Retired and Senior Volunteer Program**

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REPORT SUMMARY AND HIGHLIGHTS

Office of Inspector General
Corporation for National and Community Service

This report is issued under an Office of Inspector General (OIG) engagement with Conrad and Associates, L.L.P. to audit the costs claimed by the Louisville Metro Community Action Partnership (Louisville) Foster Grandparent Program (FGP) and Retired and Senior Volunteer Program (RSVP) from July 1, 2003, through June 30, 2005, under FGP Grant Numbers 03SFSKY002 and 05SFSKY002, and RSVP Grant Numbers 03SRSKY003 and 05SRSKY002, awarded by the Corporation for National and Community Service (Corporation). This report focuses on claimed costs, instances of noncompliance with Federal laws, applicable regulations or award conditions, and internal control weaknesses disclosed during our audit.

Executive Summary

We are questioning costs totaling \$16,171 for the Foster Grandparent Program (\$15,717 for audit period July 1, 2003, through December 31, 2004, and \$454 for January 1, 2005, through June 30, 2005), and costs totaling \$5,441 for the Retired and Senior Volunteer Program (\$15,620 for audit period July 1, 2003, through December 31, 2004, and (\$10,179) for January 1, 2005, through June 30, 2005). We are also questioning some match costs claimed; however, the questioned match costs were claimed in excess of the minimum match required or the grants were not yet completed. The grant costs questioned are approximately 2.11 percent of the total \$765,447 in costs claimed for the Foster Grandparent Program, and approximately 1.87 percent of the total \$290,530 in costs claimed for the Retired and Senior Volunteer Program. A questioned cost is (1) an alleged violation or provision of law, regulation, contract, grant, or cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost was not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable.

Costs questioned include unsupported volunteer support costs and expenses, volunteer mileage charged in excess of grantee policy, unsupported other direct costs, unsupported match costs, overstated telephone expenses, costs inadvertently charged to the wrong grant, and postage expense inadvertently charged twice. Details related to questioned costs are presented in the Independent Auditor's Report.

Background

The Corporation, under the authority of the National Community Service Trust Act of 1993, awards grants and cooperative agreements to assist in the creation of full-time and part-time national and local community service programs. The purpose of the Corporation's Foster Grandparent Program is to provide grants to qualified organizations to engage persons age 60 and older, particularly those with limited incomes, in volunteer service to meet critical community needs; and to provide a high quality experience that will enrich the lives of the volunteers. Program funds are used to support Foster Grandparents in providing supportive, person-to-person service to children with exceptional or special needs. The Retired and Senior Volunteer Program has a similar purpose but the minimum age to qualify as a volunteer is 55.

The Louisville FGP and RSVP are operated under the Louisville Metro Community Action Partnership as a part of the Louisville Metro Government. The purpose of the Louisville FGP is to recruit and place low-income senior volunteers with special-needs children in child care agencies and public school classrooms throughout the community. The purpose of the Louisville RSVP is to recruit and place volunteers to serve in nonprofit and proprietary health care organizations.

The Louisville FGP was authorized \$1,171,697 in funding and exercised \$723,439 in drawdowns for the period audited. The Louisville RSVP was authorized \$438,168 in funding and exercised \$273,014 in drawdowns. Authorized funding, grantee claimed expenditures and drawdowns by grant are as follows:

<u>Program</u>	<u>Funding Authorized</u>	<u>Claimed Within Audit Period</u>	<u>Drawdowns During Audit Period</u>
<u>Foster Grandparent Program</u>			
03SFSKY002	\$ 778,976	\$ 564,678	\$ 723,439
05SFSKY002	392,721	200,769	-
	<u>\$ 1,171,697</u>	<u>\$ 765,447</u>	<u>\$ 723,439</u>
<u>Retired and Senior Volunteer Program</u>			
03SRSKY003	\$ 291,306	\$ 227,989	\$ 273,014
05SRSKY002	146,862	62,541	-
	<u>\$ 438,168</u>	<u>\$ 290,530</u>	<u>\$ 273,014</u>
Total	<u>\$ 1,609,865</u>	<u>\$ 1,055,977*</u>	<u>\$ 996,453*</u>

* The differences between the amount claimed and amount drawn down are generally due to timing issues.

Purpose and Scope of Audit

Our audit covered the costs claimed under Corporation Grant Numbers 03SFSKY002, 05SFSKY002, 03SRSKY003, and 05SRSKY002 for the grant period detailed on page 4.

The objectives of our audit were to determine whether:

- financial reports prepared by Louisville presented fairly the financial results of the awards;
- internal controls were adequate to safeguard Federal funds;
- Louisville had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, award conditions, and that volunteer services were appropriate to the program;
- award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions; and
- Louisville had established adequate oversight of the program.

We performed the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the award, as presented in the Consolidated Schedule of Award Costs, are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Schedule of Award Costs. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. Our audit included reviews of audit reports prepared by the independent public accountants for Louisville in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. We believe our audit provides a reasonable basis for our opinion.

We performed our audit during the period October 31, 2005, through January 13, 2006. The contents of this report were disclosed to and discussed with Louisville at an exit conference on March 16, 2006. In addition, we provided a draft of this report to Louisville and to the Corporation for comment on March 27, 2006. Their responses are included as Appendices A and B, respectively.

Grant Programs Audited

Our audit of the Louisville FGP and RSVP Programs covered financial transactions, compliance and internal control testing of the following program awards funded by the Corporation:

Foster Grandparent Program

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
03SFSKY002	01/01/03 – 12/31/04	07/01/03 – 12/31/04
05SFSKY002	01/01/05 – 12/31/07	01/01/05 – 06/30/05

Retired and Senior Volunteer Program

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
03SRSKY003	01/01/03 – 12/31/04	07/01/03 – 12/31/04
05SRSKY002	01/01/05 – 12/31/07	01/01/05 – 06/30/05

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

<u>Foster Grandparent Program</u>	<u>Amount</u>	<u>Percentage of Budget/Claimed</u>
Award Budget	\$ 1,171,697	-
Claimed Costs	765,447	65.33 percent
Questioned Grant Costs	16,171	2.11 percent

<u>Retired and Senior Volunteer Program</u>	<u>Amount</u>	<u>Percentage of Budget/Claimed</u>
Award Budget	\$ 438,168	-
Claimed Costs	290,530	66.31 percent
Questioned Grant Costs	5,441	1.87 percent

Costs Questioned

The following table summarizes the costs questioned on the awards:

Foster Grandparent Program

<u>Descriptions</u>	<u>Federal Share</u>
Unsupported volunteer support and expenses; variance between Financial Status Reports and general ledger	\$ 15,290
Volunteer mileage cost charged exceeded grantee policy	53
Unsupported other direct costs	135
RSVP expense of \$426 inadvertently charged to FGP	426
Postage inadvertently expensed twice	267
Total Costs Questioned:	<u>\$ 16,171</u>

Retired and Senior Volunteer Program

<u>Descriptions</u>	<u>Federal Share</u>
Unsupported volunteer support and expenses; variance between Financial Status Reports and general ledger	\$ 4,302
Unsupported other direct costs	<u>1,139</u>
Total Costs Questioned:	<u>\$ 5,441</u>

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

Internal Controls

Our audit disclosed the following instances that were considered to be reportable internal control weaknesses.

1. Detailed FGP and RSVP volunteer support and expense reports could not be reconciled to the general ledger.
2. Insufficient documentation was maintained for FGP and RSVP volunteer support expenses and volunteer reimbursements.
3. FGP and RSVP telephone match costs charged were based on estimated rather than actual costs; however, no match costs are questioned in excess of the minimum match required or the grants were not yet completed.
4. FGP and RSVP transactions were inadvertently booked to the wrong fiscal year in "inactive accounts."

We believe none of the reportable conditions noted above represents a material weakness.¹

¹ A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that errors or irregularities in amounts, which would be material to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Compliance

Our audit disclosed the following instances of noncompliance with Federal laws, applicable regulations and award conditions that were considered to be reportable conditions.

1. The grantee did not adequately undertake its responsibilities in the following program and administrative areas:
 - a. The grantee did not have formal procedures to maintain documentation or staff certification to support that the FGP and RSVP volunteer stations meet the program criteria.
 - b. There were no formal procedures to periodically review the status of FGP and RSVP volunteer stations to ensure that they continually meet the program criteria.
 - c. The grantee did not properly develop and renegotiate the FGP and RSVP Memorandums of Understanding (MOUs) with volunteer stations in accordance with the program requirements.
 - d. The grantee did not adequately monitor the FGP volunteer stations to ensure that they comply with all applicable laws and regulations, and that they satisfactorily fulfill their responsibilities as stated in the MOU.
2. Grant program and financial reports were not submitted to the Corporation in a timely manner.
3. Grant volunteer eligibility documentation and records were either missing or incomplete.
4. FGP volunteer assignment plans and annual volunteer performance evaluations were either missing or not developed.

Report Release

This report is intended for the information and use of the Office of Inspector General, management of the Corporation for National and Community Service, Louisville Metro Community Action Partnership and the U.S. Congress.

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITOR'S REPORT

We have audited the costs incurred by the Louisville Metro Community Action Partnership Foster Grandparent Program and the Retired and Senior Volunteer Program (Louisville) for the award numbers listed below. These costs, as presented in the Consolidated Schedule of Award Costs, are the responsibility of Louisville's management. Our responsibility is to express an opinion on the Consolidated Schedule of Award Costs based on our audit.

Foster Grandparent Program

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
03SFSKY002	01/01/03 – 12/31/04	07/01/03 – 12/31/04
05SFSKY002	01/01/05 – 12/31/07	01/01/05 – 06/30/05

Retired and Senior Volunteer Program

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
03SRSKY003	01/01/03 – 12/31/04	07/01/03 – 12/31/04
05SRSKY002	01/01/05 – 12/31/07	01/01/05 – 06/30/05

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

In our opinion, except for the issues related to the \$21,612 in questioned grant costs discussed above, the Consolidated Schedule of Award Costs referred to above present fairly, in all material respects, the costs claimed for the period July 1, 2003, to June 30, 2005, in conformity with generally accepted accounting standards in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 13, 2006, on our consideration of Louisville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended for the information and use of the Office of Inspector General, management of the Corporation for National and Community Service, Louisville Metro Community Action Partnership, and the U.S. Congress.

Conrad and Associates, L.L.P.
Irvine, California
January 13, 2006

**Corporation for National and Community Service
Louisville Metro Community Action Partnership**

**Foster Grandparent Program and
Retired and Senior Volunteer Program**

Consolidated Schedule of Award Costs

July 1, 2003, to June 30, 2005

Foster Grandparent Program				
<u>Award Number</u>	<u>Approved Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Reference</u>
03SFSKY002	\$ 778,976	\$ 564,678	\$ 15,717	Exhibit A
05SFSKY002	392,721	200,769	454	Exhibit B
Total	<u>\$ 1,171,697</u>	<u>\$ 765,447</u>	<u>\$ 16,171</u>	
Retired and Senior Volunteer Program				
<u>Award Number</u>	<u>Approved Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Reference</u>
03SRSKY003	\$ 291,306	\$ 227,989	\$ 15,620	Exhibit C
05SRSKY002	146,862	62,541	(10,179)	Exhibit D
Total	<u>\$ 438,168</u>	<u>\$ 290,530</u>	<u>\$ 5,441</u>	
Total	<u>\$ 1,609,865</u>	<u>\$ 1,055,977</u>	<u>\$ 21,612</u>	

**Corporation for National and Community Service
Louisville Metro Community Action Partnership**

**Foster Grandparent Program and
Retired and Senior Volunteer Program**

Notes to Consolidated Schedule of Award Costs

July 1, 2003, to June 30, 2005

Reporting Entity

The accompanying Consolidated Schedule of Award Costs includes amounts budgeted, claimed, and questioned under the Foster Grandparent Program and Retired and Senior Volunteer Program grants awarded to Louisville by the Corporation for the period from July 1, 2003, to June 30, 2005.

Basis of Accounting

The accompanying Consolidated Schedule has been prepared to comply with the provisions of the grant agreements between the Corporation and Louisville. The information presented in the Schedule has been prepared from the reports submitted by Louisville 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 Consolidated 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 Louisville while used in the program for which it was purchased or in other future authorized programs. However, the Corporation has a reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds there from, is subject to Federal regulations.

Inventory

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

Corporation for National and Community Service
Louisville Metro Community Action Partnership

Foster Grandparent Program
Award Number 03SFASKY002
(July 1, 2003, to December 31, 2004)

Schedule of Award and Questioned Costs

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$ 778,976</u>	
Claimed Costs	<u>\$ 564,678</u>	
Questioned Costs (Federal Share):	\$ 15,717	Note 1
Questioned Match Costs	_____ -	Note 2
Total Questioned Costs	<u>\$ 15,717</u>	

Notes

1. Questioned Costs (Federal Share):

<u>Exception</u>	<u>Number of Occurrences</u>	<u>Questioned Amount</u>
Unsupported volunteer support and expenses; variance between Financial Status Reports and general ledger (see Internal Control Finding 1)	1	\$ 15,529
Volunteer mileage cost charged exceeded grantee policy (see Internal Control Finding 2)	1	53
Unsupported other direct costs (see Internal Control Finding 2)	1	<u>135</u>
Total questioned costs (Federal share)		<u>\$ 15,717</u>

Corporation for National and Community Service
Louisville Metro Community Action Partnership

Foster Grandparent Program
Award Number 03SFSKY002
(July 1, 2003, to December 31, 2004)

Schedule of Award and Questioned Costs

2. Unsupported Match Costs:

Grantee did not provide adequate support for \$13,261 of match costs. However, no costs were questioned because the unsupported match costs were claimed in excess of the minimum match required for the audit period.

Description	Unsupported Amount
Unsupported match costs including meals, laundry and personnel (see Internal Control Finding 2).	\$ 10,297
Telephone match costs were overstated due to use of estimated rather than actual expenses (see Internal Control Finding 3).	<u>2,964</u>
Total unsupported match costs	<u>\$ 13,261</u>

Corporation for National and Community Service
Louisville Metro Community Action Partnership

Foster Grandparent Program
Award Number 05SFASKY002
(January 1, 2005, to June 30, 2005)

Schedule of Award and Questioned Costs

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$ 392,721</u>	
Claimed Costs	<u>\$ 200,769</u>	
Questioned Costs (Federal Share):	\$ 454	Note 1
Questioned Match Costs	_____ -	Note 2
Total Questioned Costs	<u>\$ 454</u>	

Notes

1. Questioned Costs (Federal Share):

<u>Exception</u>	<u>Number of Occurrences</u>	<u>Questioned Amount</u>
Unsupported volunteer support and expenses; variance between Financial Status Reports and general ledger (see Internal Control Finding 1)	1	\$ (239)
RSVP expense inadvertently charged to FGP (see Internal Control Finding 2)	1	426
Postage inadvertently expensed twice (see Internal Control Finding 2)	1	<u>267</u>
Total questioned costs (Federal share)		<u>\$ 454</u>

Corporation for National and Community Service
Louisville Metro Community Action Partnership

Foster Grandparent Program
Award Number 05SFSKY002
(January 1, 2005, to June 30, 2005)

Schedule of Award and Questioned Costs

2. Unsupported Match Costs:

The grantee did not provide adequate support for \$2,979 of match costs. However, no costs were questioned because the grant was not yet completed.

Description	Unsupported Amount
Unsupported match costs including meals and laundry (see Internal Control Finding 2).	\$ 3,890
Telephone match costs were overstated due to use of estimated rather than actual expenses (see Internal Control Finding 3).	<u>(911)</u>
Total unsupported match costs	<u>\$ 2,979</u>

Corporation for National and Community Service
Louisville Metro Community Action Partnership

Retired and Senior Volunteer Program
Award Number 03SRSKY003
(July 1, 2003, to December 31, 2004)

Schedule of Award and Questioned Costs

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$ 291,306</u>	
Claimed Costs	<u>\$ 227,989</u>	
Questioned Costs (Federal Share):	\$ 15,620	Note 1
Questioned Match Costs	_____ -	Note 2
Total Questioned Costs	<u>\$ 15,620</u>	

Notes

1. Questioned Costs (Federal Share):

<u>Exception</u>	<u>Number of Occurrences</u>	<u>Questioned Amount</u>
Unsupported volunteer support and expenses; variance between Financial Status Reports and general ledger (see Internal Control Finding 1)	1	\$ 14,977
Unsupported other direct costs (see Internal Control Finding 2)	1	<u>643</u>
Total questioned costs (Federal share)		<u>\$ 15,620</u>

Corporation for National and Community Service
Louisville Metro Community Action Partnership

Retired and Senior Volunteer Program
Award Number 03SRSKY003
(July 1, 2003, to December 31, 2004)

Schedule of Award and Questioned Costs

2. Unsupported Match Costs:

The grantee did not provide adequate support for \$56,807 of match costs. However, no costs were questioned because the unsupported match costs were claimed in excess of the minimum match required for the audit period.

<u>Description</u>	<u>Unsupported Amount</u>
Unsupported match costs including meals, personnel, volunteer travel, recognition, smocks laundered, and clothing (see Internal Control Finding 2).	\$ 53,843
Telephone match costs were overstated due to use of estimated rather than actual expenses (see Internal Control Finding 3).	<u>2,964</u>
Total unsupported match costs	<u>\$ 56,807</u>

Corporation for National and Community Service
Louisville Metro Community Action Partnership

Retired and Senior Volunteer Program
Award Number 05SRSKY002
(January 1, 2005, to June 30, 2005)

Schedule of Award and Questioned Costs

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$ 146,862</u>	
Claimed Costs	<u>\$ 62,541</u>	
Questioned Costs (Federal Share):	\$ (10,179)	Note 1
Questioned Match Costs	_____ -	Note 2
Total Questioned Costs	<u>\$ (10,179)</u>	

Notes

1. Questioned Costs (Federal Share):

<u>Exception</u>	<u>Number of Occurrences</u>	<u>Questioned Amount</u>
Unsupported volunteer support and expenses; variance between Financial Status Reports and general ledger (see Internal Control Finding 1)	1	\$ (10,675)
Unsupported other direct costs (see Internal Control Finding 2)	1	<u>496</u>
Total questioned costs (Federal share)		<u>\$ (10,179)</u>

Corporation for National and Community Service
Louisville Metro Community Action Partnership

Retired and Senior Volunteer Program
Award Number 05SRSKY002
(January 1, 2005 to June 30, 2005)

Schedule of Award and Questioned Costs

2. Unsupported Match Costs:

The grantee did not provide adequate support for \$15,692 of match costs. However, no costs were questioned because the grant was not yet completed.

<u>Description</u>	<u>Unsupported Amount</u>
Unsupported match costs including meals, personnel, volunteer travel, recognition, and other donations (see Internal Control Finding 2).	\$ 16,603
Telephone match costs were overstated due to use of estimated rather than actual expenses (see Internal Control Finding 3).	<u>(911)</u>
Total unsupported match costs	<u>\$ 15,692</u>

Office of Inspector General
 Corporation for National and Community Service

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL
 CONTROLS OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
 GOVERNMENT AUDIT STANDARDS**

We have audited the Consolidated Schedule of Award Costs that summarize the claimed costs of Louisville under the Corporation awards listed below, and have issued our report thereon, dated January 13, 2006.

Foster Grandparent Program

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
03SFSKY002	01/01/03 – 12/31/04	07/01/03 – 12/31/04
05SFSKY002	01/01/05 – 12/31/07	01/01/05 – 06/30/05

Retired and Senior Volunteer Program

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
03SRSKY003	01/01/03 – 12/31/04	07/01/03 – 12/31/04
05SRSKY002	01/01/05 – 12/31/07	01/01/05 – 06/30/05

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisville’s financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances are described in the Schedule of Compliance Findings section of this report as Finding Nos. 1 through 4.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered Louisville's internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting, that, in our judgment, could adversely affect Louisville's ability to record, process, summarize, and report financial data consistent with the assertions of management in the program statements. These reportable conditions are described in the Schedule of Internal Control Findings section of this report as Finding Nos. 1 through 4.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error of fraud in amounts that would be material in relation to the project statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable conditions noted above to be material weaknesses.

This report is intended for the information and use of the Office of Inspector General, as well as the management of the Corporation, the Louisville Metro Community Action Partnership, and the U.S. Congress.

Conrad and Associates, L.L.P.
Irvine, California
January 13, 2006

**Corporation for National and Community Service
Louisville Metro Community Action Partnership**

**Foster Grandparent Program and
Retired and Senior Volunteer Program**

Schedule of Internal Control Findings

July 1, 2003, to June 30, 2005

We found the following matters involving Louisville's internal control over financial reporting and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Internal Control Finding No. 1 – Unsupported Volunteer Support and Expenses

Condition

From our testing of volunteer support and expenses, we found a \$19,592 variance between the total of volunteer support and expenses paid as recorded in the grantee's general ledger, and the total of support and expenses claimed per the grantee's Financial Status Reports. Therefore, the variance of \$19,592 is questioned.

<u>FGP Grant Number</u>	<u>Variance Between General Ledger and Financial Status Reports</u>
03SFSKY002	\$ 15,529
05SFSKY002	<u>(239)</u>
	<u>\$ 15,290</u>
<u>RSVP Grant Number</u>	<u>Variance Between General Ledger and Financial Status Reports</u>
03SRSKY003	\$ 14,977
05SRSKY002	<u>(10,675)</u>
	<u>\$ 4,302</u>
Total	<u>\$ 19,592</u>

This condition was due to a lack of oversight on the part of the grantee. Without sufficient supporting documentation, expenses claimed may be disallowed.

Criteria

Code of Federal Regulations, 45 Part 2541, sets out administrative requirements that State and local government grant recipients must follow. Section 2541.200b requires:

(2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations,

obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

(3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes...

(6) Source documentation. Accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents, etc.

In addition, the Corporation's FGP and RSVP regulations, CFR 45 Section 2552.25 states:

A sponsor shall: ...

(g) Establish record keeping and reporting systems in compliance with Corporation requirements that ensure quality of program and fiscal operations, facilitate timely and accurate submission of required reports and cooperate with Corporation evaluation and data collection efforts.

Recommendation

We recommend that the Corporation instruct the grantee to reinforce its current accounting policies and procedures to ensure that volunteer support and expense records are properly reconciled and maintained. The Corporation should work with the grantee to resolve the questioned differences.

Louisville's Response

Monthly monitoring of FGP and RSVP accounts will be done to ensure that appropriate expenditures are posted to the appropriate grant and period, in addition to maintaining supporting documentation. Amended Financial Status Reports will be submitted that include account adjustments identified during the monthly monitoring process.

Financial Status Reports will be reconciled semiannually to the general ledger based on Louisville Metro Government's Financial System closing schedule. Adjusting entries processed after closing will be included in amended Financial Status Reports. The amended reports will be reconciled to the updated financial information posted to the general ledger.

Auditors' Comments

We concur with the actions being taken by Louisville to ensure that expense records are properly maintained, reconciled and reported. However, we recommend that the Corporation continue to work with Louisville to resolve the questioned differences and recoup any costs over-claimed on the grants.

Internal Control Finding No. 2 – Insufficient Documentation for Expenses and Reimbursements

Condition

FGP and RSVP Costs (Federal Share)

We reviewed \$80,044 in FGP stipends, \$14,213 in other FGP volunteer expenses, \$20,190 in other RSVP volunteer expenses, \$10,395 in other FGP direct costs, and \$6,353 in other RSVP direct costs charged to the grant. As a result of our review, we noted the following:

- We found one instance where mileage charged exceeded the maximum allowed per grantee. As a result, \$53 in other FGP volunteer expenses is questioned.
- No supporting documents was provided for \$135 of FGP and \$1,139 of RSVP other direct costs.
- Postage in the amount of \$267 was charged twice to the FGP program.
- Costs totaling \$426 not relating to the FGP program were charged to the grant.

FGP and RSVP Costs (Match Costs)

We reviewed \$28,277 in FGP match costs and \$79,166 in RSVP match costs. We noted \$14,187 in unsupported FGP match costs, including \$10,297 for grant 03SFSKY002, and \$3,890 for grant 05SFSKY002. We also noted \$70,446 in unsupported RSVP match costs, including \$53,843 claimed on grant 03SRSKY003, and \$16,603 claimed on grant 05SRSKY002.

These expenses did not have sufficient documentation to support that the expenses were incurred during the grant period and that the amounts reported were reasonable and allowable. In a few cases, supporting documentation for the number of meals furnished by a volunteer station was provided, but not for the base value of the meals. As a result, FGP and RSVP match costs totaling \$84,633 were not adequately supported; however, no costs were questioned as match costs were claimed in excess of the minimum match required or the grants were not yet completed.

<u>FGP Award Number</u>	<u>Total Unsupported Costs</u>	<u>Corporation Share</u>	<u>Match Costs</u>
03SFSKY002	\$ 10,485	\$ 188	\$ 10,297
05SFSKY002	4,583	693	3,890
	<u>\$ 15,068</u>	<u>\$ 881</u>	<u>\$ 14,187</u>

<u>RSVP Award Number</u>	<u>Total Unsupported Costs</u>	<u>Corporation Share</u>	<u>Match Costs</u>
03SRSKY003	\$ 54,486	\$ 643	\$ 53,843
05SRSKY002	17,099	496	16,603
	<u>\$ 71,585</u>	<u>\$1,139</u>	<u>\$ 70,446</u>
Total	<u>\$ 86,653</u>	<u>\$ 2,020</u>	<u>\$ 84,633</u>

Supporting documentation could not be located due to staff turnover and lack of oversight. Without sufficient supporting documentation, expenses claimed may be disallowed or may not be accepted as part of the grantee share of program operating costs.

Criteria

45 CFR 2541, Section 2541.200(b) states:

(2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

(3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes...

(6) Source documentation. Accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents, etc

Furthermore, 45 CFR 2552.25 and 2553.25 state:

A sponsor shall: ...

(g) Establish record keeping and reporting systems in compliance with Corporation requirements that ensure quality of program and fiscal operations, facilitate timely and accurate submission of required reports and cooperate with Corporation evaluation and data collection efforts.

Additionally, 45 CFR 2541.240, states:

(a) Basic rule; costs and contributions acceptable. With the qualifications and exceptions listed in paragraph (b) of this section, a matching or cost sharing requirement may be satisfied by either or both of the following:

(1) Allowable costs incurred by the grantee, subgrantee or a cost-type contractor under the assistance agreement. This includes allowable costs borne by non-Federal grants or by other cash donations from non-Federal third parties.

(2) The value of third party in-kind contributions applicable to the period to which the cost sharing or matching requirement applies.

Recommendation

We recommend that the Corporation instruct the grantee to:

- Obtain and retain adequate supporting documentation in the grantee's record maintenance system.
- Strengthen the grantee's current accounting policies and procedures to ensure that supporting documentation is properly maintained. If documentation is not provided for the costs questioned in this finding, we recommend that the Corporation attempt to recoup those costs. We further recommend that the Corporation review match claimed to these grants prior to closeout to ensure it is supported and allowable.

Louisville's Response

In most instances, supporting documentation for Corporation share expenses pertained to interagency charges and match costs. A process has been established to ensure that supporting documentation for interagency charges is maintained on site.

Auditors' Comments

We recognize and concur with the actions being implemented by Louisville to reinforce and strengthen the record maintenance system. However, we still recommend that the Corporation determine the allowability of the costs questioned and recoup any unsupported costs questioned which are deemed not allowable or allocable to the grants. In addition, we continue to recommend that the Corporation review match claimed to these grants prior to closeout to ensure the costs are supported and allowable.

Internal Control Finding No. 3 – Telephone Match Costs Charged Based on Estimated Rather Than Actual Costs

Condition

During our review of match costs, we noted that FGP / RSVP telephone match costs charged were based on estimated rather than actual costs. We tested 100 percent, or \$12,240 in FGP / RSVP telephone match costs charged for the audit period, and found that telephone expenses were overstated by \$4,106. No costs were questioned as match

costs were claimed in excess of the minimum match required or the grants were not yet completed.

FGP Award Number	Total Unsupported Costs	Federal Share	Match Costs
03SFSKY002	\$ 2,964	-	\$ 2,964
05SFSKY002	(911)	-	(911)
	<u>\$ 2,053</u>	<u>-</u>	<u>\$ 2,053</u>

RSVP Award Number	Total Unsupported Costs	Federal Share	Match Costs
03SRSKY003	\$ 2,964	-	\$ 2,964
05SRSKY002	(911)	-	(911)
	<u>\$ 2,053</u>	<u>-</u>	<u>\$ 2,053</u>
Total	<u>\$ 4,106</u>	<u>-</u>	<u>\$ 4,106</u>

According to the grantee, Louisville Metro Government processed telephone expenses while Louisville allocated FGP / RSVP telephone match cost expenses to the FGP and the RSVP programs based on the number of lines used by each. The allocation calculation was only performed once, and thereafter, the same amounts were charged to FGP and RSVP every six months. When the FGP and RSVP programs began reporting their match costs every three months instead of six months, the allocated telephone expenses were not correspondingly reduced by 50 percent. In addition, telephone expenses were based on estimated rather than actual charges since the allocation calculation was not performed each month. As a result, expenses not incurred within the grant period were charged as the grantee share of program operating costs.

This condition was due to a lack of oversight on the part of the grantee. Without sufficient supporting documentation, expenses claimed may be disallowed or may not be accepted as part of the grantee share of program operating costs.

Criteria

45 CFR 2541.240, states:

(a) Basic rule; costs and contributions acceptable. With the qualifications and exceptions listed in paragraph (b) of this section, a matching or cost sharing requirement may be satisfied by either or both of the following:

(1) Allowable costs incurred by the grantee, subgrantee or a cost-type contractor under the assistance agreement. This includes allowable costs borne by non-Federal grants or by other cash donations from non-Federal third parties.

(2) The value of third party in-kind contributions applicable to the period to which the cost sharing or matching requirements applies.

In addition, 45 CFR 2541.200(b) states:

(1) 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.”

Furthermore, 45 CFR 2552.25 and 2553.25 state:

A sponsor shall: ...

(g) Establish record keeping and reporting systems in compliance with Corporation requirements that ensure quality of program and fiscal operations, facilitate timely and accurate submission of required reports and cooperate with Corporation evaluation and data collection efforts.

Recommendation

We recommend that the Corporation instruct the grantee to develop and implement policies and procedures to ensure that program-related expenses are accurately and correctly classified and recorded. We also recommend that the Corporation review match claimed to these grants prior to closeout to ensure that the claimed match is supported and allowable.

Louisville’s Response

Policies and procedures will be developed to ensure that match costs for telephone expenses are calculated for the RSVP and FGP programs at the end of each quarter.

Auditors’ Comment

We concur with the corrective action proposed. However, we continue to recommend that the Corporation review match claimed to these grants prior to closeout to ensure the costs are supported and allowable.

Internal Control Finding No. 4 – Transactions Were Processed to Inactive Accounts

Condition

During our review of employee salaries, we judgmentally selected four months from the general ledgers and tested the salaries and wages of staff charged to the FGP and RSVP grants. We noted numerous transactions that were inadvertently recorded in “inactive accounts.” The grantee later made journal entries to reclassify the transactions to “active accounts.” For example, during our review of FGP payroll expenses for the period July 2004 through December 2004, we noted that July through November expenses were charged to inactive accounts rather than active accounts. The grantee discovered the

error when preparing periodic reports and made journal entries to reclassify expenses from inactive to active accounts.

In addition, we noted that account names and descriptions could not readily be matched to budget categories for the awards. During our testing of salaries, the grantee only recovered journal entries and supporting time sheets related to transactions selected for testing after considerable time and effort was expended.

The above condition occurred because Louisville Metro Government's practice is to create separate accounts for grants with a fiscal year that differs from Louisville Metro Government's July through June fiscal year, such as FGP and RSVP's January through December year. Louisville Metro Government is responsible for assigning account numbers each year that are termed "active"; the prior year accounts are considered to be "inactive," although the accounting system does not block the accounts from accepting transactions or warn accounting employees that the accounts are inactive.

Without sufficient supporting documentation, expenses claimed may be disallowed or may not be accepted as part of the grantee share of program operating costs.

Criteria

45 CFR 2541.200(b) states:

(6) Source documentation. Accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents, etc.

Furthermore, 45 CFR 2552.25 and 2553.25 state:

A sponsor shall: ...

(g) Establish record keeping and reporting systems in compliance with Corporation requirements that ensure quality of program and fiscal operations, facilitate timely and accurate submission of required reports and cooperate with Corporation evaluation and data collection efforts."

Recommendation

We recommend that the Corporation instruct the grantee to develop and implement policies and procedures to ensure that program-related expenses are accurately and correctly classified and recorded. Also, staff needs to be trained and provided with adequate guidance and controls with regard to supervisory review needed to be strengthened. In addition, account names and descriptions should correspond to budget categories per the award.

Louisville's Response

The FGP and RSVP programs are funded on a calendar-year basis. Louisville Metro Government operates on a July 1st to June 30th fiscal year. Therefore, two sets of accounts are maintained for each program during a fiscal year.

Changes in the financial system and the organization structure were implemented over the last three fiscal years. The current organization structure allows for the reviewing of financial activities by program areas.

Accounts that have an inactive status are monitored on a monthly basis, with adjustments made as needed. Accounts that are no longer in use will be zeroed out and deactivated to avoid any future transaction postings.

Auditors' Comment

Although we generally concur with the corrective actions proposed by Louisville, we continue to recommend that account names and descriptions in the Louisville bookkeeping system correspond to budget categories per the awards.

**Corporation for National and Community Service
Louisville Metro Community Action Partnership**

**Foster Grandparent Program and
Retired and Senior Volunteer Program**

Schedule of Compliance Findings

July 1, 2003, to June 30, 2005

We noted the following matters involving Louisville's noncompliance with certain provisions of laws, regulations, contracts and grant agreement that are required to be reported under *Government Auditing Standards*.

Compliance Finding No. 1 – Inadequate Fulfillment of Program and Administrative Responsibilities

Condition

The grantee did not adequately fulfill its program and administrative responsibilities in the following areas:

The grantee did not adequately develop and manage a system of volunteer stations.

- There were no formal procedures to maintain supporting documentation or staff certification that the FGP and RSVP volunteer stations met the program criteria of being a public or private organization or an eligible proprietary health care agency capable of serving as a volunteer station for the placement of Foster Grandparents.
- There were no formal procedures to periodically review the status of FGP and RSVP volunteer stations to ensure that they continually met the program criteria. Non-profit status is not reviewed when volunteer stations come into the program and volunteer station files are not periodically updated to ensure that volunteer stations, such as pre-schools, continue to retain non-profit status and remain eligible for the program.
- We selected and reviewed the FGP Memorandum of Understanding (MOU) for 13 (50 percent) of the 26 FGP volunteer stations and found 11 instances where the MOU was not renegotiated at least every three years. We selected and reviewed the RSVP MOU's for 10 RSVP volunteer stations and noted one instance where the MOU was not renegotiated at least every three years.
- The grantee did not review FGP volunteer placements regularly to ensure that clients are eligible to be served. Although the FGP Volunteer Coordinators make site visits a minimum of once a month, no written tools are used for monitoring the Volunteer Stations.
- The grantee did not adequately monitor the FGP volunteer stations to ensure that they comply with all applicable civil right laws and regulations, and that they satisfactorily fulfill their responsibilities as stated in the MOU.

Criteria

45 CFR 2552.23states:

A sponsor shall: ...

(c) Develop and manage a system of volunteer stations by:

(1) Ensuring that a volunteer station is a public or non-profit private organization, whether secular or faith-based, or an eligible proprietary health care agency, capable of serving as a volunteer station for the placement of Foster Grandparents;

(2) Ensuring that the placement of Foster Grandparents will be governed by a Memorandum of Understanding:

(i) That is negotiated prior to placement;

(ii) That specifies the mutual responsibilities of the station and sponsor;

(iii) That is renegotiated at least every three years; and

(iv) That states the station assures it will not discriminate against Foster Grandparents or in the operation of its program on the basis of race; color; national origin, including individuals with limited English proficiency; sex; age; political affiliation; religion; or on the basis of disability, if the participant or member is a qualified individual with a disability and

(3) Reviewing volunteer placements regularly to ensure that clients are eligible to be served...

(i) Develop, and annually update, a plan for promoting senior service within the project's service area...

(j) Annually assess the accomplishments and impact of the project on the identified needs and problems of the client population in the community.

In addition, 45 CFR 2553.23 states:

A sponsor shall: ...

(c) Develop and manage a system of volunteer stations to provide a wide range of placement opportunities that appeal to persons age 55 and over by:

(1) Ensuring that a volunteer station is a public or non-profit private organization or an eligible proprietary health care agency capable of serving as a volunteer station for the placement of RSVP volunteers to meet locally identified needs;

(2) Ensuring the placement of RSVP volunteers is governed by a Memorandum of Understanding:

(i) That is negotiated prior to placement;

(ii) That specifies the mutual responsibilities of the station and sponsor;

(iii) That is renegotiated at least every three years; and

(iv) That states the station assures it will not discriminate against RSVP volunteers or in the operation of its program on the basis of race; color; national origin, including individuals with limited English proficiency; sex; age; political affiliation; religion; or on the basis of disability, if the

*participant or member is a qualified individual with a disability; and
(3) Annually assessing the placement of RSVP volunteers to ensure the safety of volunteers and their impact on meeting the needs of the community.*

Furthermore, 45 CFR 2552.25 and 2553.25 state:

A sponsor shall: ...

(b) Provide levels of staffing and resources appropriate to accomplish the purposes of the project and carry out its project management responsibilities...

(g) Establish record keeping/reporting systems in compliance with Corporation requirements that ensure quality of program and fiscal operation, facilitate timely and accurate submission of required reports and cooperate with Corporation evaluation and data collection efforts.

(h) Comply with, and ensure that all volunteer stations comply with, all applicable civil rights laws and regulations, including providing reasonable accommodation to qualified individuals with disabilities.

The grantee overlooked some aspects of its program and administrative responsibilities. As a result, program goals and objectives may not have been properly achieved.

Recommendation:

We recommend that the Corporation instruct the grantee to:

- Develop and implement formal procedures to document and periodically review the organization status of FGP and RSVP volunteer stations to ensure that the volunteer stations meet the program requirements.
- Develop and implement formal policies and procedures to ensure that FGP and RSVP Memorandums of Understanding are properly developed and renegotiated with each volunteer station in a timely manner.
- Develop and implement formal policies and procedures to review FGP volunteer placements regularly, and to monitor the performance and compliance of volunteer stations on a regular basis.
- Develop and implement formal policies and procedures to ensure that annual plans for FGP and RSVP program promotion are developed properly and in a timely manner, and that accomplishments and impacts of the program are assessed on an annual basis.

Louisville's Response

The grantee indicated that it will require all volunteer stations to provide written proof to meet program criteria of being a public or private organization or an eligible proprietary health care agency capable of serving as a volunteer station for the placement of Foster Grandparents. This document will be added to each volunteer station's file and will be reviewed by the FGP supervisor annually and updated upon the renewal of each one- and

three-year Memorandum of Understanding (MOU).

Also, formal procedures have been developed and added to Louisville’s Policies and Procedures Manual that will require the FGP Supervisor to review the program MOUs annually, and identify all MOUs that will expire during that particular grant year. Effective immediately and upon the renewal of each MOU, the volunteer station will be required to provide proof of nonprofit status. A copy of this document will be added to the volunteer station’s file.

A Louisville FGP Site Visit Monitoring form has been developed. Each FGP Volunteer Coordinator will use this tool to monitor all FGP volunteer stations. The LMCAP Recruitment Guide to Volunteer Needs for the Senior Corps Programs has been the designated document for promoting senior service within the project service area. This document is reviewed and updated annually to meet volunteer needs in both FGP and RSVP. The LMCAP Public Relations Specialist is also the designated staff member for supporting and promoting senior service within the project service area and providing media support for both programs.

Auditors’ Comments

We recognize and concur with the changes implemented, and to be implemented, by Louisville to address its program and administrative responsibilities.

Compliance Finding No. 2 – Program and Financial Reports Not Submitted in a Timely Manner

Condition

The grantee did not submit the following FGP reports in a timely manner as required by the Corporation’s regulations and program handbook.

Reporting Period	Submission Date	Due Date	No. of Days Late
<i>Financial Status Report</i>			
07/01/03 - 12/31/03	02/26/04	02/01/04	25
<i>Federal Cash Transaction Report</i>			
07/01/03 - 09/30/03	10/31/03	10/22/03	9
10/01/03 - 12/31/03	03/30/04	01/23/04	67
04/01/04 - 06/30/04	07/30/04	07/22/04	8
10/01/04 - 12/31/04	02/18/05	01/24/05	25
01/01/05 - 03/31/05	08/02/05	04/21/05	103
04/01/05 - 06/30/05	08/02/05	07/22/05	11

In addition, the grantee was unable to locate the following FGP report:

Reporting Period	Submission Date	Due Date	No. of Days Late
<i>Federal Cash Transaction Report</i>			
01/01/04 - 03/31/04	Unable to locate	04/15/04	Unable to locate

The grantee did not submit the following RSVP reports in a timely manner as required by the Corporation.

Reporting Period	Submission Date	Due Date	No. of Days Late
<i>Financial Status Report</i>			
07/01/03 - 12/31/03	02/27/04	02/01/04	26
01/01/05 - 06/30/05	08/03/05	08/01/05	2
<i>Federal Cash Transaction Report</i>			
07/01/03 - 09/30/03	10/31/03	10/22/03	9
10/01/03 - 12/31/03	03/30/04	01/23/04	67
04/01/04 - 06/30/04	07/30/04	07/22/04	8
10/01/04 - 12/31/04	02/18/05	01/24/05	25
01/01/05 - 03/31/05	08/02/05	04/21/05	103
04/01/05 - 06/30/05	08/02/05	07/22/05	11

In addition, the grantee was unable to locate or provide evidence of when the following RSVP report was submitted:

Reporting Period	Submission Date	Due Date	No. of Days Late
<i>Federal Cash Transaction Report</i>			
01/01/04 - 03/31/04	Unable to locate	04/15/04	Unable to locate

Due to the hiring of a new business accountant in July 2003, the grantee did not have sufficient experienced staff to gather the necessary information to complete the required program and financial reports in a timely manner. As a result, the Corporation may not be able to receive up-to-date information to monitor program operations and to evaluate program results.

Criteria

45 CFR 2541.410(b) states:

(b) Financial Status Report.—(1) Form. Grantees will use Standard Form 269 or 269A, Financial Status Report, to report the status of funds for all nonconstruction grants and for construction grants when required in accordance with paragraph (e)(2)(iii) of this section... (4) Due date. When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period.

(c) Federal Cash Transactions Report.—(1) Form. (i) For grants paid by letter or credit, Treasury check advances or electronic transfer of funds, the grantee will submit the Standard Form 272, Federal Cash Transactions Report, and when necessary, its continuation sheet, Standard Form 272a, unless the terms of the award exempt the grantee from this requirement...(4) Frequency and due date. Grantees must submit the report no later than 15 working days following the end of each quarter.

The *Foster Grandparents Program Operations Handbook*, April 2000, Section 50 b., requires that Project Progress Reports (PPRs) are due no later than 30 days after the end of the reporting period.

Furthermore, 45 CFR 2552.25 and 2553.25 state:

A sponsor shall ... (g) establish record keeping/reporting systems in compliance with Corporation requirements that ensure quality of program and fiscal operations, facilitate timely and accurate submission of required reports and cooperate with Corporation evaluation and data collection efforts.

Recommendation

We recommend that the Corporation instruct the grantee to:

- Maintain a sufficient staffing level to fulfill its program responsibilities.
- Develop and implement policies and procedures to ensure that program and financial reports are submitted in a timely manner in accordance with the Corporation's requirements.

Louisville's Response

Louisville took issue with the finding regarding the late filing of RSVP reports, indicating that, if reports were filed late, it was done with the prior approval of the Corporation's State Office Director. Nonetheless, Louisville indicated that procedures have been established to ensure financial reports are submitted in accordance with Corporation requirements. Schedules of financial report deadlines have been developed, which include monthly drawdown requests and quarterly Federal Cash Transaction reporting and semiannual Financial Status Reports submissions. Additionally, Louisville Metro Government has established a regular closing date for each month-end closing.

Auditors' Comments

Notwithstanding Louisville's response with respect to the RSVP reports identified as being filed late, we recognize and concur with the procedures implemented by Louisville to ensure the timely filing of program reports.

Compliance Finding No. 3 – Missing or Incomplete Volunteer Eligibility Documentation and Records

Condition

We reviewed the eligibility documentation and records of 76 FGP volunteers and noted the following:

- 11 instances where the latest annual physical examination records could not be located in the volunteers' files to confirm that the volunteers were physically capable of serving in the program.
- Two instances where the volunteers' income exceeded the maximum allowed per the FGP eligibility guidelines.
- Seven instances where the latest annual review of volunteers' income eligibility could not be located in the volunteers' files.

We reviewed the eligibility documentation and records of 25 RSVP volunteers and noted the following:

- 25 instances where the volunteers did not sign a form indicating they agree to serve without compensation.

This condition is due to the grantee's inadequate procedures and controls over FGP and RSVP volunteer files. As a result, ineligible volunteers may be enrolled causing the grantee to incur unallowable costs.

Criteria

45 CFR 2552.41 states:

(a) To be a Foster Grandparent, an individual must:

(1) Be 60 years of age or older;

(2) Be determined by a physical examination to be capable, with or without reasonable accommodation, of serving children with exceptional or special needs without detriment to either himself/herself or the children served;...

(4) In order to receive a stipend, have an income that is within the income eligibility guidelines specified in this subpart D."

45 CFR 2552.42 states:

(b) For applicants to become stipended Foster Grandparents, annual income is projected for the following 12 months, based on income at the time of application. For serving stipended Foster Grandparents, annual income is counted for the past 12 months.

45 CFR 2553.41 states:

- (a) To be an RSVP volunteer, an individual must:*
- (1) Be 55 years of age or older;*
 - (2) Agree to serve without compensation;*
 - (3) Reside in or nearby the community served by RSVP;...*
 - (5) Eligibility to serve as a RSVP volunteer shall not be restricted on the basis of formal education, experience, race, religion, color, national origin, sex, age, handicap or political affiliation.*

Furthermore, 45 CFR 2552.45 states:

(d) Physical examination. Foster Grandparents are required by a physical examination prior to assignment and annually thereafter to ensure that they will be able to provide supportive service without injury to themselves or the children served.

45 CFR 2552.23 states:

A sponsor shall: ... (h) Conduct an annual appraisal of volunteer's performance and annual review of their income eligibility.

45 CFR 2552.25 states:

A sponsor shall: ...

(g) Establish record keeping/reporting systems in compliance with Corporation requirements that ensure quality of program and fiscal operation, facilitate timely and accurate submission of required reports and cooperate with Corporation evaluation and data collection efforts.

Recommendation

We recommend that the Corporation instruct the grantee to:

- Develop and implement formal policies and procedures to ensure that FGP and RSVP volunteer records are properly documented and maintained.
- Develop and implement procedures to ensure that an annual review of volunteer income eligibility is conducted.

Louisville's Response

Louisville officials said the deficiencies noted were due to inadequate FGP staffing during grant years 2004 and 2005. On September 12, 2005, Louisville added a full-time volunteer coordinator to the FGP. Since that time, the Volunteer Coordinator has been successful in updating all volunteer files to include all annual income reviews, medicals and over-income volunteers.

Effective immediately, Louisville will add a statement to the LMCAP FGP Application requiring the volunteer to agree that he or she will abide by all requirements set forth in the program provisions.

For follow-up, Louisville has added the following statement to the RSVP enrollment form: “I have read and agree to abide by the rules and regulations of RSVP and agree to serve as a volunteer without compensation/wages”.

Auditors’ Comments

We recognize and concur with the changes implemented, and to be implemented, by Louisville to address the missing or incomplete volunteer eligibility documentation records.

Compliance Finding No. 4 –Volunteer Assignment Plans and Annual Performance Evaluations Not Properly Developed

Condition

We reviewed placement and assignment documentation for 76 FGP volunteers and noted the following:

- Six instances where at least one of the required annual evaluations of the volunteers’ performance was not performed.
- Pre-service orientation sign-in sheets could not be located for three FGP volunteers.
- Two FGP volunteers did not receive 20 hours of pre-service and on-site orientation from the volunteer stations.

The grantee’s volunteer coordinators did not maintain documentation that volunteers completed the orientation sessions, and the grantee did not adequately review FGP volunteer orientations and performance. As a result, volunteers may not be serving targeted clients in the manner required by program provisions.

Criteria

45 CFR 2552.23 states:

A sponsor shall: ...

(f) Provide Foster Grandparents with assignments that show direct and demonstrable benefits to the children and the community served, the Foster Grandparents, and the volunteer station; with required cost reimbursements specified in §2552.45; with not less than 40 hours of orientation of which 20 hours must be pre-service, and an average of 4 hours of monthly in-service training....

(h) Conduct an annual appraisal of volunteers’ performance and annual review of their income eligibility.

Recommendation

We recommend that the Corporation instruct the grantee to:

- Develop and implement policies and procedures to ensure that FGP volunteer orientations and performance evaluations are properly conducted and reviewed in accordance with the program requirements.
- Perform required reviews to fulfill its FGP program responsibilities.

Louisville's Response

Louisville stated that, one month before the completion of each school year, both FGP Volunteer Coordinators are required to submit to each volunteer station evaluations on each assigned Foster Grandparent. Upon receipt by the volunteer coordinator, a copy will be provided to the FGP Supervisor to insure accuracy, completeness, and to make sure all Foster Grandparents are evaluated in accordance with all rules and regulations of the program. Failure to receive six evaluations during the 2004-2005 grant years was due to inadequate staffing for the program.

Also, effective January 2006, all new volunteers enrolled in the program receive recognition certificates upon completion of the required 20 hours of pre-service orientation. Documentation signed by the volunteer station is added to each volunteer file once each new enrollee completes 20 hours of pre-service orientation at the volunteer station. This completes the requirements for the 40 hours of pre-service program orientation.

Auditors' Comments

We recognize and concur with the changes implemented, and to be implemented, by Louisville to ensure that volunteer assignment plans and annual performance evaluations are properly developed.

Appendix A

**Response of the
Louisville Metro Community Action Partnership
Foster Grandparent Program and
Retired and Senior Volunteer Program**



Louisville Metro Community Action Partnership
1200 S. Third Street
Louisville, KY 40203-2906

PHONE: 502.574.1157
FAX: 502.637.6814

www.loucap.org

April 27, 2006

Ms. Carol Bates
Acting Inspector General
Office of Inspector General
1201 New York Avenue, NW
Suite 830
Washington, DC 20525

Dear Ms. Bates:

Enclosed you will find our response to the Draft Report on the results of the incurred-cost audit of grants awarded by the Corporation for National and Community Service to Louisville Metro Community Action Partnership Foster Grandparent and Retired and Senior Volunteer Programs. Supporting forms are also enclosed.

If you have questions or need additional information, please do not hesitate to contact me at 502-574-1157.

Sincerely,

A handwritten signature in black ink that reads "Kimberly L. Bunton".

Kimberly L. Bunton
Interim Executive Director

/tmp

cc: Kim Livesay Statts, Louisville Metro Finance
Michael Norman, Louisville Metro Office of Internal Audit

Enclosure(s)



Jerry E. Abramson
Mayor

26 Member
Metro Council

Audit Responses
Foster Grandparent Program
Retired and Senior Volunteer Program

Internal Control Finding No. 1 – Unsupported Volunteer Support and Expenses

Monthly monitoring of FGP and RSVP accounts will ensure that appropriate expenditures are posted to the appropriate grant and period, in addition to maintaining supporting documentation. Amended Financial Status Reports will be submitted that includes account adjustments identified during the monthly monitoring process.

Financial Status Reports will be reconciled semi-annually to the general ledger based on Louisville Metro Government's Financial System Closing Schedule. Adjusting entries processed after closing will be included in Amended Financial Status Reports. The amended reports will be reconciled to the updated financial information posted to the general ledger.

Internal Control Finding No. 2 – Insufficient Documentation for Expenses and Reimbursements

In most instances, support documentation for Corporation share expenses pertained to interagency charges and match costs. A process has been established to ensure that support documentation for interagency charges is maintained on site. Such charges include but are not limited to mailroom charges, software licenses, courier services, etc.

In addressing interagency charges, the following procedures will be followed:

- a. Interagency charges are identified and reviewed after each month end closing.
- b. Copies of supporting documentation are obtained from the billing agency (i.e.; Finance, General Services Administration, Technology, etc.) and verified to the journal detail report for the previous month.
- c. Supporting documentation is maintained in a folder for interagency billings by month and type (i.e.; mailroom charges and courier services)

In addressing match costs, the following changes will be made effective immediately:

- a. In the MOU each volunteer station will provide supporting documentation for any and all In-kind contributions to the volunteers or the FGP; i.e., recognition, meals and smock laundering. Copies of the Meal Rate Sheet will be submitted for each volunteer station quarterly and attached to the Quarterly In-kind Voucher.
- b. For follow-up a statement related to stations providing in-kind to RSVP, has been added to the Memorandum of Understanding – “All in-kind reports will be collected quarterly, The station is required to provide supporting documentation (copy of receipts and/or copy of station policy), supporting the amount claimed for any item listed.” Also, the stations

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quarterly in-kind form now has the statement – “Please provide supporting documentation, copy of receipts and/or copy of station policy, supporting the amount claimed as in-kind.”

RSVP will be utilizing the station daily sign in sheet for stations that provide meals for the volunteers. Each volunteer is required to sign in every day that they volunteer. An additional column will be added to the sign in sheet – “I ate a meal today” Each volunteer is required to initial this column when a meal is eaten.

For follow-up, a copy of the in-kind form is attached.

Internal Control Finding No. 3 – Telephone Match Costs Charged Based on Estimated Rather Than Actual Costs

Policies and procedures will be developed to ensure that match costs for telephone expenses are calculated for the RSVP and FGP programs at the end of each quarter.

Internal Control Finding No. 4 – Transactions Were Processed to Inactive Accounts

The FGP and RSVP programs are funded on a calendar year basis. Louisville Metro Government operates on a July 1st to June 30th fiscal year. Therefore two sets of accounts are maintained for each program during a fiscal year.

Changes in the financial system and the organization structure were implemented over the last three fiscal years. The current organization structure allows for the reviewing of financial activities by program areas.

Accounts that have an inactive status are monitored on a monthly basis, with adjustments made as needed. Accounts that are no longer in use will be zeroed out and deactivated to avoid any future transaction postings.

Audit Responses
Foster Grandparent Program
Retired and Senior Volunteer Program

Compliance Finding No. 1 – Inadequate Fulfillment of Program and Administrative Responsibilities

- a. LMCAP FGP will require all volunteer stations to provide written proof to meet program criteria of being a public or private organization or an eligible proprietary health care agency capable of serving as a volunteer station for the placement of Foster Grandparents. This document will be added to each volunteer station file and reviewed by the FGP Supervisor annually (January 1st or the start of the first month of each grant year) and updated upon the renewal of each one and three year Memorandum of Understanding (MOU).
- b. Formal procedures have been developed and added to the LMCAP Policies and Procedures Manual that will require the FGP Supervisor to review the program MOU's annually, January 1st or the start of the first month of each grant year, (this procedure was implemented effective January 1, 2005) and identify all MOU's that will expire during that particular grant year. Effective immediately and upon the renewal of each MOU, the volunteer station will be required to provide proof of non-profit status. A copy of this document will be added to the volunteer station file.
- c. A LMCAP FGP Site Visit Monitoring Form has been developed. Effective immediately, each FGP Volunteer Coordinator will use this tool to monitor all FGP volunteer stations to ensure the following:
 - (1) All clients are eligible to be served.
 - (2) To ensure that all volunteer stations comply with all applicable civil right laws and regulation's, and that they satisfactorily fulfill their responsibilities as stated in the LMCAP FGP MOU.
 - (3) To add the validity of each volunteer station visit in accordance with all rules and regulations of the Foster Grandparent Program.
- d. The LMCAP Recruitment Guide to Volunteer Needs for the Senior Corps Programs has been the designated document for promoting senior service within the project service area. This document is reviewed and updated annually to meet volunteer needs in both FGP and RSVP. The LMCAP Public Relations Specialist is also the designated staff member that will support promoting senior service with the project service area and media support for both FGP and RSVP.

of actual certification that the potential volunteer station is a public service or private organization or an eligible proprietary health care agency. In the past, during the actual station orientation session, the RSVP project director asks for proof of certification. Every agency has given full cooperation. The project director assured herself of the certification by actually reviewing the actual document Agencies that did not have the required certification did not sign a MOU with RSVP.

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For follow-up, a statement has been added to the MOU that states “**The Volunteer Station will:** Be a public agency, private non-profit organization or eligible propriety health-care organization and will at time of signing or renewing the MOU, provide the RSVP Program a copy of such certification.

The copy of certification will be kept in the station files and renewed at the date of expiration of the MOU (usually every 3 years). The revised MOU is attached.

The MOU with Brooklawn Youth Services was found not to be negotiated at least every three years. The MOU was renegotiated that same week and a copy of the new MOU was given to the auditors. For a short period of time, RSVP was required by the sponsor, to negotiate MOU’s for 1 year. After a monitoring of the program by State CNS Director, Betsy Wells, the sponsor was asked to allow staff to negotiate MOUs every three years. For follow-up, the Brooklawn MU was overlooked when renewing all of the MOU’s that had previously been renewed for one year. A copy of the renewed MOU can not be sent electronically. I will provide a manual copy.

- f. B. During the preparation of each 3 year program plan, RSVP creates and submits with the new grant application, a three year recruitment plan that promotes volunteer service within the project area. The RSVP program also distributes a service guide to volunteer activities. This guide is updated as needed, but no less than quarterly as needs at the site change or new sites are added. The CAP PR department also works closely with the RSVP project to assure information on volunteerism is distributed at community related events. During 2005, information on RSVP was distributed at 37 events throughout Metro Louisville.
For follow-up a copy of the recruitment plan and Guide to Services is attached.

Compliance Finding No. 2 – Program and Financial Reports Not Submitted in a Timely Manner

Procedures have been established to ensure financial reports are submitted in accordance with Corporation requirements. Schedules of financial report deadlines have been developed, which include monthly drawdown requests and quarterly Federal Cash Transaction reporting and semi-annual Financial Status Reports submissions. Additionally, Louisville Metro Government has established a regular closing date for each month end closing.

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The PPR's are currently prepared and submitted by the RSVP project director. CNS does not ask anywhere on the PPR, for a date of submission. The date printed on the PPR indicates the actual date the reports were printed, not dates of submission. Please check with the Corporation. We are certain RSVP did not have any late PPR's, unless prior approval was received from the State Director, Betsy Wells. The only possibility of report being late is there may have been a problem with e-grants and the project was given additional time to enter data.

Compliance Finding No. 3 – Missing or Incomplete Volunteer Eligibility Documentation and Records

- a. Due to inadequate FGP staffing during the grant years 2004 and 2005 11 annual physical exams were not completed, two volunteers exceeded the maximum allowed income for the program and seven annual reviews of volunteers' income eligibility were not completed. September 12, 2005 the LMCAP FGP added a full-time volunteer coordinator to the FGP. Since that time, the Volunteer Coordinator has been successful in updating all volunteer files to include all annual income reviews, medicals and over income volunteers.
- b. Effective immediately, a statement will be added to the LMCAP FGP Application that will require the volunteer to agree that he or she will abide by all requirements set forth in the program provisions.
- c. For follow-up, the RSVP enrollment form has the statement added "I have read and agree to abide by the rules and regulations of RSVP and agree to serve as a volunteer without compensation/wages". A copy of the enrollment form is attached.

Compliance Finding No. 4 – Volunteer Assignment Plans and Annual Performance Evaluation Not Properly Developed

- a. A month before the completion of each school year, both FGP Volunteer Coordinators are required to submit to each volunteer station evaluations on each assigned Foster Grandparent. Upon receipt back to the volunteer coordinator, a copy will be provided to the FGP Supervisor to insure accuracy, completeness and to make sure all Foster Grandparents are evaluated in accordance with all rules and regulations of the Foster Grandparent Program. Failure to receive six evaluations during the 2004-2005 grant years was due to inadequate staffing for the program.
- b. LMCAP assigned a Recruiter/Trainer over FGP and RSVP that ended June 1, 2003. Part of the Recruiter/Trainer's job responsibility was to conduct all pre-service orientations for FGP. The Recruiter/Trainer's FGP orientation agenda reflected three days of training from 9:00 a.m. to 3:00

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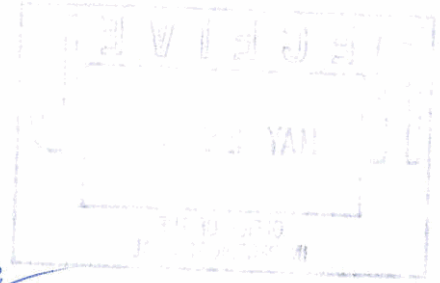
p.m., Monday thru Wednesday, February 18 -20, 2003. The additional two hours was time spent taking the volunteers on tours to their assigned volunteer station. This practice was designed and approved by the former FGP Administrator. When the FGP Supervisor took over the responsibility of conducting FGP pre-service orientation and supervision June 1, 2003, all pre-service orientation trainings were changed to reflect 20 hours, Monday – Friday, 9:00 a.m. to 1:00 p.m. daily. After the completion of the FGP Orientation May 28 – 30, 2003, the Recruiter Trainer failed to attach the sign-in sheet to the orientation agenda. All three enrollees did receive 18 hours of pre-service orientation from daily observation made by the FGP Supervisor.

- c. Effective January 2006, all new volunteers enrolled in the Foster Grandparent Program will receive recognition certificates upon completion of the required 20 hours of pre-service orientation. Documentation signed by the volunteer station will be added to each volunteer file, once each new enrollee completes 20 hours of pre-service orientation at the volunteer station. This will complete the requirements for the 40 hours of pre-service orientation for the program.

Appendix B

Response of the Corporation for National and Community Service

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 



To: Carol Bates, Acting Inspector General

From: Veda Williams, Service Center Director, Southern Cluster
Veda Williams

CC: Tess Scannell, Director, Senior Corps
Mike Berning, Director, Field Liaison

Date: May 26, 2006

Subject: Response to OIG Draft Audit Report, Audit of Corporation for National and Community Service Grants Awarded to the Louisville Metro Community Action Partnership

Thank you for the opportunity to review the draft audit report of the grants awarded to the Louisville Metro Community Action Partnership. We do not have specific comments at this time. We will respond to all findings and recommendations in our management decision when the audit is issued, we have reviewed the findings in detail and worked with the grantee to resolve the audit.

