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S E R V I C E

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OFFICE OF THE INSPECTOR GENERAL

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Review of

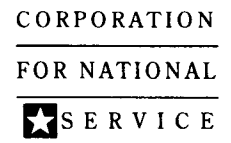
The I Have A Dream Foundation

Grant Number 94ADNNY016

This report is issued to CNS Management. According to OMB Circular A-50, *Audit Followup*, the Corporation must make a final management decision no later than November 12, 1996. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

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

Office of Inspector General  
Review of the I Have A Dream Foundation  
CNS Grant # 94ADNNY016



Tichenor and Associates, under contract to the Office of Inspector General, performed a limited review of the I Have A Dream Foundation's (IHAD) financial reporting and accounting systems to assess their ability to comply with Federal fiscal accounting and reporting requirements applicable to its AmeriCorps grant, as well as its ability to safeguard related funds. We have reviewed the report and workpapers supporting its conclusions and agree with the findings and recommendations presented.

Based on their review, IHAD's accounting systems and system of internal controls are not adequate to report grant expenditures in accordance with grant requirements and to safeguard Federal funds. Tichenor and Associates noted the following deficiencies:

- IHAD does not adequately monitor subgrantee financial data;
- IHAD does not adequately track labor hours;
- IHAD does not track matching costs in their grant accounting system; and
- IHAD does not have written agreements with its subgrantees.

In its response to a draft of this report, IHAD sent copies of documentation that was not made available Tichenor and Associates at the time of their review. We have provided this information to CNS grants management officials for their consideration during the resolution process.

In addition to the funds covered by this review, the Corporation has awarded IHAD a grant for year two of the program totaling \$1,191,541 (including carryovers) covering the period September 1, 1995 through August 30, 1996. We recommend that CNS grants management consider the impact of these deficiencies in its oversight and monitoring activities and determine that IHAD has corrected the conditions noted above before awarding any future grants to IHAD.

1201 New York Avenue, NW  
Washington, DC 20525  
Telephone 202-606-5000

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**TICHENOR & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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Inspector General  
Corporation for National Service  
1201 New York Ave., N.W.  
Washington, D.C. 20525

I Have A Dream Foundation (IHAD) was awarded AmeriCorps Grant No. 94ADNNY016, by the Corporation for National Service (CNS) effective July 1, 1994, for use in accordance with the National and Community Service Act of 1990, as amended. We performed a limited scope review, as described in the Scope and Methodology Section of this report of the IHAD's financial management system to determine its adequacy in providing effective control over this grant in accordance with criteria contained in applicable OMB Circulars, CNS Regulations (45 CFR Part 2543), and included within the terms of the grant. Our review included applying agreed-upon procedures to test compliance with such criteria during the period July 1, 1994 through January 30, 1996, the date of this report. Our review did not constitute an audit of any financial statements prepared by IHAD.

Results in Brief

Based on our review, IHAD's accounting systems and system of internal controls are not adequate to report grant expenditures in accordance with grant requirements and to safeguard Federal funds. We noted the following deficiencies:

- IHAD does not adequately monitor subgrantee financial data;
- IHAD does not ensure labor hours charged to the CNS grant are allowable and allocable;
- IHAD does not track matching costs in their grant accounting system; and
- IHAD does not have written agreements with its subgrantees.

As a result, we are questioning \$3,630.78 in costs charged to the grant.

These deficiencies are discussed in detail in the Findings and Recommendations section of this report. We have discussed these issues with the management of IHAD. They agree with the issues and are working towards corrective action.

### Background

IHAD is a non-profit organization headquartered in New York City. The IHAD program, founded in 1981 by Eugene M. Lang, is a comprehensive, long term dropout prevention program administered by the national I Have a Dream Foundation in New York. Following Lang's model, individual IHAD Sponsors "adopt" an entire grade (usually the third or fourth) from a public elementary school, or an entire age group (e.g., the eight year olds) in a public housing development. IHAD Sponsors and staff then provide the children called "Dreamers" with a program of academic, social, cultural and recreational activities throughout their elementary, middle school and high school years. When they complete high school, IHAD provides the tuition assistance necessary for them to attend a state or local college or vocational school.

The purpose of the CNS grant was to conduct an AmeriCorps program to improve the academic tutoring and personal mentoring provided by community volunteers by: involving at-risk youth in meaningful community service projects; and increasing the involvement of inner-city parents in the education of their children. IHAD used a small team of AmeriCorps participants and provided matching funds so that each approved IHAD Project could work closely with a local college or university partner and a community-based organization. The AmeriCorps grant for \$710,000 was IHAD's first AmeriCorps grant and covered the period July 1, 1994 through August 31, 1995. IHAD was provided a grant for year two in the amount of \$1,191,541.<sup>1</sup> The grant provided support for the program as follows:

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<sup>1</sup> Includes a carry-over from year one of \$48,677.

<u>Cost Category</u>		<u>Amount</u>	
National Headquarters:	Support costs	\$ 2,500	
	Staff	62,001	
	Operational	25,000	
	Monitoring	10,000	
	Administration	<u>18,000</u>	
	Sub Total		\$ 117,501
Subrecipients:	Support costs	\$ 34,555	
	Staff	37,775	
	Operational	106,425	
	Monitoring	7,750	
	Administration	9,777	
	Other support costs	360,667	
	Child care	<u>35,550</u>	
Sub Total		\$ <u>592,499</u>	
TOTAL			\$ <u>710,000</u>

\*Under the grant IHAD was required to provide an additional \$352,725 in matching funds for its program.

The program was administered by a national program coordinator located in IHAD headquarters in New York City. The 10 participating sites (Camden, Chicago, Des Moines, Fort Worth, Hartford, New York, New Haven, Pittsburgh, Portland, and Washington) received a total of \$592,499 in grant funds.

Scope and Methodology

We performed this review at IHAD’s headquarters in New York City during the period January 23, 1996 to January 25, 1996. We obtained an understanding of IHAD’s accounting and management controls and performed limited testing to determine whether they were operating as intended by IHAD management and whether they were adequate for administration of CNS grants.

The management of IHAD is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the

preparation of financial reports in accordance with generally accepted accounting principles and applicable regulatory requirements.

Although we reviewed IHAD's monitoring of its sites (subgrantees) operating the program for the grant, our review did not include visits to any program site.

Our review included:

- interviewing key management, accounting, and program personnel;
- reviewing IHAD's organization chart, policy and procedures manuals, and its chart of accounts;
- reviewing prior single audit reports on IHAD's financial statements and management controls;
- testing a judgmental sample of financial transactions related to the grant; and
- assessing IHAD's oversight and monitoring of subgrantees participating in CNS' grants by reviewing audit reports and site visit reports for subgrantees.

We performed our review in accordance with Government Auditing Standards issued by the Comptroller General of the United States. However, our procedures were substantially less in scope than an audit, and accordingly, did not include elements essential to express an opinion on management controls. Accordingly, we do not express such an opinion. Further, if additional audit procedures had been performed, other matters might have come to our attention that would have been reported. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that the internal control structure may become inadequate because the degree of compliance with the policies or procedures may deteriorate.

The CNS Office of Inspector General issued the draft report to IHAD and the CNS Grants Management Office for comment. IHAD's comments are included as Exhibit A. CNS did not provide comments. We found all comments satisfactory.

This report is intended for the information and use of the management at Corporation and IHAD management. However, this report is a matter of public record and its distribution is not limited.

### Findings and Recommendations

#### I. IHAD Does Not Adequately Monitor Subgrantee Financial Data.

IHAD does not adequately monitor subgrantee financial activities. Although IHAD has conducted monitoring visits to its subgrantees and evaluated on-going program activities and operations, the visits have not included reviewing: financial systems, documentation to support claimed costs, or the allowability of these costs when compared to grant terms and conditions. We believe such reviews are necessary to ensure that costs charged to the grant are consistent with grant objectives and are otherwise eligible for reimbursement under grant provisions and regulations.

CNS regulations state, in part, that grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements. IHAD did require that the subgrantees submit a Monthly Reimbursement Report that identified expenditures and the amount of reimbursement requested. Along with the monthly report, the subgrantees also submitted copies of the cost data supporting the current month expenditures. The supporting data was reviewed for accuracy but an evaluation as to the allowability of these costs consistent with applicable regulations was not made. Several subgrantees did not provide explanation or support for the matching costs claimed each quarter.

We recommend that IHAD develop and implement policies and procedures to ensure that costs claimed by subgrantees are eligible for reimbursement and matching under its AmeriCorps grant. Specifically, these written procedures should detail its method of oversight of the subgrantees including: (1) approval of invoices from the subgrantees; (2) methods for how and when advances should be approved and reconciled/liquidated; and (3) methods for determining allowability of costs including matching costs.

#### II. IHAD Does Not Ensure Labor Hours Charged to the CNS Grant are Allowable and Allocable.

IHAD does not have policies and procedures to ensure labor costs claimed for reimbursement and matching costs under its AmeriCorps grant are allocated equitably and are allowable consistent with grant regulations. IHAD utilizes weekly time sheets which record the different activities and the total number of hours worked each day (or partial days). However, employees are not required to record the number of hours worked each day on each activity.

As a result, we questioned \$3,630.78 of labor costs that were associated with the Assistant to the Chairman (who did not prepare a timesheet), as there was no support for the cost. The assistant performs fund raising duties for IHAD along with his AmeriCorps program duties. In addition, time sheets were not signed by the employee's supervisor to indicate their approval of the hours and activities worked for the week. Because specific tasks could not be identified,

IHAD could not provide assurance that all labor hours charged to the grant were for allowable activities.

CNS regulations require equitable allocation of costs. The regulations also require timesheets that detail the activities or cost objectives worked on by individual employees with an accompanying signature by the employee or supervisor and prohibit certain activities from being charged to the grant such as lobbying and fundraising.

We recommend that IHAD develop and implement policies and procedures to ensure employees record the number of hours worked on each activity and that employee time sheets be reviewed and approved by the supervisor.

IHAD has offered to create timesheets for the period of time that was associated with the \$3,630.78 in questioned labor costs. Consistent with the requirements of OMB Circular A-122, Attachment B, 1. *Support of Salaries and Wages*, timesheets must be done contemporaneously, and must be signed by the employee and supervisor. Recreating timesheets at this time will not satisfy this regulation.

### III. IHAD Does Not Adequately Track Matching Costs.

IHAD's grant accounting system does not record matching costs at the headquarters or record and track the subgrantees' matching costs. IHAD submits matching costs to CNS on the quarterly Financial Status Report as an aggregate figure based on the subgrantee submissions and IHAD manual computations as of the time of the report. OMB Circular A-110, *Grant and Agreements with Institutions of Higher Education, Hospitals, and other Nonprofit Organizations*, Attachment F, 2.a. states that recipient's financial management systems shall provide for: accurate, current and complete disclosure of financial results of each Federally sponsored project or program. Another independent accounting firm recently performed an audit of IHAD in accordance with OMB Circular A-133 and recommended that the matching figure be included in their grant accounting system.

We recommend that IHAD develop policies and procedures to ensure that all costs, including matching costs, be recorded in its grant accounting system.



IV. IHAD Does Not Have Written Agreements With Subgrantees.

IHAD did not enter into written agreements with subgrantees participating in its AmeriCorps grant.<sup>2</sup> IHAD subgrants with 10 sites to carry out its AmeriCorps program. Without signed agreements with the subgrantees, IHAD cannot ensure either compliance with the requirements set forth in the grant award including all relevant Federal regulations or the safeguarding of Federal funds.

We recommend that IHAD enter into detailed written agreements with its Americorps program subgrantees.



TICHENOR & ASSOCIATES  
January 30, 1996

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<sup>2</sup> IHAD's initial proposal called for 15 sites. Subsequent budget considerations reduced the number of sites to 10.

*"I Have a Dream"® Foundation*



Chairman

EUGENE M. LANG

Trustees

PAGE ASHLEY  
New York, NY  
ARTHUR CALLANDRO  
New York, NY  
JEREMIAH M. CALLAGHAN  
Paterson, NJ  
PESO CHAVEZ  
Santa Fe, NM  
WARREN COVILLE  
Detroit, MI  
WILLIAM F. FARRELL, JR.  
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Dallas, TX  
FRANK THOMAS  
Des Moines, IA  
DIANE TRODERMAN  
Springfield, MA  
E. RICHIARD YULMAN  
Albany, NY

Executive Director

JANE BRODY

May 1, 1996

Mr. John Crowder  
Tichenor & Associates  
12351 Clipper Dr., Suite 202  
Woodbridge, VA 22192

Dear Mr. Crowder:

I am writing in response to the CNS Inspector General's letter of April 1, 1996, concerning the draft audit report of January 30, 1996, prepared by Tichenor & Associates following your review of the National "I Have a Dream" Foundation's internal controls for the management of its grant from the Corporation for National Service (AmeriCorps Grant No. 94ADNNY016). As per our conversation, it is my understanding that with the submission of this letter, IHAD will have responded fully to the issues raised in Tichenor & Associate's draft report. Please let me know promptly if there are any remaining issues or concerns that may in any way affect our ability to receive grants from the Corporation or to successfully administer our current grant and safeguard federal funds.

I. Monitoring of subgrantee financial data: Dozens of site visits were conducted by several of our staff over the past two years, and the audit team reviewed site visit reports from several individuals. During the 1994-95 contract year, all site visits were conducted by either Chris Coons or Adam Bramwell and we routinely brought with us the subgrantee's budget and budget narrative and conducted both a visual check of invoiced items or in-kind costs (e.g. could local staff readily point out the computer they claimed to have purchased and any office equipment and office space claimed as an in-kind match) and a paper check of critical records (e.g. were time sheets on file reflecting AmeriCorps Members and staff members service hours and were records of expenditures for supplies and transportation available). We did not conduct thorough reviews of all financial systems and records at any site, both because each site was required to have a professional program audit conducted and due to lack of professional experience on our part to conduct an audit. In compliance with your audit letter, all staff who will be conducting site visits in the future have been directed to make a more thorough review of financial records and systems and to note the outcome of their review in their site reports. Enclosed please find IHAD's existing guidelines for conducting site visits with attached revisions reflecting our commitment to conduct on-site reviews of financial systems and records (see Attachment 1).

In addition, in order to address your concerns about IHAD's procedures concerning oversight of invoices, advances, and allowability of costs, we have drafted a policy which reflects IHAD's current approach to these issues (see Attachment 2). Please notify us if this policy requires any further clarification.

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II. Monitoring labor hours: As we discussed, your audit team was unaware of the weekly project status sheets which are kept by every IHAD staff member and distributed at our weekly staff meetings. Your draft audit report challenged \$3,630.78 of IHAD's expenses, apparently because several weeks of my time sheets were missing from IHAD's files. I have searched my files at home and in the office and have located several missing time sheets. The remaining missing sheets from 1994-95 I have reconstructed using information from my weekly project status sheets and my daily planner. Pursuant to a discussion with James Anderson of your audit team, I will submit to you those time sheets which your team found lacking and which will support the costs challenged in your draft audit report. I will send those time sheets to you once Mr. Anderson informs me of the relevant time period, which he has promised to do later this week. Also, in keeping with the enclosed policy on monitoring of labor hours allocated to the CNS grant, all IHAD staff members whose time is apportioned under the CNS grant have been directed to maintain detailed, current time sheets and to have them reviewed and approved by their supervisor (see Attachment 3).

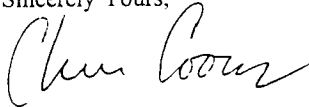
III. Tracking matching costs: It was our understanding that our local sites were responsible for maintaining detailed records on their in-kind contributions and that it was appropriate for them to report their in-kind contributions to us on a quarterly basis as part of their Quarterly Financial Status Reports (Form 269A). In response to your audit letter, Charles Okaly has prepared a revised internal tracking document that requires our local sites to report their in-kind contributions on a monthly, rather than quarterly, basis as part of their monthly expense reports (see Attachment 4). It is still our understanding that IHAD-National is not required to maintain files of detailed supporting documentation of all of the in-kind contributions of each of our 15 sites, but that it is sufficient for us to notify them that they must have on file supporting documentation for all in-kind contributions reported to us on a monthly basis and that site visits by IHAD-National staff must confirm the existence and completeness of those files.

IV. Written agreements with subgrantees: As we discussed at length with your audit team during their visit, the general counsel's office at the Corporation for National Service specifically instructed us that whether or not IHAD-National executed written agreements with our subgrantees was at our discretion as grantee (as subgrantee contracts were for IHAD-National's protection rather than a CNS requirement). In 1994-95, we did distribute to each grantee the terms of their subgrantee contract, as distributed to us by CNS, and we did secure certifications and assurances pages as well. However, we did not execute written agreements that would allow IHAD-National a cause of action against our sites for nonperformance or violations of the terms of the grant. In light of your audit letter and discussions during the visit of your audit team, we have revised our practices for the 1996-97 grant year and have drafted a subgrantee contract which provides IHAD with a cause of action against its subgrantees in the event that they violate the regulations of the AmeriCorps program, engage in prohibited activities, violate the terms of IHAD's AmeriCorps grant or fail to cooperate with IHAD-National's requests for financial or administrative information. Enclosed please find a copy of the subgrantee contract which IHAD-National has executed with its subgrantees for the 1996-97 grant year (see Attachment 5).

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I am hopeful that this letter and its attachments fully address the concerns raised by Tichenor & Associates, and that the final audit report will reflect IHAD's open and cooperative response and its resolution of all issues raised by your draft audit report. Please contact me before May 15 if you have any questions concerning the draft audit report; I can be reached at my office at (212) 293-5480 ext. 17. Effective May 15, I am ending my service as a staff member of the "I Have A Dream" Foundation and will return to the practice of law in my native Delaware. I will continue to serve as the Secretary of the Board of the national IHAD Foundation and will provide ongoing advice and support to our AmeriCorps program but will no longer be involved in daily operations. After May 15, please contact either Richard Pinner, AmeriCorps Program Director (ext. 12), or Charles Okaly, IHAD's Controller (ext. 20), at our national office. Thank you for your consideration.

Sincerely Yours,



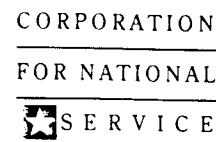
Christopher A. Coons  
Assistant to the Chairman

Attachments

cc: Luise S. Jordan, Inspector General, CNS

May 13, 1996

Christopher Coons  
Assistant to the Chairman  
I Have A Dream Foundation  
330 Seventh Avenue  
New York, New York 10001



Dear Mr. Coons,

Tichenor and Associates, under contract to the Office of Inspector General, performed a limited review of the I Have A Dream Foundation (IHAD) financial reporting and accounting systems to assess their ability to comply with Federal fiscal accounting and reporting requirements applicable to its AmeriCorps grant, as well as its ability to safeguard related funds.

Based on their review, IHAD's accounting systems and system of internal controls are not adequate to report grant expenditures in accordance with grant requirements and to safeguard Federal funds. Tichenor and Associates noted the following deficiencies:

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- IHAD does not have written agreements with its subgrantees.

Your response to a draft of this report is included in its entirety as Exhibit A. If you have any questions pertaining to this report, please contact Bill Anderson at (202) 606-5000, extension 395, or John Crowder, Tichenor and Associates, at (703) 352-1417.

Sincerely,

A handwritten signature in cursive script that reads "Luise S. Jordan".

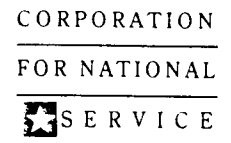
Luise S. Jordan  
Inspector General

Enclosure

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MEMORANDUM



DATE: May 13, 1996

TO: Shirley Sagawa  
Executive Director

Gary Kowalczyk  
Acting Chief Financial Officer

FROM: Luise S. Jordan   
Inspector General

SUBJECT: I Have A Dream Foundation, Grant #94ADNNY016  
OIG Report 96-37

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The Corporation has awarded IHAD a grant for year two of the program totaling \$1,191,541 (including carryovers) covering the period September 1, 1995 through August 30, 1996. We recommend that CNS grants management consider the impact of these deficiencies in its oversight and monitoring activities and determine that IHAD has corrected the conditions noted above before awarding any future grants to IHAD.

IHAD's response to a draft of this report is included in its entirety as Exhibit A; CNS did not provide a response. As required by the Corporation's Audit Followup Directive, you must submit a Proposed Management Decision to this office, with a copy to the Corporation's Audit Resolution Coordinator, no later than August 21, 1996. If you have any questions pertaining to this report, please contact Bill Anderson at extension 395.

Attachment

c: Harris Wofford  
Mike Kenefick  
Lev Buller