


Report Number 95-01

Date: May 8, 1995

CORPORATION

FOR NATIONAL

 SERVICE

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

OFFICE OF THE INSPECTOR GENERAL

Initial Year Review

National Association of Child Care and Resource Referral Agencies

Washington, DC

Grant Agreement No. 92ADNDC022

and

Cooperative Agreement No. 94TTPDC001

This report is issued to the Corporation's Management Official. The reported findings do not necessarily represent the final resolution of the issues presented or the amount of disallowed costs. As required by OMB Circular A-50, *Audit Followup*, the Corporation must make a final management decision within 180 days of the report.

The Office of the Inspector General must approve any request for public release of the report.

Corporation For National and Community Service
Office of Inspector General
Initial Year Review

Grant Agreement No. 94ADNDC022 and Cooperative Agreement No. 94TTPDC001
Awarded to
National Association of Child Care and Resource Referral Agencies

We reviewed the National Association of Child Care Resource and Referral Agencies' (NACCRRA) financial reporting and accounting system to assess its ability to comply with Federal fiscal accounting and reporting requirements and to safeguard federal funds.

NACCRRA is a membership organization of over 400 community child care resource and referral agencies in all 50 states, established in 1986. Its purpose is to promote the growth and development of quality resource and referral services and to exercise leadership to build a diverse, high quality child care system with parental choice and equal access for all families.

Under awards made in Fiscal Year 1994, NACCRRA is to receive \$5.3 million to serve as a nation-wide clearing house for child care¹ provided for certain eligible AmeriCorps members' dependents and a \$906 thousand grant² to recruit AmeriCorps members to improve the quality and availability of infant, toddler, and school-age care in their local communities and to help connect families in need of related services.

Results in Brief

We found NACCRRA's accounting system and system of internal controls generally adequate to support the cooperative and grant agreements, report expenditures, and safeguard Federal funds. However, our review revealed several conditions that require corrective action by NACCRRA and CNS officials.

¹ Of the \$5,298,482 awarded for the period June 1, 1994 through December 31, 1995, \$5,000,000 is to pay for child care needs for qualified AmeriCorps members nation-wide; \$298,482 is to pay for administration which includes planning, operating, and managing all training and technical assistance.

² The \$905,688 grant will be funded from multiple sources: CNS, \$599,736; private sector, \$175,300; and in-kind contributions, \$130,652.

Scope and Methodology

We performed our review at NACCRRA's Washington, DC, office during the period November 7, 1994 through January 18, 1995. We reviewed and tested NACCRRA's accounting system and system of internal controls to determine their adequacy to support child care reimbursement and other expenditures and to safeguard CNS funds.

We performed our review in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Our procedures included:

- * review and judgmental samples of selected financial transactions;
- * interviews with key staff, and
- * documenting and testing key management controls related to NACCRRA's accounting and Federal financial reporting systems.

We provided a draft report to NACCRRA and CNS management officials for their response. These are summarized in the body of the report and presented in their entirety as attachments to the report.

Findings

Based on our review we found three conditions which warrant corrective actions by NACCRRA and CNS:

1. NACCRRA often issued checks for the procurement of goods and services based on approval forms that were not always properly completed by the authorizing official. Frequently they did not reflect the date of a request, the purpose for the payment, the requestor, and the number and date of the issued check. In our judgmental sample of 25 check request forms, we found ten incomplete requests.

NACCRRA's policies and procedures require that check request forms be signed by the requestor, approved by the executive director, provide a reason for issuance of the check and include the check number, date issued, account number, and other information. We found that personnel often fail to follow these procedures. In our judgmental sample of 25 check request forms, we found ten incomplete requests.

Although we found no purchases of unallowable or unallocable goods or services, this condition could result in inappropriate expenditures or expenditures charged to the wrong program or account. Consequently, we recommend that NACCRRA enforce its check request procedures.

Both the grantee and CNS officials agree with our finding and recommendation.

II. The cooperative agreement indicates that CNS will provide a weekly report to NACCRRA with information from the AmeriCorps database. This report is intended as a control (1) to establish and verify members' eligibility to receive child care benefits and (2) on payments to child care providers.

CNS is presently completing the database; therefore, the weekly report has not yet been developed. In its absence, NACCRRA relies on the various agencies and programs having AmeriCorps members to notify them if a participant's status changes.

We found no inappropriate payments to child care providers; nonetheless, the lack of Corporation information weakens control procedures and could result in payments to providers for ineligible individuals. Therefore, now that the AmeriCorps database is nearing completion, we recommend that CNS develop the NACCRRA report as required by the agreement.

NACCRRA agrees with our recommendation and has obtained a verbal agreement with CNS officials that database linkages will be established as soon as possible.

The CNS grants office agrees that coordination of the AmeriCorps database with the CNS Trust Fund is necessary; however, the grants office states that their primary objective was to allow on-line exchange of information and backup on member status changes and that the establishment or verification members' eligibility to receive child care benefits are ancillary and optional.

III. Although the cooperative agreement extends over an 18-month period, the approved administrative support budget covers only the first 12-months of the agreement and may not contain sufficient funding to allow the grantee to fulfill the terms of the award. Therefore by June 30, 1995, NACCRRA may not be in a position to continue administrating the cooperative agreement.

We recommend CNS and NACCRRA amend the award so that the period for technical assistance and payment services coincides with the award period.

Both NACCRRA and CNS officials expressed general agreement with our finding and the administrative support budget has been renegotiated and approved

National Association of Child Care and Resource Referral Agencies Response



National Association of Child Care Resource and Referral Agencies

April 14, 1995

Luise S. Jordan
Inspector General
Corporation for National Service
1201 New York Avenue NW
Washington, DC 20525

Re: Letter of March 14, 1995 re. draft report of system survey

Dear Inspector General Jordan:

Thank you for your letter enclosing the above draft and detailing the corrective action to be taken by NACCRRA and responsible Corporation officials. Generally, we were delighted to hear that the extensive review of our accounting system and internal controls, which was performed by your staff last fall, showed it to be adequate to support the cooperative and grant agreements, report expenditures and safeguard Federal funds. We are pleased to report the following corrective actions that NACCRRA has instituted and which address the concerns in the report:

- I. The check request procedures were among the internal controls that were tightened and streamlined as a result of a more extensive accounting staff capacity that we acquired in January 1995. Our finance manager, Michael Crosson, is responsible for ensuring that the procedures are observed and other staff have been instructed in following them.
- II. We have discussed this recommendation with CNCS officials and with our software consultants and have their verbal agreement that database linkages or other weekly means of reporting will be established as soon as the full capacity for weekly reports on AmeriCorps participant status is achieved in CNCS.
- III. The eighteen-month administrative support budget for the cooperative agreement has been negotiated and approved.

Thank you for a thorough review. Please let me know if any other information is needed.

Sincerely,

A handwritten signature in cursive script that reads "Yasmina S. Vinci".

Yasmina S. Vinci
Executive Director

c: Michael Kenefick, Director of
AmeriCorps Grants and Contracts
Silchen Ng, AmeriCorps Grants Officer
Michael Crosson, NACCRRA Director of Finance
Susan Norris, Project Director

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NCS Grants Office Response

MEMORANDUM

April 26, 1995

To: Luise Jordan, IG

CC: Gary Kowalczyk, CFO

From: Mike Kenefick, Grants Officer *m.k.*

Subject: Draft Report of IG Review of NACCRRRA

Thank you for your prompt assistance in providing a review of NACCRRRA, a new grantee supporting child care for AmeriCorps programs. It is reassuring that their system should be able to provide adequate safeguards and accountability for substantial Corporation funding.

The draft report has three findings. We concur with the first finding which is currently being corrected by NACCRRRA.

Finding II

The draft report suggests that CNS's providing a weekly report to NACCRRRA is intended to establish and verify members' eligibility to receive benefits and payments to child care providers. The award actually says CNS will update NACCRRRA weekly with changes in participant status and coordinate child care needs as necessary. In a corollary section pertaining to NACCRRRA responsibilities, the award states that NACCRRRA will coordinate the AmeriCare database with the Trust fund.

As the designer of this project, my intent was to have NACCRRRA design their database so that it is compatible with the Corporation's trust fund database. They have coordinated and used compatible software. The long term objective is to allow on-line exchange of information and backup on Members status changes. It is not as implied in the draft report the principle control for eligibility and payments as this is done directly with the project directors, Members and providers. Thus, when the Corporation's system is ready we will continue to develop this connection. In the meantime we may coordinate some reports but not on a weekly basis.

The intent of the definition of our responsibility was to coordinate weekly, broader changes in the AmeriCorps programs, new programs that are eligible, new status categories such as allowing benefits for

NCS Grants Office Response Cont.

full-time summer Part-Time Members, changes in specific funding and the usual complaints and problems - not provide weekly individual status changes. We have been doing the former on a constant basis with Silchen Ng directly responsible.

Finding III

We have implemented the suggested change because current administrative funding is necessary. However, given the nature of the AmeriCorps programs with a greater variety of start dates for both programs and participants than originally envisioned, there may be incompatibility between the commitments for AmeriCorps Member payments and the administrative negotiated budget period. I don't find this a problem in a continuing program such as this and is a regular occurrence with programs funded from two different sources of funds with different terms of availability.

Again, we appreciate your assistance and the opportunity to comment.