
C O R P O R A T I O N

F O R N A T I O N A L



S E R V I C E

OFFICE OF THE INSPECTOR GENERAL

Review of

**Corporation For National and Community Service
AmeriCorps Grant Number 94ADN1L059 to
YMCA of the USA**

This report is issued to CNS Management. According to OMB Circular A-50, *Audit Follow Up*, the Corporation must make final management decisions on the report's findings and recommendations no later than June 16, 1997. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented or the amount of disallowed costs.

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

Office of the Inspector General
Review of the YMCA of the USA
CNS Grant # 94ADNIL059



Myint & Buntua under contract to the Office of the Inspector General, performed a limited review of the YMCA of the USA's (YMCA-USA) 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 the review, YMCA-USA's accounting system and internal control procedures were generally adequate to report grant expenditures in accordance with the applicable grant requirements and to safeguard Federal funds. However, Myint & Buntua noted the following deficiencies:

- YMCA-USA frequently understated its total Federal expenditures in its Financial Status Reports (FSRs) and filed its FSRs late; and,
- YMCA-USA did not adequately monitor its subgrantees' compliance with Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Non-Profit Institutions," which called for YMCA-USA to request and review the subgrantees' A-133 audit reports.

In its comments on a draft of this report, YMCA-USA agreed that in the past they have filed financial reports late, and that they had failed to monitor subgrantee's compliance with OMB Circular A-133 Audit requirements. However, with respect to the finding on understating the amount of Federal expenditures, YMCA-USA did not agree. YMCA-USA's comments, in their entirety, are include as Appendix A to the report.

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

Getting Things Done.
AmeriCorps, National Service
Learn and Serve America
National Senior Service Corps



MYINT & BUNTUA

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

5203 Leesburg Pike, Suite 300 • Falls Church, Virginia 22041 • (703) 845-1555 • Fax (703) 931-7631

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

Myint & Buntua, CPAs, under contract to the Corporation for National Service (CNS), Office of Inspector General (OIG), performed a post award review of the YMCA of the USA's (YMCA-USA) accounting systems and management control procedures. CNS had awarded the YMCA-USA an AmeriCorps Grant (No. 94ADNIL059) for the period July 1, 1994 through December 31, 1995. We applied agreed-upon procedures, as described in the scope and methodology section of this report, to review the YMCA-USA's accounting systems and management control procedures to determine their ability to comply with criteria contained in applicable OMB Circulars, CNS Regulations, and the terms of the Grant.

The Grant required YMCA-USA to organize middle and high school students into school-based clubs called YMCA Earth Service Corps. The students, with the support of the AmeriCorps Members, were to take the lead in planning and carrying out environmental service projects.

The AmeriCorps grant was one of three Federal awards administered by YMCA-USA. The total amount YMCA-USA was awarded under the CNS AmeriCorps grant and the amount it expended on the AmeriCorps program for the period July 1, 1994 through December 31, 1995 was:

Grant No.	Period Covered	Amount Awarded	Amount Expended
94ADNIL059	July 1, 1994 through December 31, 1995	\$586,947	\$505,869

Results in Brief

Based on our review, YMCA-USA's accounting system and internal control procedures were generally adequate to report grant expenditures in accordance with the applicable grant requirements and to safeguard Federal funds. However, we noted the following deficiencies:

- YMCA-USA frequently understated its total Federal expenditures in its Financial Status Reports (FSRs) and filed its FSRs late; and,
- YMCA-USA did not adequately monitor its subgrantees' compliance with Office of Management and Budget Circular (OMB) A-133 which called for YMCA-USA to request and review the subgrantees' A-133 audit reports.

YMCA-USA Comments

In a letter dated November 7, 1996, YMCA-USA provided their official comments on this report. YMCA-USA agreed that in the past they have filed financial reports late, and that they had failed to monitor subgrantee's compliance with OMB Circular A-133 Audit requirements. With respect to the finding on understating the amount of Federal Expenditures, YMCA-USA does not agree.

We have included YMCA-USA's comments, in their entirety, as Appendix A.

INTRODUCTION AND BACKGROUND

YMCA of the USA (YMCA-USA) is a non-profit organization headquartered in Chicago, Illinois. In brief, the mission of the YMCA, which administers the grant, is to put Christian principles into practice through programs that build healthy spirit, mind, and body. The mission of YMCA Earth Service Corps, the Teen program which the AmeriCorps Members help start or sustain in low-income communities, is to empower young people to be effective, responsible global citizens by providing opportunities for environmental education and action, leadership development, and international/cross-cultural exchange.

The AmeriCorps grant provided financial support for YMCA-USA's AmeriCorps program as follows:

<u>Cost Category</u>	<u>CNS Funding</u>
Member Support:	
Living Allowances	\$259,760
FICA and Worker's Compensation	21,680
Health Care	40,800
Training and Education	<u>101,728</u>
 Total - Member Support	 \$423,968
Other:	
Staff Salaries, Benefits, and Training	51,890
Travel, Transportation, Supplies, and Equipment	79,609
Internal Evaluation	2,160
Administrative Expenses	<u>29,320</u>
 Total Awarded to YMCA-USA	 <u>\$586,947¹</u>

¹In addition, the Corporation for National Service made up to \$13,600 available to pay child care expenses for eligible YMCA of the USA AmeriCorps members. However, payments for child care expenses were not administered by YMCA-USA.

Under this grant, YMCA-USA was required to provide an additional \$710,273 in matching contributions, including cash and “in-kind,” for its AmeriCorps program. The initial AmeriCorps grant covered the period of July 1, 1994 through December 31, 1995. However, at the time of our review, YMCA-USA had been awarded an additional \$661,083 to extend its AmeriCorps grant for the period January 1, 1996 through December 31, 1996.

Through December 31, 1995, YMCA-USA operated its AmeriCorps program with 18 local YMCAs’ throughout the United States. During that period, YMCA-USA reported that it enrolled 40 AmeriCorps members, 36 of whom had earned full educational awards. In addition, one member earned a partial award.

SCOPE AND METHODOLOGY

We performed our review at YMCA-USA's headquarters in Chicago, Illinois during the period November 20 through November 22, 1995, and during a follow-up visit, between June 17 and June 21, 1996. We also visited one of the subgrantees and reviewed additional documentation from four others for the purpose of determining the ability of their accounting systems and internal controls. We obtained an understanding of YMCA-USA's accounting systems and management controls and performed limited testing to determine whether they were operating as intended. Our procedures included:

- interviewing key accounting and program personnel;
- documenting and nominally testing key management controls over YMCA-USA's accounting and reporting systems;
- reviewing prior audit reports prepared by KPMG Peat Marwick, LLP on YMCA-USA's financial statements and management controls;
- testing a judgmental sample of grant related financial transactions;
- reviewing YMCA-USA's procedure for requesting funds from the Federal government;
- reviewing YMCA-USA's controls to monitor AmeriCorps Members and report their service hours, and testing, on a judgmental basis, the accuracy of YMCA-USA's system used to record and accumulate service hours;
- inquiring of YMCA-USA's officials about their knowledge of and adherence to CNS regulations and policies regarding lobbying activities; and,
- reviewing YMCA-USA's general oversight and monitoring of the subgrantees participating in its AmeriCorps program.

We performed our review in accordance with Government Auditing Standards (1994 Revision) 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 the expression of 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 over financial reporting to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This report is intended for the information and use of CNS OIG, CNS management and YMCA-USA. This report is a matter of public record and its distribution is not limited; however, the Inspector General, CNS must approve all requests for the public release of this report.

We provided a draft report of this report to YMCA-USA and CNS officials for their comments. YMCA-USA's comments have been included, in their entirety, as Appendix A. However, CNS officials did not respond.

FINDINGS AND RECOMMENDATIONS

FINDINGS AND RECOMMENDATIONS

Finding No. 1 - The Financial Status Reports Frequently Understated the Total Amount of Federal Expenditures and They are Being Filed Late

Our review disclosed that the Financial Status Reports (FSRs), Standard Form 269A, prepared by YMCA-USA for its subrecipients, frequently understated the total amount of Federal expenditures because YMCA-USA did not include all costs incurred by the subrecipients. In addition, YMCA-USA has been consistently late in submitting its FSRs to CNS.

Under CNS's regulations, subrecipients are required to file FSRs based upon, among other things, the costs which they actually incur in administering the AmeriCorps program (45 CFR Sections 2543.5, 2543.21 and 2543.52). However, based on our review of the FSRs for five of YMCA-USA's 18 subrecipients for the period ended December 31, 1995, we found that the actual costs that were incurred by four subrecipients had been understated. In the case of the four subrecipients, the unreported costs amounted to \$7,442 of the \$13,274 in costs incurred.

YMCA-USA officials said that subrecipients submit program data, including costs incurred, to them on a monthly basis. Generally, the subrecipients are promptly "reimbursed" by YMCA-USA for their allowable program expenditures. However, because there is a "time lag" between the subrecipients' reports to YMCA-USA on their expenditures and when they are reimbursed, YMCA-USA officials said the amount of incurred costs does not agree with the amount of YMCA-USA disbursements. These officials further advised us that when they prepare the FSRs, they report only the amount reimbursed and not the amount of expenditures incurred by the subrecipients. Accordingly, while the unreported costs would be reported in subsequent periods, at any point in time there is a disparity between the program's total costs, as reported in the FSRs, and the total actual costs incurred by the program.

With respect to YMCA-USA's late filing of FSRs, we noted, for example, that for the quarter ended December 31, 1995, the required FSRs were not submitted to CNS until May 14, 1996. This

weakness in YMCA-USA's financial management was previously reported by KPMG Peat Marwick, LLP in its OMB Circular A-133 Audit Report of YMCA-USA for the year ended December 31, 1994.

CNS Regulations, incorporating the provisions of the OMB Circular A-110, Common Rule, state, in part:

The Federal awarding agency shall require recipients to submit the SF-269 or SF-269A (an original and no more than two copies) no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports...[45 CFR 2543.52(a)(1)(iv)].

According to YMCA-USA officials, the delay occurred primarily because of "short" deadlines given by CNS and because of the time it took them to develop new or revised reports for the program and to accumulate essential program data from its subgrantees.

YMCA-USA officials said CNS program officials had granted them certain extensions of the reporting dates. For example, they said that the FSR reporting date of February 29, 1996 was "extended" to April 30, 1996. However, YMCA-USA officials admitted that in several instances, they did not meet the extended date granted to them by CNS.

Recommendation:

We recommend that CNS instruct YMCA-USA to have, as required, each of its subrecipients prepare and file their FSRs based on the costs that they incur in administering the AmeriCorps program. Also, CNS should instruct YMCA-USA to submit its FSRs in accordance with the prescribed time schedule, which normally is 30 days after the end of each quarter.

YMCA-USA Comments

YMCA-USA said it does not agree with all aspects of this finding. Most notably, that it frequently understates the total amount of its Federal expenditures because it does not include all the costs incurred by its subrecipients.

YMCA-USA said it follows the practice of not recording subrecipient grant activities until such time that they have been audited and verified for accuracy, allocability, and allowability. Otherwise, YMCA-USA contends that it would only reduce the accuracy of their reports and would result in later adjustments for expenses that were disallowed after they had been verified by YMCA-USA.

We commend YMCA-USA for taking action to help ensure that only allowable costs are being claimed and reported to CNS. However, we believe that YMCA-USA should require its subrecipients to implement appropriate internal controls so that only proper costs are claimed and that it reports the current level of Federal expenditures for the program by including all costs incurred.

With respect to filing Financial statement reports late, YMCA-USA said although it had filed such reports after they were due, it now will make every reasonable effort to file the reports on time.

Finding No. 2 - YMCA-USA Did Not Monitor Subgrantees' Compliance with OMB Circular A-133 Audit Requirements

YMCA-USA did not adequately monitor its subgrantees compliance with OMB Circular A-133 audit requirements because it did not request and review subgrantees' audit reports, as required. Such reports should be reviewed by the grantee (YMCA-USA) to ensure that subgrantees have complied with the audit requirements of the OMB Circular and that the subgrantees have taken appropriate corrective actions in response to any findings of non-compliance with federal laws and regulations.

As in effect during the time of our review, OMB Circular A-133, Attachment, paragraph 5 stated:

A recipient that receives a Federal award and provides \$25,000 or more of it during its fiscal year to a subrecipient shall:

a. Ensure that the nonprofit institution subrecipients that receive \$25,000 or more have met the audit requirements of this Circular...

b. Ensure that appropriate corrective action is taken within six months after receipt of the subrecipient audit report in instances of noncompliance with Federal laws and regulations.²

Based on these criteria, YMCA-USA should have requested, reviewed, and ensured that corrective action was taken on OMB A-133 reports from the following subgrantees which had received or were expected to receive more than \$25,000 of YMCA-USA's AmeriCorps funds:

²On April 22, 1996, OMB issued a revised Circular A-133 which raised the threshold for requiring an audit and for monitoring subrecipient audits. In addition, the Single Audit Act Amendment of 1996, Public Law 104-156, adopted on July 5, 1996, established a uniform requirement that all non-federal recipients who expend more than \$300,000 a year of Federal funds shall have financial audits. However, these changes go into effect for recipient fiscal years starting after June 30, 1996. Accordingly, these changes did not affect YMCA-USA's requirement to monitor its subrecipients.

Table II: YMCA-USA's Subgrantees

<u>Subgrantees</u>	<u>Costs Claimed 7/1/94-12/31/95</u>	<u>Grant Awards 1/1/96-12/31/96</u>
YMCA of San Francisco, CA	\$41,558	\$41,039
YMCA of Greater Indianapolis, IN	30,921	43,186
Boston, MA YMCA	45,334	43,186
Old Colony YMCA (MA)	33,525	32,390
Florida's First Coast YMCA	\$42,213	--- ³
YMCA of Newark, NJ and Vicinity	--- ⁴	30,243
YMCA of Greater Charlotte, NC	--- ⁴	30,243
YMCA of Greater Seattle, WA	--- ⁴	\$31,316

Although the YMCA-USA had its own A-133 audits before it received its AmeriCorps grant, its Grant Manager and Fellowship Project Director said that they were not aware of the OMB Circular A-133 requirement to obtain, review, and follow-up on A-133 audit reports for their subrecipients. These officials stated that their failure to review the A-133 audit reports was an "oversight" on their part.

Because of this lack of monitoring, YMCA-USA could not determine whether its subgrantees had satisfied the OMB Circular A-133 audit requirements, and would not learn of any inadequate internal control findings and instances of Federal noncompliance disclosed in those audits.

Recommendation:

We recommend that CNS require YMCA-USA to request and review its subgrantees' OMB Circular A-133 audit reports to ensure that subgrantees have complied with the audit requirements of the OMB Circular and that appropriate corrective action is taken relative to any findings reported within six months after the audit reports are received.

³ Florida's First Coast YMCA is not a subgrantee in the January 1, 1996 through December 31, 1996 period.

⁴ These three subgrantees received less than \$25,000 of YMCA-USA's AmeriCorps funds in the July 1, 1994 through December 31, 1995 period.

YMCA-USA Comments

YMCA agreed that its monitoring of subgrantees' compliance with OMB Circular A-133 Audit requirements had not been adequate but since the time of our review it has requested, obtained, and reviewed the A-133 audit reports from all its subgrantees who were required to comply with the A-133 audit requirements.

Myint + Buntua

Myint & Buntua, CPAs
Falls Church, Virginia
June 21, 1996

APPENDIX A

AUDITEE'S RESPONSE
(Dated November 7, 1996)



The YMCA.

We build strong kids,
strong families, strong communities.

November 7, 1996

Mr. Frank V. Subalusky
Myint & Buntua
5203 Leesburg Pike, Suite 300
Falls Church, Virginia 22041

Re: Corporation for National Service review

Dear Mr. Subalusky:

With reference to the review by Myint & Buntua of the YMCA of the USA's AmeriCorps grant, and to the findings and recommendations of said review, we herewith submit our response, as follows:

In General

- page 3:

The description of the YMCA of the USA on page three of the draft, first paragraph, ("YMCA of the USA (YMCA-USA) is a nonprofit . . . [] . . . critical environmental issues."), is inaccurate in describing the mission and nature of our organization. We therefore request that the aforementioned paragraph be amended and replaced with the following, to wit:

The YMCA of the USA (YMCA-USA) is a nonprofit organization headquartered in Chicago, Illinois. In brief, the mission of the YMCA, which administers the grant, is to put Christian principles into practice through programs that build healthy spirit, mind, and body for all. The mission of the YESC Fellowship Program,

MB61105A.WPD

YMCA of the USA • 101 North Wacker Drive • Chicago, Illinois 60606
312-977-0031 • toll-free: 800-872-9622 • fax: 312-977-9063

YMCA Mission: To put Christian principles into practice through programs that build healthy spirit, mind, and body for all.

which program is funded by the grant, is to prevent or solve environmental problems in low-income communities and to nurture the service ethic and leadership of teenagers in those communities. The mission of YMCA Earth Service Corps, the teen program which the AmeriCorps Members help start or sustain in low-income communities, is to empower young people to be effective, responsible global citizens by providing opportunities for environmental education and action, leadership development, and international/cross-cultural exchange.

Finding Number One - The Financial Status Reports Frequently Understated the Total Amount of Federal Expenditures and They are Being Filed Late

- The response of the YMCA of the USA to Finding Number One is as follows:

We disagree with the statement in Finding Number One, page eight of the draft, first paragraph, that the YMCA of the USA "frequently understated the total amount of Federal expenditures because YMCA-USA did not include all costs incurred by the subrecipients." Specifically, it is our opinion that this statement reflects a fundamental misunderstanding of the manner in which the grant is administered.

For the sake of accuracy and to comply with grant provisions concerning allocable and allowable expenses, the YMCA of the USA records this grant activity on a cash basis. Therefore, we do not reimburse subrecipients for costs incurred until those reported expenses have been subjected to audit and verified for accuracy, allocability, and allowability.

The end result of this process is that the FSR 269As reflect costs which have been verified as attributable to the grant and which have actually been charged against grant funds. To do otherwise would reduce the accuracy of the reports and result in later adjustments for incurred expenses that were disallowed after the verification process. It is our considered opinion that the YMCA of the USA's current reporting

Myint & Buntua
Response to CNS Review
November 7, 1996
Page 3

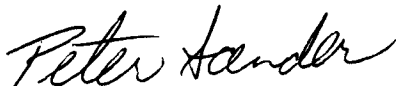
processes are accurate in reflecting our responsibilities and duties in administering grant funds.

We agree with the second part of Finding Number One that the Financial Status Reports, Standard Form 269A, have been filed late. The YMCA of the USA will make every reasonable attempt to file the FSRs on time in future quarters.

Finding Number Two - YMCA-USA did not Monitor Subgrantees' Compliance with OMB Circular A-133 Audit Requirements

We agree with the finding that our monitoring of subgrantees' compliance with OMB Circular A-133 Audit requirements was not adequate, and have subsequently requested, obtained, and reviewed A-133 audit reports from subgrantees who were required to comply with the A-133 audit requirements.

Sincerely yours,



Peter Sander,
Controller

cc: Carmelita Gallo, Director, Community Resources
Michael Renehan, Director, Accounting and Finance
Celeste Wroblewski, Project Director, YESC Fellowship Program
Gregory Balmer, Grant Manager, YESC Fellowship Program



MYINT & BUNTUA

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

5203 Leesburg Pike, Suite 300 • Falls Church, Virginia 22041 • (703) 845-1555 • Fax (703) 931-7631

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

Myint & Buntua, CPAs, under contract to the Corporation for National Service (CNS), Office of Inspector General (OIG), performed a post award review of the YMCA of the USA's (YMCA-USA) accounting systems and management control procedures. CNS had awarded the YMCA-USA an AmeriCorps Grant (No. 94ADNIL059) for the period July 1, 1994 through December 31, 1995. We applied agreed-upon procedures, as described in the scope and methodology section of this report, to review the YMCA-USA's accounting systems and management control procedures to determine their ability to comply with criteria contained in applicable OMB Circulars, CNS Regulations, and the terms of the Grant.

The Grant required YMCA-USA to organize middle and high school students into school-based clubs called YMCA Earth Service Corps. The students, with the support of the AmeriCorps Members, were to take the lead in planning and carrying out environmental service projects.

The AmeriCorps grant was one of three Federal awards administered by YMCA-USA. The total amount YMCA-USA was awarded under the CNS AmeriCorps grant and the amount it expended on the AmeriCorps program for the period July 1, 1994 through December 31, 1995 was:

Grant No.	Period Covered	Amount Awarded	Amount Expended
94ADNIL059	July 1, 1994 through December 31, 1995	\$586,947	\$505,869

Results in Brief

Based on our review, YMCA-USA's accounting system and internal control procedures were generally adequate to report grant expenditures in accordance with the applicable grant requirements and to safeguard Federal funds. However, we noted the following deficiencies:

- YMCA-USA frequently understated its total Federal expenditures in its Financial Status Reports (FSRs) and filed its FSRs late; and,
- YMCA-USA did not adequately monitor its subgrantees' compliance with Office of Management and Budget Circular (OMB) A-133 which called for YMCA-USA to request and review the subgrantees' A-133 audit reports.

YMCA-USA Comments

In a letter dated November 7, 1996, YMCA-USA provided their official comments on this report. YMCA-USA agreed that in the past they have filed financial reports late, and that they had failed to monitor subgrantee's compliance with OMB Circular A-133 Audit requirements. With respect to the finding on understating the amount of Federal Expenditures, YMCA-USA does not agree.

We have included YMCA-USA's comments, in their entirety, as Appendix A.

INTRODUCTION AND BACKGROUND

YMCA of the USA (YMCA-USA) is a non-profit organization headquartered in Chicago, Illinois. In brief, the mission of the YMCA, which administers the grant, is to put Christian principles into practice through programs that build healthy spirit, mind, and body. The mission of YMCA Earth Service Corps, the Teen program which the AmeriCorps Members help start or sustain in low-income communities, is to empower young people to be effective, responsible global citizens by providing opportunities for environmental education and action, leadership development, and international/cross-cultural exchange.

The AmeriCorps grant provided financial support for YMCA-USA's AmeriCorps program as follows:

<u>Cost Category</u>	<u>CNS Funding</u>
Member Support:	
Living Allowances	\$259,760
FICA and Worker's Compensation	21,680
Health Care	40,800
Training and Education	<u>101,728</u>
 Total - Member Support	 \$423,968
Other:	
Staff Salaries, Benefits, and Training	51,890
Travel, Transportation, Supplies, and Equipment	79,609
Internal Evaluation	2,160
Administrative Expenses	<u>29,320</u>
 Total Awarded to YMCA-USA	 <u>\$586,947¹</u>

¹In addition, the Corporation for National Service made up to \$13,600 available to pay child care expenses for eligible YMCA of the USA AmeriCorps members. However, payments for child care expenses were not administered by YMCA-USA.

Under this grant, YMCA-USA was required to provide an additional \$710,273 in matching contributions, including cash and "in-kind," for its AmeriCorps program. The initial AmeriCorps grant covered the period of July 1, 1994 through December 31, 1995. However, at the time of our review, YMCA-USA had been awarded an additional \$661,083 to extend its AmeriCorps grant for the period January 1, 1996 through December 31, 1996.

Through December 31, 1995, YMCA-USA operated its AmeriCorps program with 18 local YMCAs' throughout the United States. During that period, YMCA-USA reported that it enrolled 40 AmeriCorps members, 36 of whom had earned full educational awards. In addition, one member earned a partial award.

SCOPE AND METHODOLOGY

We performed our review at YMCA-USA's headquarters in Chicago, Illinois during the period November 20 through November 22, 1995, and during a follow-up visit, between June 17 and June 21, 1996. We also visited one of the subgrantees and reviewed additional documentation from four others for the purpose of determining the ability of their accounting systems and internal controls. We obtained an understanding of YMCA-USA's accounting systems and management controls and performed limited testing to determine whether they were operating as intended. Our procedures included:

- interviewing key accounting and program personnel;
- documenting and nominally testing key management controls over YMCA-USA's accounting and reporting systems;
- reviewing prior audit reports prepared by KPMG Peat Marwick, LLP on YMCA-USA's financial statements and management controls;
- testing a judgmental sample of grant related financial transactions;
- reviewing YMCA-USA's procedure for requesting funds from the Federal government;
- reviewing YMCA-USA's controls to monitor AmeriCorps Members and report their service hours, and testing, on a judgmental basis, the accuracy of YMCA-USA's system used to record and accumulate service hours;
- inquiring of YMCA-USA's officials about their knowledge of and adherence to CNS regulations and policies regarding lobbying activities; and,
- reviewing YMCA-USA's general oversight and monitoring of the subgrantees participating in its AmeriCorps program.

We performed our review in accordance with Government Auditing Standards (1994 Revision) 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 the expression of 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 over financial reporting to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This report is intended for the information and use of CNS OIG, CNS management and YMCA-USA. This report is a matter of public record and its distribution is not limited; however, the Inspector General, CNS must approve all requests for the public release of this report.

We provided a draft report of this report to YMCA-USA and CNS officials for their comments. YMCA-USA's comments have been included, in their entirety, as Appendix A. However, CNS officials did not respond.

FINDINGS AND RECOMMENDATIONS

FINDINGS AND RECOMMENDATIONS

Finding No. 1 - The Financial Status Reports Frequently Understated the Total Amount of Federal Expenditures and They are Being Filed Late

Our review disclosed that the Financial Status Reports (FSRs), Standard Form 269A, prepared by YMCA-USA for its subrecipients, frequently understated the total amount of Federal expenditures because YMCA-USA did not include all costs incurred by the subrecipients. In addition, YMCA-USA has been consistently late in submitting its FSRs to CNS.

Under CNS's regulations, subrecipients are required to file FSRs based upon, among other things, the costs which they actually incur in administering the AmeriCorps program (45 CFR Sections 2543.5, 2543.21 and 2543.52). However, based on our review of the FSRs for five of YMCA-USA's 18 subrecipients for the period ended December 31, 1995, we found that the actual costs that were incurred by four subrecipients had been understated. In the case of the four subrecipients, the unreported costs amounted to \$7,442 of the \$13,274 in costs incurred.

YMCA-USA officials said that subrecipients submit program data, including costs incurred, to them on a monthly basis. Generally, the subrecipients are promptly "reimbursed" by YMCA-USA for their allowable program expenditures. However, because there is a "time lag" between the subrecipients' reports to YMCA-USA on their expenditures and when they are reimbursed, YMCA-USA officials said the amount of incurred costs does not agree with the amount of YMCA-USA disbursements. These officials further advised us that when they prepare the FSRs, they report only the amount reimbursed and not the amount of expenditures incurred by the subrecipients. Accordingly, while the unreported costs would be reported in subsequent periods, at any point in time there is a disparity between the program's total costs, as reported in the FSRs, and the total actual costs incurred by the program.

With respect to YMCA-USA's late filing of FSRs, we noted, for example, that for the quarter ended December 31, 1995, the required FSRs were not submitted to CNS until May 14, 1996. This

weakness in YMCA-USA's financial management was previously reported by KPMG Peat Marwick, LLP in its OMB Circular A-133 Audit Report of YMCA-USA for the year ended December 31, 1994.

CNS Regulations, incorporating the provisions of the OMB Circular A-110, Common Rule, state, in part:

The Federal awarding agency shall require recipients to submit the SF-269 or SF-269A (an original and no more than two copies) no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports...[45 CFR 2543.52(a)(1)(iv)].

According to YMCA-USA officials, the delay occurred primarily because of "short" deadlines given by CNS and because of the time it took them to develop new or revised reports for the program and to accumulate essential program data from its subgrantees.

YMCA-USA officials said CNS program officials had granted them certain extensions of the reporting dates. For example, they said that the FSR reporting date of February 29, 1996 was "extended" to April 30, 1996. However, YMCA-USA officials admitted that in several instances, they did not meet the extended date granted to them by CNS.

Recommendation:

We recommend that CNS instruct YMCA-USA to have, as required, each of its subrecipients prepare and file their FSRs based on the costs that they incur in administering the AmeriCorps program. Also, CNS should instruct YMCA-USA to submit its FSRs in accordance with the prescribed time schedule, which normally is 30 days after the end of each quarter.

YMCA-USA Comments

YMCA-USA said it does not agree with all aspects of this finding. Most notably, that it frequently understates the total amount of its Federal expenditures because it does not include all the costs incurred by its subrecipients.

YMCA-USA said it follows the practice of not recording subrecipient grant activities until such time that they have been audited and verified for accuracy, allocability, and allowability. Otherwise, YMCA-USA contends that it would only reduce the accuracy of their reports and would result in later adjustments for expenses that were disallowed after they had been verified by YMCA-USA.

We commend YMCA-USA for taking action to help ensure that only allowable costs are being claimed and reported to CNS. However, we believe that YMCA-USA should require its subrecipients to implement appropriate internal controls so that only proper costs are claimed and that it reports the current level of Federal expenditures for the program by including all costs incurred.

With respect to filing Financial statement reports late, YMCA-USA said although it had filed such reports after they were due, it now will make every reasonable effort to file the reports on time.

Finding No. 2 - YMCA-USA Did Not Monitor Subgrantees' Compliance with OMB Circular A-133 Audit Requirements

YMCA-USA did not adequately monitor its subgrantees compliance with OMB Circular A-133 audit requirements because it did not request and review subgrantees' audit reports, as required. Such reports should be reviewed by the grantee (YMCA-USA) to ensure that subgrantees have complied with the audit requirements of the OMB Circular and that the subgrantees have taken appropriate corrective actions in response to any findings of non-compliance with federal laws and regulations.

As in effect during the time of our review, OMB Circular A-133, Attachment, paragraph 5 stated:

A recipient that receives a Federal award and provides \$25,000 or more of it during its fiscal year to a subrecipient shall:

a. Ensure that the nonprofit institution subrecipients that receive \$25,000 or more have met the audit requirements of this Circular...

b. Ensure that appropriate corrective action is taken within six months after receipt of the subrecipient audit report in instances of noncompliance with Federal laws and regulations.²

Based on these criteria, YMCA-USA should have requested, reviewed, and ensured that corrective action was taken on OMB A-133 reports from the following subgrantees which had received or were expected to receive more than \$25,000 of YMCA-USA's AmeriCorps funds:

²On April 22, 1996, OMB issued a revised Circular A-133 which raised the threshold for requiring an audit and for monitoring subrecipient audits. In addition, the Single Audit Act Amendment of 1996, Public Law 104-156, adopted on July 5, 1996, established a uniform requirement that all non-federal recipients who expend more than \$300,000 a year of Federal funds shall have financial audits. However, these changes go into effect for recipient fiscal years starting after June 30, 1996. Accordingly, these changes did not affect YMCA-USA's requirement to monitor its subrecipients.

Table II: YMCA-USA's Subgrantees

<u>Subgrantees</u>	<u>Costs Claimed 7/1/94-12/31/95</u>	<u>Grant Awards 1/1/96-12/31/96</u>
YMCA of San Francisco, CA	\$41,558	\$41,039
YMCA of Greater Indianapolis, IN	30,921	43,186
Boston, MA YMCA	45,334	43,186
Old Colony YMCA (MA)	33,525	32,390
Florida's First Coast YMCA	\$42,213	--- ³
YMCA of Newark, NJ and Vicinity	--- ⁴	30,243
YMCA of Greater Charlotte, NC	--- ⁴	30,243
YMCA of Greater Seattle, WA	--- ⁴	\$31,316

Although the YMCA-USA had its own A-133 audits before it received its AmeriCorps grant, its Grant Manager and Fellowship Project Director said that they were not aware of the OMB Circular A-133 requirement to obtain, review, and follow-up on A-133 audit reports for their subrecipients. These officials stated that their failure to review the A-133 audit reports was an "oversight" on their part.

Because of this lack of monitoring, YMCA-USA could not determine whether its subgrantees had satisfied the OMB Circular A-133 audit requirements, and would not learn of any inadequate internal control findings and instances of Federal noncompliance disclosed in those audits.

Recommendation:

We recommend that CNS require YMCA-USA to request and review its subgrantees' OMB Circular A-133 audit reports to ensure that subgrantees have complied with the audit requirements of the OMB Circular and that appropriate corrective action is taken relative to any findings reported within six months after the audit reports are received.

³ Florida's First Coast YMCA is not a subgrantee in the January 1, 1996 through December 31, 1996 period.

⁴ These three subgrantees received less than \$25,000 of YMCA-USA's AmeriCorps funds in the July 1, 1994 through December 31, 1995 period.

YMCA-USA Comments

YMCA agreed that its monitoring of subgrantees' compliance with OMB Circular A-133 Audit requirements had not been adequate but since the time of our review it has requested, obtained, and reviewed the A-133 audit reports from all its subgrantees who were required to comply with the A-133 audit requirements.

Myint + Buntua

Myint & Buntua, CPAs
Falls Church, Virginia
June 21, 1996

APPENDIX A

AUDITEE'S RESPONSE
(Dated November 7, 1996)



The YMCA.

We build strong kids,
strong families, strong communities.

November 7, 1996

Mr. Frank V. Subalusky
Myint & Buntua
5203 Leesburg Pike, Suite 300
Falls Church, Virginia 22041

Re: Corporation for National Service review

Dear Mr. Subalusky:

With reference to the review by Myint & Buntua of the YMCA of the USA's AmeriCorps grant, and to the findings and recommendations of said review, we herewith submit our response, as follows:

In General

- page 3:

The description of the YMCA of the USA on page three of the draft, first paragraph, ("YMCA of the USA (YMCA-USA) is a nonprofit . . . [] . . . critical environmental issues."), is inaccurate in describing the mission and nature of our organization. We therefore request that the aforementioned paragraph be amended and replaced with the following, to wit:

The YMCA of the USA (YMCA-USA) is a nonprofit organization headquartered in Chicago, Illinois. In brief, the mission of the YMCA, which administers the grant, is to put Christian principles into practice through programs that build healthy spirit, mind, and body for all. The mission of the YESC Fellowship Program,

MB61105A.WPD

YMCA of the USA • 101 North Wacker Drive • Chicago, Illinois 60606
312-977-0031 • toll-free: 800-872-9622 • fax: 312-977-9063

YMCA Mission: To put Christian principles into practice through programs that build healthy spirit, mind, and body for all.

which program is funded by the grant, is to prevent or solve environmental problems in low-income communities and to nurture the service ethic and leadership of teenagers in those communities. The mission of YMCA Earth Service Corps, the teen program which the AmeriCorps Members help start or sustain in low-income communities, is to empower young people to be effective, responsible global citizens by providing opportunities for environmental education and action, leadership development, and international/cross-cultural exchange.

Finding Number One - The Financial Status Reports Frequently Understated the Total Amount of Federal Expenditures and They are Being Filed Late

- The response of the YMCA of the USA to Finding Number One is as follows:

We disagree with the statement in Finding Number One, page eight of the draft, first paragraph, that the YMCA of the USA "frequently understated the total amount of Federal expenditures because YMCA-USA did not include all costs incurred by the subrecipients." Specifically, it is our opinion that this statement reflects a fundamental misunderstanding of the manner in which the grant is administered.

For the sake of accuracy and to comply with grant provisions concerning allocable and allowable expenses, the YMCA of the USA records this grant activity on a cash basis. Therefore, we do not reimburse subrecipients for costs incurred until those reported expenses have been subjected to audit and verified for accuracy, allocability, and allowability.

The end result of this process is that the FSR 269As reflect costs which have been verified as attributable to the grant and which have actually been charged against grant funds. To do otherwise would reduce the accuracy of the reports and result in later adjustments for incurred expenses that were disallowed after the verification process. It is our considered opinion that the YMCA of the USA's current reporting

Myint & Buntua
Response to CNS Review
November 7, 1996
Page 3

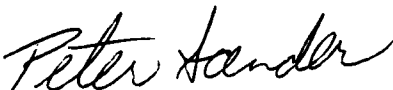
processes are accurate in reflecting our responsibilities and duties in administering grant funds.

We agree with the second part of Finding Number One that the Financial Status Reports, Standard Form 269A, have been filed late. The YMCA of the USA will make every reasonable attempt to file the FSRs on time in future quarters.

Finding Number Two - YMCA-USA did not Monitor Subgrantees' Compliance with OMB Circular A-133 Audit Requirements

We agree with the finding that our monitoring of subgrantees' compliance with OMB Circular A-133 Audit requirements was not adequate, and have subsequently requested, obtained, and reviewed A-133 audit reports from subgrantees who were required to comply with the A-133 audit requirements.

Sincerely yours,



Peter Sander,
Controller

cc: Carmelita Gallo, Director, Community Resources
Michael Renehan, Director, Accounting and Finance
Celeste Wroblewski, Project Director, YESC Fellowship Program
Gregory Balmer, Grant Manager, YESC Fellowship Program