

**Office of Inspector General  
Corporation for National and  
Community Service**

**AUDIT OF CORPORATION FOR NATIONAL  
AND COMMUNITY SERVICE GRANTS AWARDED  
TO THE UTAH COMMISSION ON VOLUNTEERS**

**OIG REPORT NUMBER 07- 04**



*Corporation for*  
**NATIONAL &  
COMMUNITY  
SERVICE** 

Prepared by:

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This report was issued to Corporation management on October 19, 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 April 19, 2007, and complete its corrective actions by October 19, 2007. 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 07-04

Audit of Corporation for National and Community Service Grants Awarded  
to the Utah Commission on Volunteers

### OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Cotton & Company LLP (Cotton) to perform an incurred-cost audit of grants awarded to Utah Commission on Volunteers (Commission).

The Commission claimed costs of \$2,120,532 of which the auditors questioned \$98,966 as unallowable grant costs. Overall, the auditors questioned approximately 4.7 percent of claimed grant costs. Costs questioned for allowability represents an alleged violation or provision of law, regulation, grant or other agreement governing the expenditure of funds; a finding that, at the time of the audit, certain costs were not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable.

Our interaction with the Commission's management revealed a lack of understanding regarding financial management system requirements. We determined the cause for the subgrantee audit findings to be the Commission's systemic problem with properly monitoring subgrantees' fiscal activities. This same problem was cited in the Corporation's May 2000 Administrative Standards Review of the Commission and the OIG's April 2004 pre-audit survey. Both reports found that the Commission's monitoring of subgrantee financial management systems needed improvement. We also determined that the Commission's procedures for recording and reporting match and in-kind contributions were inadequate, a determination that was also made in the OIG's 2004 pre-audit survey.

In accordance with our statutory responsibilities, we reviewed Cotton's report and related audit documentation, interviewed their representatives, and performed other procedures, as we deemed appropriate in the circumstances to provide reasonable assurance that the audit was performed in accordance with generally accepted government auditing standards. Our review was not intended to enable us to express, and we do not express, opinions on the Grantee's Consolidated Schedule of Award Costs, or conclusions on internal controls and on compliance with laws and regulations. Cotton is responsible for the attached reports dated May 17, 2006, and the conclusions expressed therein. However, our review disclosed no instances where Cotton did not comply, in all material respects, with generally accepted government auditing standards.

The Office of Inspector General provided officials of the Commission and the Corporation with copies of the draft of this report for their review and comment. The Commission's and the Corporation's written 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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**OFFICE OF INSPECTOR GENERAL  
AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS TO  
UTAH COMMISSION ON VOLUNTEERS**

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## **EXECUTIVE SUMMARY**

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Cotton & Company LLP (Cotton) to perform an audit of costs claimed by the Utah Commission on Volunteers (Commission). Our audit covered financial transactions, compliance, and internal control testing of Commission awards.

Our interaction with the Commission's management revealed high employee turnover and a widespread lack of understanding regarding financial management system requirements. Several subgrantees stated they were also unaware of grant provisions and laws and regulations, and they had not been provided guidance by the Commission. Overall, we determined the cause for these audit findings to be a systemic failure on the part of the Commission to properly monitor the fiscal activities of its subgrantees.

This systemic problem was also cited in the Corporation's Administrative Standards review of the Commission (May 2000) and the pre-audit survey conducted by the OIG (April 2004). Both reviews found the Commission's monitoring of subgrantee financial management systems needed improvement.

We also determined that the Commission's procedures for recording and reporting match and in-kind contributions were inadequate, a determination that was also made in the 2004 pre-audit survey.

We recommend that the Corporation follow-up with the Commission, after the completion of the audit resolution period, to ensure that corrective actions are implemented to address these crucial and longstanding weaknesses in Commission operations.

### **I. BACKGROUND**

The Corporation supports a range of national and community service programs that provide full- and part-time opportunities for Americans to engage in service that fosters civic responsibility, strengthens communities, and provides educational opportunities for those who make a commitment to service. State commissions distribute funds to subgrantees that then administer programs and provide oversight, training, and technical assistance to subgrantees.

The Commission, located in Salt Lake City, has received AmeriCorps grant funds from the Corporation since Program Year (PY) 1999. It is chaired by the Lieutenant Governor of Utah. The Commission is a subdivision of the Department of Community and Economic Development (DCED), formerly located in Orem. The Commission relocated, along with DCED (renamed the Department of Housing and Community Development (DHCD)), to Salt Lake City in January 2005. DHCD provides fiscal management to the Commission for Corporation grants.

## II. AUDIT SCOPE AND RESULTS

Cotton performed an incurred-cost audit including financial transactions, internal controls, and grant compliance related to the following Corporation awards to the Commission:

<b>Program</b>	<b>Award No.</b>	<b>Award Period</b>	<b>Audit Period</b>
Administrative Grant	04CAHUT001	01/01/04-12/31/06	01/01/04-12/31/05
Professional Development and Training	02PDSUT044	01/01/02-12/31/04	01/01/04-12/31/04
Professional Development and Training	05PTHUT001	01/01/05-12/31/07	01/01/05-12/31/05
Disability Grant	04CDHUT001	04/01/04-12/31/06	04/01/04-12/31/05
AmeriCorps State Competitive	03ACHUT001	10/01/03-12/31/06	04/01/04-12/31/05
AmeriCorps State Formula	03AFHUT001	10/01/03-09/30/06	04/01/04-12/31/05

The audit objectives were to determine if:

- the Commission's financial reports to the Corporation presented financial award results fairly, and costs were allowable in accordance with award terms and conditions;
- the Commission's internal controls were adequate to safeguard Federal funds; and
- the Commission had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions.

We conducted our audit tests between February 27, 2006, and May 17, 2006.

### Cost Findings

The Commission claimed \$2,120,532 in costs during our audit period, as shown in Exhibit A, Consolidated Schedule of Claimed and Questioned Costs. Of this amount, we questioned \$98,966. Except for identified questioned costs, costs claimed by the Commission for the awards appear fairly stated and allowable in accordance with award terms and conditions.

Costs questioned primarily relate to member eligibility and compliance issues, such as member living allowances and costs claimed by the Commission or subgrantees that were not supported by documentation. We also identified costs for claimed in-kind contributions that were not adequately supported by documentation. These costs are discussed in detail in the Independent Auditor's Report on Compliance and Internal Control report. We did not question these costs in Schedules A-C, because they did not result in unmet matching requirements that would affect the allowability of Federal costs.

## **Compliance and Internal Control Findings**

We have also issued a report, titled Independent Auditors' Report on Compliance and Internal Control, on our consideration of the Commission's internal control and compliance with laws and regulations. In that report, we identified findings required to be reported under generally accepted government auditing standards. These findings are as follows:

1. The Commission's financial management system needs improvement.
2. The Commission's procedures for recording and reporting match and in-kind contributions were inadequate.
3. The Commission's subgrantee monitoring procedures were inadequate.
4. The Commission's procedures to ensure that subgrantees documented member activities were inadequate.

### **III. EXIT CONFERENCE AND RESOLUTION**

We conducted an exit conference with Commission and Corporation representatives on July 11, 2006. Their responses to the draft report are included as Appendices A and B, respectively. In addition, we have included a brief summary of the Commission's comments in the Independent Auditors' Report on Compliance and Internal Control.



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May 17, 2006

Office of Inspector General  
 Corporation for National and Community Service

**INDEPENDENT AUDITORS' REPORT**

We have audited costs claimed by the Utah Commission on Volunteers for PYs 2003-2004, 2004-2005, and 2005-2006 (through December 31, 2005) for the grants listed below. These costs are presented in Exhibit A, Consolidated Schedule of Claimed and Questioned Costs, and are the responsibility of Commission management. Our responsibility is to express an opinion on these costs based on our audit.

<b>Program</b>	<b>Award No.</b>	<b>Award Period</b>	<b>Audit Period</b>
Administrative Grant	04CAHUT001	01/01/04-12/31/06	01/01/04-12/31/05
Professional Development and Training	02PDSUT044	01/01/02-12/31/04	01/01/04-12/31/04
Professional Development and Training	05PTHUT001	01/01/05-12/31/07	01/01/05-12/31/05
Disability Grant	04CDHUT001	04/01/04-12/31/06	04/01/04-12/31/05
AmeriCorps State Competitive	03ACHUT001	10/01/03-12/31/06	04/01/04-12/31/05
AmeriCorps State Formula	03AFHUT001	10/01/03-09/30/06	04/01/04-12/31/05

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

Exhibit A is intended to present allowable costs incurred under the awards in accordance with applicable Office of Management and Budget (OMB) circulars and award terms and conditions. Exhibit A is not intended to be a complete presentation of the Commission's financial position in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for questioned costs noted in Exhibit A, the financial schedule presents fairly, in all material respects, costs claimed for the grants in conformity with applicable OMB circulars and award terms and conditions.

In accordance with generally accepted government auditing standards, we have also issued a report dated May 17, 2006, on our consideration of the Commission's compliance and internal control over laws and regulations. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be read in conjunction with this report in considering audit results.

This report is intended solely for the information and use of the OIG, Corporation for National and Community Service, Commission, and U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

A handwritten signature in black ink, appearing to read "M. Gillespie", is written over the printed name below.

Michael Gillespie, CPA, CFE  
Partner



**UTAH COMMISSION ON VOLUNTEERS  
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS**

Award No.	Federal Costs			Reference
	Awarded	Claimed	Questioned	
04CAHUT001	\$349,283	\$349,283	\$0	
02PDSUT044	\$85,000	\$77,154	\$315	Note 1
05PTHUT001	\$95,000	\$92,068	\$0	
03AFHUT001				
Ogden School District	\$533,131	\$513,348	\$23,351	Schedule A
Utah Community Health	<u>307,198</u>	<u>288,268</u>	<u>1,098</u>	Schedule B
Subtotal	\$840,329	\$801,616	\$24,449	
03ACHUT001				
Utah Community Health	\$458,726	\$396,371	\$4,614	Schedule B
Boys & Girls Club of Cache Valley	<u>406,263</u>	<u>404,040</u>	<u>69,588</u>	Schedule C
Subtotal	\$864,989	\$800,411	\$74,202	
Total	<u>\$2,234,601</u>	<u>\$2,120,532</u>	<u>\$98,966</u>	

- The Commission reported expenditures of \$77,154 on its Financial Status Reports (FSRs). Its accounting system, however, supported only \$76,839. Expenditures reported on the FSRs were based on information in the Commission's grant management system (GMIS). Information in the state's accounting system (FINET) was not, however, linked to GMIS, and the department's accountant had to enter financial information into GMIS. The grant manager did not reconcile expenditures reported to FINET when FSRs were prepared. We questioned the \$315 difference.

The Federal government's regulation governing the administrative requirements for grant awards to State and local governments, 45 CFR § 2541.200, requires that grantees and subgrantees maintain records that 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.

**UTAH COMMISSION ON VOLUNTEERS  
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER  
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE  
 AWARD NO. 03AFHUT001  
 OGDEN SCHOOL DISTRICT**

	<b>Amount</b>	<b>Note</b>
Claimed Federal Costs	<u>\$513,348</u>	
Questioned Federal Costs:		
Unmet Match Requirement	<u>\$23,351</u>	1

- Ogden School District did not meet the matching requirement for program operating costs. AmeriCorps Provisions (2003) Section B.13.a.ii., *Matching Requirements, Matching Obligation, Program Operating Costs*, requires a 33-percent statutory minimum matching percentage for program operating costs (Categories B through E). The subgrantee reported \$8,387 of match costs on its FSRs, which was \$32,878 less than the statutory minimum.

We reviewed documentation supporting costs reported on FSRs and the Web-Based Reporting System (WBRS) income reports. We determined that only \$14,218 (for, textbooks purchased by the school district) of \$237,654 reported in WBRS was allowable. The remaining unallowable portion was primarily the result of unsupported memorandums from third parties. We questioned excess Federal costs claimed of \$23,351, as detailed below:

	<b>Amount</b>
Claimed Federal Share	\$116,657
Claimed Subgrantee Share	8,387
Additional Subgrantee Costs	<u>14,218</u>
Total Program Costs	\$139,262
Maximum Federal Share (67%)	\$93,306
Less Claimed Federal Costs	<u>116,657</u>
Excess Federal Share	<u>\$23,351</u>

**UTAH COMMISSION ON VOLUNTEERS  
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER  
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS  
 UTAH COMMUNITY HEALTH**

	<b>Grant No. 03AFHUT001</b>	<b>Grant No. 03ACHUT001</b>	<b>Notes</b>
Claimed Federal Costs	<u>\$288,268</u>	<u>\$396,371</u>	
Questioned Federal Costs:			
Members exceeded budget availability	<u>\$1,098</u>	\$2,816	1
Unsupported Costs		<u>1,798</u>	2
Total Questioned Costs	<u>\$1,098</u>	<u>\$4,614</u>	

- Utah Community Health (UCH) claimed member living allowance and benefit costs for seven members who were never officially enrolled in the program or entered into WBRS. In PYs 2003-2004 and 2004-2005, it was allocated 25 and 37 member “slots” and claimed 27 and 42, respectively. UCH postponed enrolling members into WBRS to avoid using up slots. Typically, some members dropped out of the program after orientation. UCH did not obtain approval from the Commission or the Corporation for additional members and did not reimburse the Corporation for the unallowable costs. We questioned member living allowance and benefits totaling \$1,098 for Grant No. 03AFHUT001 and \$2,816 for Grant No. 03ACHUT001.

AmeriCorps Provisions (2003), Section B.8.d., *Member Enrollment Procedures*, states that an individual is considered enrolled as an AmeriCorps member when a number of conditions have been met. These include subgrantee approval of member enrollment in WBRS.

- We questioned \$1,798, as follows:
  - Travel expenses of \$1,688 for members were not substantiated by supporting documentation.
  - Transportation costs of \$86 were erroneously claimed twice.
  - Costs allocated to the program were overstated by \$24.

According to AmeriCorps Provisions (2003), Section C.22.b., *Financial Management Provisions, Source Documentation*, the grantee must maintain adequate supporting documents for its expenditures (Federal and non-Federal) and in-kind contributions made under grants. Costs must be shown in books or records (disbursement ledger or journal) and must be supported by source documents, such as receipts, travel vouchers, invoices, in-kind voucher, or similar document.

**UTAH COMMISSION ON VOLUNTEERS  
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER  
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE  
 AWARD NO. 03ACHUT001  
 BOYS & GIRLS CLUB OF CACHE VALLEY**

	<b>Amount</b>	<b>Notes</b>
Claimed Federal Costs	<u>\$404,040</u>	
Questioned Federal Costs		
Excess Living allowance	\$40,950	1
Overstated Expenditures	11,532	2
Unallowable Costs	8,787	3
Unsupported Labor Costs	<u>8,319</u>	4
Total Questioned Costs	<u>\$69,588</u>	

1. The subgrantee claimed 100 percent of living allowances paid to members. AmeriCorps Provisions (2003), Section B.11., *Living Allowances*, requires that programs that provide living allowance exceeding the minimum amount stated in application guidelines must provide a grantee match for all funds over 85 percent of that minimum. Subgrantee staff stated that they misunderstood the program requirements. We questioned the \$40,950 of unallowable costs claimed.
  
2. The subgrantee reported expenditures of \$404,040 on FSRs. Its accounting records, however, supported only \$392,508. FSRs erroneously included a portion of a cash advance received at the beginning of the program year that was listed as expenditures.  
  
 According to AmeriCorps Provisions (2003), Section C.22.b., *Financial Management Provisions, Source Documentation*, the grantee must maintain adequate supporting documents for its expenditures (Federal and non-Federal) and in-kind contributions made under grants. Costs must be shown in books or records (disbursement ledger or journal) and must be supported by source documents, such as receipts, travel vouchers, invoices, in-kind voucher, or similar documents.
  
3. The subgrantee claimed \$8,787 of unallowable costs, as follows:
  - Claimed costs included \$6,172 related to another program, because the subgrantee did not segregate costs among programs.

- Member living allowance costs claimed were \$2,364 more than amounts actually paid, according to the subgrantee's payroll records, a discrepancy which the subgrantee could not explain.
- Claimed costs were overstated by \$251 as the result of mathematical errors made while preparing the reimbursement request.

According to AmeriCorps Provisions (2003), Section C.22.b., *Financial Management Provisions, Source Documentation*, the grantee must maintain adequate supporting documents for its expenditures (Federal and non-Federal) and in-kind contributions made under grants. Costs must be shown in books or records (disbursement ledger or journal) and must be supported by source documents, such as receipts, travel vouchers, invoices, in-kind voucher, or similar documents.

4. The subgrantee claimed 100 percent of the labor costs for the program director and office manager. These employees stated that they spent 90 percent of their time working on the program. Accordingly, we questioned 10 percent of labor costs claimed, or \$8,319.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A, Paragraph 4. *Allocable costs*, states that a cost is allocable to a grant in accordance with relative benefits received.



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May 17, 2006

Office of Inspector General  
 Corporation for National and Community Service

**INDEPENDENT AUDITORS' REPORT ON  
 COMPLIANCE AND INTERNAL CONTROL**

We have audited costs claimed by the Commission to the Corporation for National and Community Service for the following awards and have issued our report thereon dated May 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with generally accepted government auditing standards.

<b>Program</b>	<b>Award No.</b>	<b>Award Period</b>	<b>Audit Period</b>
Administrative Grant	04CAHUT001	01/01/04-12/31/06	01/01/04-12/31/05
Professional Development and Training	02PDSUT044	01/01/02-12/31/04	01/01/04-12/31/04
Professional Development and Training	05PTHUT001	01/01/05-12/31/07	01/01/05-12/31/05
Disability Grant	04CDHUT001	04/01/04-12/31/06	04/01/04-12/31/05
AmeriCorps State Competitive	03ACHUT001	10/01/03-12/31/06	04/01/04-12/31/05
AmeriCorps State Formula	03AFHUT001	10/01/03-09/30/06	04/01/04-12/31/05

**COMPLIANCE WITH LAWS AND REGULATIONS**

As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatements, we performed tests of compliance with certain provisions of laws, regulations, and awards, noncompliance with which could have a direct and material effect on determination of financial schedule amounts. Providing an overall opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. Test results disclosed instances of noncompliance that are required to be reported under generally accepted government auditing standards and are discussed below (Finding Nos. 1 through 4).

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we obtained an understanding of the Commission's internal control over financial reporting to determine audit procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on internal

control over financial reporting. We noted matters involving internal control over financial reporting and its operation, however, that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the Commission's ability to initiate, record, process, and report financial data consistent with assertions of management in the financial schedules (Finding Nos. 1 through 4 below).

A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial schedules 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 internal control over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and that are also considered material weaknesses. We consider Findings Nos. 1 through 4 to be material weaknesses.

## **FINDINGS**

### **1. The Commission's financial management system needs improvement.**

The Commission's financial management system did not ensure that claimed costs were adequately supported and met grant requirements. Specifically:

- The Commission did not reconcile the FSRs to the state accounting system (FINET). As explained in Exhibit A, the Commission reported expenditures on the FSRs based on the information in its grant management system (GMIS), which is a budgeting tool. The Commission reported higher totals on the FSRs than were recorded in FINET.
- Labor costs claimed for the Commission's former executive director were not supported by timesheets.

The Federal government's regulation governing the administrative requirements for grant awards to State and local governments, 45 CFR § 2541.200, requires that grantees and subgrantees maintain records that 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.

Further, AmeriCorps Provisions (2003), Section C.22.b., *Financial Management Provisions, Source Documentation*, states that the grantee must maintain adequate supporting documents for its expenditures (Federal and non-Federal) and in-kind contributions made under grants. Costs must be shown in books or records (disbursement ledger or journal) and must be supported by source documents, such as receipts, travel vouchers, invoices, in-kind voucher, or similar documents.

**Recommendation:** We recommend that the Corporation:

- Ensure that the Commission develops and implements procedures to reconcile expenditures reported on FSRs to accounting detail reports and identify and document reconciled items as part of the reconciliation process.
- Follows up to determine if questioned and unsupported amounts should be allowed or disallowed and recovered.

**Commission Response:** The Commission stated that it does not agree with the auditors' finding of inadequate financial management systems. The Commission has always had in place procedures to ensure reconciliation of expenditures reported on FSRs to detail accounting reports from the FINET system. To avoid this issue in the future, a reconciliation report for each FSR will be printed and kept on file to provide a better audit trail.

**Auditors' Comments:** The Commissions corrective actions, as described in its comments, are responsive to our recommendation.

**2. The Commission's procedures for recording and reporting match and in-kind contributions were inadequate.**

The Commission reported \$353,723 as Grantee Share on its FSRs through December 31, 2005. Of this amount, cash donations and in-kind contributions of \$206,678 were supported by an Excel spreadsheet maintained by the Commission's Contract Grant Manager. We identified \$129,732 of these costs as unallowable or unsupported, as follows:

- The Commission claimed \$30,018 from registration fees at its annual conference. The Commission did not have any documentation to support how the funds were spent.
- The Commission claimed \$22,200 for donated office space in Provo. It could not, however, provide documentation to support how the office was used or how its value was determined.
- The Commission claimed \$8,589 of cash and in-kind donations from other organizations for the annual conference, but did not provide documentation to support how the funds were spent or how the donations were valued.
- The Commission claimed \$49,665 of labor costs for Citizen Corps personnel who assisted with the annual conference. Citizen Corps employees are part of the Department of Public Safety/Western Community Policing Institute/Texas A&M University. The Commission was unable to provide documentation to prove that these costs were not funded in whole or in part by other Federal grants.



- The Commission claimed \$19,260 for DVDs used at training conferences, although the Department of Public Safety/FEMA/Homeland Security provided these. The Commission was unable to provide documentation to show that these costs were not funded in whole or in part by other Federal grants.

An OIG pre-audit survey conducted in April 2004 reported these same types of problems. The Commission indicated at that time that it was unaware of requirements for reporting cash and in-kind contributions as match. It does not appear that the Commission had made any changes to its policies and procedures since the pre-audit survey was conducted.

According to 45 CFR § 2541.240, *Matching or cost sharing*, costs claimed for matching or cost sharing must be allowable costs incurred by the grantee. Costs and in-kind contributions counting toward satisfying a cost-sharing or matching requirement must be verifiable from grantee records. These records must show how the value placed on in-kind contributions was derived, and these contributions must not be included as a cost or used to meet cost-sharing or matching requirements of any other federal award.

The Commission is at risk of not meeting Administrative grant matching requirements.

***Recommendation:*** We recommend that the Corporation require the Commission to:

- Develop and implement policies and procedures to adequately document, record, and report in-kind contributions.
- Perform a detailed review of claimed match costs to ensure that all costs are allowable and supported at the completion of grant period and before closeout.

***Commission Response:*** The Commission stated that it feels it has complied with the Corporation recommendations from the pre-audit survey and made the requested changes to the way it was reporting match. The Commission has developed and implemented policies and procedures to improve the way it documents, records, and reports in-kind contributions. This will more clearly identify how values are determined. The question of original funding sources, and co-mingling of state and Federal funds, was discussed at the exit conference. No resolution was reached regarding the Commission's responsibility to determine original sources. Clarification from the Corporation regarding this issue would be welcome. The Commission is also confident that the match requirement for the Administrative award will be met.

***Auditors' Comments:*** The unallowable or unsupported matching costs identified above are consistent with those noted previously in the pre-audit survey. The Commission, as stated in the regulations, is responsible for determining the allowability of claimed match costs. The Corporation should determine the adequacy and verify implementation of the Commission's new policies and procedures.

### **3. The Commission's subgrantee monitoring procedures were inadequate.**

The Commission performed routine site visits of subgrantees and reviewed subgrantee documentation. It did not, however, perform an adequate review of procedures to ensure that subgrantees claimed only allowable costs and had adequate financial management systems. The Program Director is new to both the Commission and the AmeriCorps program and may not have been aware of these fiscal responsibilities. She is, however, currently in the process of improving the Commission's monitoring tool. Summarized below are the allowable cost and financial management system issues that we found, by subgrantee.

#### **Allowable Costs**

The notes to Schedules A through C describe questioned Federal costs of \$98,651. This amount includes costs claimed by subgrantees for which documentation indicates that costs were expended in violation of laws, regulations, and specific conditions of awards, costs that require interpretation of allowability by the Corporation, or unsupported costs claimed that require additional documentation to support allowability. While all unallowable costs could only be disclosed by reviewing every invoice and available documentation, the Commission might benefit from sampling claimed costs on subgrantee invoices and obtaining a better understanding of how subgrantees support match. Examples of costs questioned include those described below.

#### **Ogden School District**

- The subgrantee did not meet the minimum 33 percent match requirement for program operating costs. The program director was unaware of WBRS reporting requirements or that all in-kind and cash contributions were required to be reported on the FSRs. The only amount reported on the Ogden School District's FSRs for Program Operating Cost is the match portion of the program director's salary. All other in-kind and cash contributions were reported on the Income Report in WBRS.
- The subgrantee paid living allowances based on hours served, in lump sums, and during a member's suspension period. One school system was unable to provide documentation to support living allowance payments for two members.

#### **Utah Community Health**

- The subgrantee claimed duplicate transportation costs.
- The subgrantee paid living allowances based on hours served, in lump sums, and during a member's suspension period.
- The subgrantee claimed costs for living allowances paid to individuals not enrolled in WBRS as members.

- The subgrantee was unable to provide documentation to support claimed costs of \$1,712.

### **Boys & Girls Club of Cache Valley**

- The subgrantee claimed 100 percent of living allowances paid to members rather than the allowable 85 percent.
- The subgrantee was unable to provide documentation to support claimed costs of \$20,319.
- The subgrantee claimed 100 percent of labor costs for the program director and office manager although their timesheets indicated they worked less than full-time on the program and they stated that they spent 90 percent of their time working on the program. This occurred when the executive director did not use completed, authorized timesheets to claim costs for the AmeriCorps program.

### **Financial Management Systems**

The Commission did not ensure that each subgrantee had an adequate financial management system. In addition to unallowable and unsupported costs being claimed by subgrantees, we noted other matters described below.

#### **Ogden School District**

The subgrantee maintained inadequate support for in-kind contributions. It based supervisor labor costs on estimated time spent with members; the valuation of office space was unsupported; and it used estimates rather than actual expenses for office supplies.

According to 45 CFR § 2541.240, *Matching or cost sharing*, costs claimed as in-kind must be allowable costs incurred by the grantee. Costs and in-kind contributions counting toward satisfying a cost-sharing or matching requirement must be verifiable from grantee records. Records must show how the value placed on third-party in-kind contributions was derived and indicate that such costs were not be included as a cost or used to meet cost-sharing or matching requirements of any other Federal award.

#### **Utah Community Health**

The subgrantee did not have an adequate labor distribution system. It charged labor costs to the grant based on predetermined percentages, and costs were not supported with after-the-fact labor distribution records, as required by OMB Circular A-122 Attachment B, Paragraph 7 (m), *Support of salaries and wages*.

## **Boys & Girls Club of Cache Valley**

- The subgrantee's accounting system did not identify costs by program or activity. Its accountant manually accumulated the costs it reported as expenditures to the Commission.
- The subgrantee did not have an adequate labor distribution system. Labor costs were not supported with after-the-fact labor distribution records, as required by OMB Circular A-122, Attachment B., Paragraph 7(m), *Support of salaries and wages*.

The Corporation's Administrative Standards review (May 2000) and the pre-audit survey conducted by the OIG (April 2004) both reported that the Commission's monitoring of subgrantee financial management systems needed to be improved.

The Commission recently revised its monitoring checklist for programmatic compliance, but it was not revised to include any review of subgrantee financial management systems. The Commission's representatives stated that they are aware of monitoring insufficiencies and were working with the state auditor to develop a monitoring tool that addressed fiscal compliance procedures.

***Recommendation:*** We recommend that the Corporation instruct the Commission to prepare a comprehensive corrective action plan that addresses monitoring of subgrantee financial management systems. This plan should include procedures for:

- Providing training and technical assistance to subgrantees to ensure that they maintain adequate financial records and submit accurate and timely financial reports and reimbursement requests.
- Reconciling claimed costs to accounting records during site-visits and ensure accurate reporting by subgrantees by periodically requesting accounting records.
- Calculating and reimbursing the Corporation for administrative costs associated with any disallowed costs upon completion of the audit resolution process.

***Commission Response:*** The Commission stated that it has relied on a combination of desktop monitoring of the documentation submitted with the subgrantees' requests for reimbursement, and a review of the subgrantees' annual audited financial statements. On-site programmatic reviews are also conducted twice a year. The Commission has begun working to improve its fiscal monitoring procedures. The Commission's site visit monitoring tool is being revised to include more fiscal compliance components. Training sessions have been and will continue to be conducted to ensure that all subgrantees understand reporting and documentation requirements. The Commission has and will continue to conduct fiscal management training for all subgrantees.

The Commission is working with all subgrantees with questioned costs to resolve any issues and believes the above changes will minimize any subgrantee unallowable costs or costs that do not have proper supporting documentation.

**Auditors' Comments:** The Commission's corrective actions, as described in its comments, are responsive to our recommendations. As stated above, however, the Corporation's Administrative Standards review and the pre-audit survey conducted by the OIG both reported that the Commission's monitoring of subgrantee financial management systems needed to be improved. Yet this audit found that two subgrantees still did not have adequate labor distribution systems, and one subgrantee's accounting system did not identify costs by program or activity. We are concerned that the Corporation's and OIG's prior recommendations were not acted upon, and therefore we recommend that the Corporation take additional steps during the audit resolution period to ensure that the recommendations in this report are implemented.

**4. The Commission's procedures to ensure that subgrantees documented member activities were inadequate.**

The Commission did not adequately ensure that subgrantees documented member activities in accordance with AmeriCorps Provisions. We reviewed 59 member files at 3 subgrantees and identified some member files that did not contain all required information. This is summarized below.

	Ogden School District	Boys & Girls Club of Cache Valley	Utah Community Health	Totals
<b>Member Files Reviewed</b>	<b>22</b>	<b>18</b>	<b>19</b>	<b>59</b>
<b>Exceptions Noted:</b>				
Evaluations	12	16	14	42
Enrollment and Exit Forms	19	10	2	31
Timesheet Errors		9	12	21
Contracts		6		6
Orientation		2		2
Criminal Record Checks	6			6

**Evaluations**

Mid-term or final evaluations for 42 out of 59 reviewed members were missing from member files, did not include member and/or supervisor signatures, or were incomplete. As a result, the members may not have been aware of performance deficiencies, areas for improvement, or number of hours needed to complete their assignments. Program directors stated they were unaware of these requirements.

AmeriCorps Provisions (2003), Section B.7.g., *Training, Supervision, and Support, Performance Reviews*, requires mid-term and end-of-year performance evaluations of members focusing on whether the member has completed the required number of service hours, satisfactorily completed assignments, and met other performance criteria communicated at the beginning of the term of service.

## **Enrollment and Exit Forms**

Enrollment or exit forms for 31 members were either not filed in a timely manner or were missing. As a result, management officials did not have accurate, up-to-date, information on the number of members enrolled and the amount of education awards earned. This condition was generally attributed to short reporting timeframes, late submission of information by subgrantees, and lack of oversight.

AmeriCorps Provisions (2003), B.8.c., *Terms of Service, Notice to the Corporation's National Service Trust*, requires that the grantee notify the Corporation within 30 days of a member's enrollment, suspension, and completion of service. Also, AmeriCorps Provisions, (2003), B.16.b.iii., *AmeriCorps Member-Related Forms, Exit/End-of-Term-of-Service Forms*, states that exit and end-of-term-of-service forms must be submitted no later than 30 days after a member exits the program or finishes his or her term of service. Hard copies of these forms must be maintained after they have been entered into WBRs.

## **Member Timesheets**

Timesheets for 21 members contained a number of errors. The timesheets were not:

- included in the member file;
- prepared in ink;
- signed by member and/or supervisors;
- provided as originals; and
- initialed by the member or supervisor to indicate approval of correction or were corrected with "correction fluid."

When pencil and white-out are used on timesheets and originals are not maintained, it is difficult to determine if unauthorized alterations have been made. When changes are made without initials, an audit trail does not exist to determine if the changes were authorized. AmeriCorps Provisions (2003), Section B.22.c., *Financial Management Provisions, Time and Attendance Records, AmeriCorps Members*, requires time-and-attendance records for all members to document eligibility for benefits.

## **Member Contracts**

Contracts for six members were signed after service began. As a result, members may have served without a complete understanding of their responsibilities and rights. This condition was attributed to lack of oversight. AmeriCorps Provisions (2003), Section B.7.b., *Training, Supervision and Support, Member Contracts*, require members to sign contracts that stipulate their responsibilities and rights.

## **Orientation**

Documentation to support orientation attendance for two members was not available. The subgrantee must conduct an orientation for members and comply with any pre-service orientation or training required by the Corporation. This orientation should be designed to enhance member security and sensitivity to the community. Without proper orientation, members may not be knowledgeable enough to properly fulfill program requirements.

AmeriCorps Provisions (2003) Section B.7.c., *Training, Supervision and Support, Training*, states:

Consistent with the approved budget, the Grantee must provide members with the training, skills, knowledge and supervision necessary to perform the tasks required in their assigned project positions, including specific training in a particular field and background information on the community served.

The Grantee must conduct an orientation for members and comply with any pre-service orientation or training required by the Corporation. This orientation should be designed to enhance member security and sensitivity to the community. Orientation should cover member rights and responsibilities, including the Program's code of conduct, prohibited activities, requirements under the Drug-Free Workplace Act (41 U.S.C. 701 et seq.), suspension and termination from service, grievance procedures, sexual harassment, other non-discrimination issues, and other topics as necessary.

## **Criminal Background Check**

Documentation to verify completion of a criminal background check was unavailable for six members. As a result, children served by these members were at potential risk. This condition is a result of the program director's reliance on school districts to conduct criminal background checks for members assigned to the school system and lack of monitoring to ensure the criminal background checks are obtained and related documents are maintained.

AmeriCorps Provisions (2003) Section B.6.h., *Eligibility Recruitment and Selection, Criminal Record Checks*, requires that programs with members who have substantial direct contact with children must conduct criminal record checks on these members as part of the screening process and maintain documentation consistent with state law. Because the Commission is allowed to follow state law, each site should maintain documentation to support when a criminal record check was requested.

**Recommendation:** We recommend that the Corporation instruct the Commission to prepare a comprehensive corrective action plan that addresses compliance requirements for all subgrantees, including those not tested.

**Commission Response:** The Commission stated that it has been providing correct guidance related to member activities to its subgrantees in quarterly program director trainings since 2002. The Commission currently does semiannual site visit reviews for each subgrantee with a programmatic monitoring tool which verifies the following info for each member file:

- Enrollment/Exit Forms
- Verification of Identity
- Eligibility to Serve
- Background Checks
- Member Contract
- Orientation
- Evaluations
- Timesheets

In addition, the Commission will implement training for all subgrantees related to the audit findings. Future program director training sessions will continue to include reviews of policies and procedures related to member activities, member eligibility, member-related forms, and member allowance payments.

***Auditors' Comments:*** The Commission did not address the recommendation to prepare and provide a corrective action plan to the Corporation.

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

COTTON & COMPANY LLP

A handwritten signature in black ink, appearing to read "Michael Gillespie". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael Gillespie, CPA, CFE  
Partner



**APPENDIX A**

**COMMISSION'S RESPONSE TO AUDIT REPORT**



State of Utah

JON HUNTSMAN JR.  
Governor

GARY HERBERT  
Lieutenant Governor

Utah Commission on Volunteers

KATHY HYDE  
*Executive Director*

September 21, 2006

Ms. Carol Bates  
Assistant Inspector General for Audit  
Office of Inspector General  
Corporation for National and Community Service  
1201 New York Avenue, NW, Suite 830  
Washington, D.C. 20525

Dear Ms. Bates,

Thank you for the opportunity to comment on the draft report on the Audit of Corporation for National and Community Service Grants Awarded to the Utah Commission on Volunteers. I am confident that you will consider my comments carefully, include them as an appendix to the final report, and consider revisions to correct errors or clarify facts.

The audit process has been generally a positive experience for us here at the Utah Commission on Volunteers (hereafter referred to as the Commission), due primarily to the work of its outstanding financial management team comprised of professionals at the Commission, the Division of Housing and Community Development, and the Department of Community and Culture levels. These individuals have worked cooperatively with the Office of Inspector General and with Cotton and Company.

I was appointed by the Governor to the Executive Director position in August of 2005. Prior to that appointment, I served as a Program Manager at the Commission for four years. The Commission's Grants and Contracts Specialist has had many years of experience in financial management systems and has been with the Commission since April of 2004. The Commission has had only two AmeriCorps Program Managers, the first serving for over ten years; the second began working at the Commission in September of 2005. Furthermore, the Chief Financial Officer for the Division of Community and Culture has worked with the Commission for ten years, overseeing the financial management of all grants and contracts. She and her staff are extremely knowledgeable of Commission programs and are expert financial managers of the highest caliber. Consequently, I do not agree with the Auditors' generalizations concerning high employee turnover and widespread lack of understanding of financial management system requirements.

The Commission is very familiar with the financial management system requirements of the Corporation and has made every effort to follow Corporation guidelines for monitoring subgrantees, as well as provide training and technical assistance to subgrantees.



State of Utah

JON HUNTSMAN JR.  
Governor

GARY HERBERT  
Lieutenant Governor

## Utah Commission on Volunteers

KATHY HYDE  
*Executive Director*

I participated in the Pre-Audit Survey in 2004 and submit that the Commission has taken adequate steps to address the recommendations of that report and has improved the monitoring of subgrantee financial systems. Additionally, the Commission's procedures for recording and reporting match and in-kind contributions were addressed following the recommendations of the Pre-Audit Survey and will be addressed in more detail in this response.

I look forward to working with the Corporation during the resolution period and am confident that the audit performed by the Office of Inspector General will result in final recommendations that will strengthen the Utah Commission on Volunteers' financial management systems for grants awarded by the Corporation.

I have attached the Commission's detailed responses concerning each of the Auditors' Findings separately, for your convenience.

Sincerely,

A handwritten signature in black ink that reads "Kathy Hyde".

Kathy Hyde  
Executive Director

**Detailed Responses Concerning the  
Audit of Corporation for National and Community Service Grants Awarded to the  
Utah Commission on Volunteers  
September 21, 2006**

Finding #1 - The Commission's financial management system was inadequate.

Auditor's Recommendation: We recommend that the Corporation ensure that the Commission:

- Develop and implement procedures to ensure reconciliation of expenditures reported on FSRs to accounting detail reports and identify and document reconciling items as part of the reconciliation process.
  
- Follow up to determine if questioned and unsupported amounts should be allowed or disallowed and recovered.

*Commission's Response:*

*The Commission does not agree with the auditors finding of inadequate financial management systems. The Commission has always had in place procedures to ensure reconciliation of expenditures reported on FSRs to detail accounting reports from the FINET system.*

*To avoid this issue in the future, a reconciliation report for each FSR will be printed and kept on file to provide a better audit trail.*

*The \$315 questioned represents less than 0.0015% of total claimed expenditures, and less than 0.5% of the total 02PDSUT044 award. Any discrepancy that may exist between FINET and the amount reported on the FSR is due to a timing difference and subsequently becomes reported on the next FSR.*

Finding #2 – The Commission’s procedures for recording and reporting match and in-kind contributions were inadequate.

Auditor’s Recommendation: We recommend that the Corporation require the Commission to:

- Develop and implement policies and procedures to adequately document, record, and report in-kind contributions.
- Perform a detailed review of claimed match costs to ensure that all costs are allowable and supported at the completion of the grant period and before closeout.

*Commission’s Response:*

*The Auditors commented that this was also a finding in the pre-audit survey and it seemed that the Commission had made not changes to correct this. The Commission feels it has complied with Corporation recommendations from the pre-audit and made the requested changes to the way it was reporting match. A document was created in 2004 for donating parties to use to value in kind contributions. This is the document provided to the auditors to support all match reported in 2005. This document was also submitted to the Corporation as resolution to the Pre-Audit Survey.*

*The Commission has developed and implemented policies and procedures to improve the way it documents, records, and reports in-kind contributions. This document will more clearly identify how values are determined.*

*The question of original funding sources, and co-mingling of state and federal funds, was discussed at the exit conference. No resolution was reached regarding COV responsibility to determine original sources. Clarification from the Corporation regarding this issue would be welcome.*

*The Commission is confident that the match requirement for the Administrative award will be met.*

Finding #3 – The Commission’s subgrantee monitoring procedures were inadequate.

Auditor’s Recommendation: We recommend that the Corporation instruct the Commission to prepare a comprehensive corrective action plan that addresses monitoring subgrantee financial management systems. This plan should include procedures for:

- Providing training and technical assistance to subgrantees to ensure that they maintain adequate financial records and submit accurate and timely financial reports and reimbursement requests.
- Reconciling claimed costs to accounting records during site-visits and ensure accurate reporting by subgrantees by periodically requesting accounting records.
- Calculating and reimbursing the Corporation for administrative costs associated with any disallowed costs upon completion of the audit resolution process.

*Commission’s Response:*

*The Commission has relied on a combination of desktop monitoring of the documentation submitted with the subgrantees’ requests for reimbursement and a review of the subgrantees’ annual audited financial statements. On-site programmatic reviews are also conducted twice a year.*

*The Commission had already identified the issue of member living allowance discrepancies for Boys & Girls Club of Cache, noted in this report, during a desktop monitoring review in December 2005. The Commission is working with the subgrantee to get a correct overview of the expenses and has started corrective action procedures to bring the subgrantee in compliance with this issue.*

*The Commission has begun working to improve its fiscal monitoring procedures. The Commission’s site visit monitoring tool is being revised to include more fiscal compliance components. Training sessions have and will continue to be conducted to ensure that all subgrantees understand reporting and documentation requirements. The Commission has and will continue to conduct fiscal management training for all subgrantees.*

*The Commission is working with all subgrantees who have questioned costs to resolve any issues and believes the above changes will minimize any subgrantee unallowable costs or costs that do not have proper supporting documentation.*

*The Auditors mention again here that it seems the Commission did not address the recommendations from the 2000 Standards Review and the 2004 Pre-Audit Survey. After review the Commission concludes that the recommendations from the Corporation have been incorporated and are in effect at this time. (See detail below)*

- *Standards Review 2000-The Commission did not meet this standard because site visit tool for AmeriCorps\*State programs was lacking adequate attention to the financial systems of a subgrantee. For example, the tool did not*

*monitor the subgrantee's system for recording in-kind match or time and effort distribution of subgrantee staff.*

*In July 2000 the Commission made modifications to the site monitoring tool to address the issues in the Standards Review of match and staff time and activity of the subgrantee. The Commission also provided the Corporation with a copy of the new monitoring tool.*

- *Pre Audit Survey 2004 Recommendation #2: We recommend that the Commission evaluate all aspects of subrecipient past performance and financial system adequacy, including OMB Circular A-133 audit results, and consistently document this information in the subgrantee selection process.*

*In February 2005 in communication with Doug Gerry regarding the Pre Audit Survey findings, The Commission made adjustment to the subgrantee selection tool, to include verification of financial system adequacy and review of the A-133 audit. This tool was provided to the Corporation as resolution and has been used in all subsequent grant selection processes.*

Finding #4 – The Commission's procedures to ensure that subgrantees documented member activities were inadequate.

Auditor's Recommendation: We recommend that the Corporation instruct the Commission to prepare a comprehensive corrective action plan that addresses compliance requirements for all subgrantees, including those not tested.

*Commission's Response:*

*The Commission has been providing correct guidance related to member activities to its subgrantees in quarterly program director trainings since 2002.*

*The Commission currently does semi-annual site visit reviews for each subgrantee with a programmatic monitoring tool which verifies the following info for each member file:*

*Enrollment/Exit forms  
Verification of Identity  
Eligibility to Serve  
Background checks  
Member Contract  
Orientation  
Evaluations  
Timesheets*

*In addition the Commission will implement training for all subgrantees related to the audit findings. Future program director trainings will continue to review policies and procedures related to member activities, member eligibility, member related forms, and member allowance payments.*

**APPENDIX B**

**CORPORATION'S RESPONSE TO AUDIT REPORT**



Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

**To:** Carol Bates, Acting Inspector General  
**From:** Margaret Rosenberry, Director of Grants Management  
**Cc:** Kristin McSwain, Director of AmeriCorps  
Sherry Wright, Audit Resolution Coordinator, Office of the CFO  
**Date:** September 21, 2006  
**Subject:** Response to OIG Draft Audit Report: Audit of Corporation for National and Community Service Grants Awarded to the Utah Commission on Volunteers

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Thank you for the opportunity to review the draft audit report of the Corporation's grants awarded to the Utah Commission on Volunteers. We do not have specific comments at this time. We will respond to all findings and recommendations in our management decision when the final audit is issued; we have reviewed the findings in detail; and worked with the Utah Commission to resolve the audit.

The Commission has begun corrective action already and has requested Corporation clarification in several areas. In addition, two Commission staff members will attend the Corporation-sponsored Financial Management Institute in San Diego in October. The institute training sessions will cover best practices in federal financial management that will help the Commission enhance its systems and ensure its subgrantees understand all requirements.



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