
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

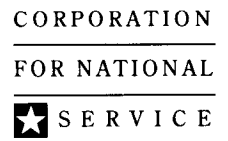
Review of

**The National Council of the Churches of Christ in the United States of America
CNS Grant # ADNNY028**

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 22, 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
National Council of the Churches of Christ in the United States of America
CNS Grant # 94ADNNY028



M. D. Oppenheim and Company, under contract to the Office of Inspector General, performed a limited review of the National Council of the Churches of Christ in the United States of America's (National Council of Churches) 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, the National Council of Churches'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. M. D. Oppenheim and Company noted the following deficiencies:

- The matching share costs were not recorded in the accounting system. In addition, the participant support matching share reported did not meet the percentage required by the grant budget.
- The National Council of Churches did not maintain written contractual agreements with its subrecipients.
- The August 31, 1995 Financial Status Report contained a mathematical error, which resulted in an understatement of \$4,213 of cumulative claimed costs.
- The Federal Cash Transactions Report and the Financial Status Report were not reconciled to the general ledger.

A draft of this report was provided to CNS and the National Council of Churches for comment. No comments were received.

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

Inspector General
Corporation for National Service
1201 New York Avenue, NW
Washington, DC 20525

We performed a limited review, as described in the **SCOPE AND METHODOLOGY** section of this report, of the National Council of the Churches of Christ in the United States of America's (National Council of Churches) financial reporting and accounting systems to assess its ability to comply with Federal fiscal accounting and reporting requirements applicable to its AmeriCorps grant and to safeguard related funds.

RESULTS

The National Council of Churches' accounting system and system of internal controls did not appear adequate to report grant expenditures in accordance with Federal and grant requirements and to safeguard Federal funds. As a result of our limited review, we noted that the National Council of Churches' accounting system did not adequately monitor grant financial activity. This resulted in the following deficiencies:

- The matching share costs were not recorded in the accounting system. In addition, the participant support matching share reported did not meet the percentage required by the grant budget.
- The grantee did not maintain written contractual agreements with its subrecipients.
- The August 31, 1995 Financial Status Report contained a mathematical error, which resulted in an understatement of \$4,213 of cumulative claimed costs.
- The Federal Cash Transactions Report and the Financial Status Report were not reconciled to the general ledger.

This finding is described in more detail in the **FINDING AND RECOMMENDATION** section of this report. The grantee was provided a chance to respond to the finding but did not do so.

BACKGROUND

The National Council of Churches of Christ in the United States of America is the nation's largest ecumenical organization, headquartered in New York City. The National Council of Churches has more than 141,000 congregations across the nation with 45 million members. These congregations, for whom ecumenical action has become an integral part of its ministry, work together in its local communities providing homeless shelters, soup kitchens, tutoring programs, assistance to elderly residents and other services.

Through the AmeriCorps Program the National Council of Churches has developed a program called "The Ecumenical Program of Urban Service". The purpose of this program is to create a cross-cultural, cross-class and cross-racial vision within cities and among cities about the new future they must shape by enabling AmeriCorps participants, who will work in education, human needs, public safety and environmental projects nationwide, to anchor a growing flow of other volunteers to achieve high impact on the needs of children, youth and their families.

The National Council of Churches was awarded Grant Agreement #94ADNNY028 by the Corporation for National Service (CNS) under the AmeriCorps Program. The total funding for the grant is \$1,142,439, of which \$850,000 was direct AmeriCorps funding for program operations. The National Council of Churches's required share of the grant was \$242,439 (25.60%). The funds under this agreement were for the period June 29, 1994 to August 31, 1995. The program provides funding for 44 full-time participants and 32 part-time participants.

SCOPE AND METHODOLOGY

We performed our review at the National Council of Churches' office in New York City, during the period December 22, 1995 through June 28, 1996. The most recently-submitted Financial Status Report was for the quarter ended August 31, 1995, and was the focus of our work.

We obtained an understanding of the National Council of Churches' accounting system 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 the National Council of Churches's accounting and reporting systems;
- reviewing prior audit reports on the National Council of Churches' financial statements and management controls, and

- testing a judgmental sample of financial transactions related to the grant.

Although we reviewed the National Council of Churches' monitoring of its subrecipient sites, our review did not include visits to any program sites.

We performed our review in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States, as applicable. However, our procedures were substantially less in scope than an audit, and accordingly, did not include elements essential to the expression of an opinion on management controls. Accordingly, we do not express such an opinion. Further, if additional procedures had been performed, other matters might have come to our attention that would have been reported. Also, projection of any evaluation of the internal control structure over financial reporting to future periods is subject to the risk that the internal control structure may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

This report is intended for the information and use of the Office of Inspector General and the management of the Corporation for National Service. However, this report is a matter of public record and its distribution is not limited.

M. D. Oppenheim & Company, P.C.

June 28, 1996
Fairfax, Virginia

FINDING AND RECOMMENDATION

The National Council of Churches's accounting system did not adequately monitor grant financial activity.

MATCHING SHARE NOT MET

The matching share costs were not recorded in the accounting system. In addition, reported participant support matching share costs did not meet the percentage requirements of the grant.

The matching share costs reported on the Financial Status Report (FSR) were maintained "off-book" by the various subrecipients. The matching costs were reported to the National Council of Churches on a monthly basis by the subrecipients. However, these costs were not accumulated and recorded in the National Council of Churches' general ledger.

The National Council of Churches has met its matching requirements, as indicated in Table 1, for all costs other than participant support costs. The grant required a matching share for participant support costs of 15% (\$64,944); the reported matching share was 14.56%, based on reported total participant support costs of \$432,963. Therefore, the National Council of Churches is short of its matching share by \$1,892 (see Table 1).

Based on the limited review performed, the costs charged to the grant appeared to be proper.

LACK OF SUBRECIPIENT AGREEMENTS

Written contract agreements between the AmeriCorps Program and its subrecipients were not prepared by the grantee. There was no formal, written delineation of the scope of work, period of performance, agreed-upon budget or applicable deliverables between the National Council of Churches and its subrecipients. However, even though the National Council of Churches lacked formal written agreements, they did adequately monitor the subrecipients' activities to ensure compliance with the CNS grant. The monitoring activities included the following:

- A monthly report (invoiced costs) from each subrecipient.
- A review of these reports by AmeriCorps program director and program accountant.
- Resolution of identified issues.
- On-site visits of all subrecipients
 - Written monitoring report completed

- Quarterly reports from subrecipients
 - Corporation Grantee Quarterly Report (AmeriCorps form filed by each subrecipient)
 - Consolidation of these reports into National Council of Churches report to CNS
- Annual evaluation report from the National Council of Churches to each subrecipient, highlighting the past year's accomplishments and recommendations.

We chose two of the four subrecipients and reviewed all of the reports submitted by the subrecipients, as well as the on-site monitoring reports. No deficiencies were noted.

While the monitoring process appears adequate, National Council of Churches has failed to establish and maintain an adequate contracting process to ensure safeguarding of Federal grant funds. The grantee is in the difficult position of trying to enforce oral contracts with the subrecipients under this grant.

REPORTS NOT REVIEWED OR RECONCILED WITH BOOKS

The August 31, 1995 Financial Status Report was not properly reviewed before submission to CNS. There was a mathematical error in the report as filed. This was caused by the lack of review of the report before submission.

As a result of the error, the claimed costs were under-stated by \$4,213 and neither CNS nor the National Council of Churches was aware of the true status of the grant.

In addition to the mathematical error, neither the Federal Cash Transaction Report (FCTR) nor the Financial Status Report (FSR) were reconciled to the general ledger at the end of the grant. The National Council of Churches' program managers prepared the Federal Cash Transactions Report (FCTR) and the Financial Status Report (FSR) from the quarterly general ledgers. However, adjustments made by the National Council of Churches's accounting department, after the quarter had ended, were not reflected on these reports, because there was no reconciliation between the reports and program's general ledger.

The Grant Provisions, Part C *General Provisions*, Item 18, state that:

This [financial management] system must be able to identify costs by budget line item

Accurate, current and complete disclosure of the financial results of each federal project is required under CNS regulations (45 CFR 25-43.21) which state:

(b) Recipients' financial management systems shall provide for:

(1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements

The overall lack of review of the reports, as submitted, and the lack of reconciliation to the general ledger have lead the National Council of Churches to file reports which are mathematically incorrect and which do not agree with the general ledger. In addition, this lack of reconciliation and monitoring of the reports also lead to the shortfall in its matching share.

RECOMMENDATIONS:

We recommend the National Council of Churches establish stricter accounting system controls to sufficiently and adequately monitor the AmeriCorps grant financial activity. We recommend the National Council of Churches:

- Track and monitor its matching share by the major line-item groupings in the budget.
- Execute detailed, written agreements with its AmeriCorps program subrecipients.
- Establish specific report review procedures for report submission to the Government. In addition, the National Council of Churches should adjust its final Financial Status Report to correct any errors.
- Reconcile its respective financial records to ensure the accuracy of the reports submitted to CNS.

GRANTEE'S RESPONSE:

The grantee was offered an opportunity to respond but did not do so.

**National Council of the Churches of Christ
in the United States of America**

Budget and Reported Expenses Summary
Grant Agreement #04ADNNY028
June 29, 1994 to August 31, 1996
(UNAUDITED)

	(A)					
	Budget			Reported Costs		
	CNS	NCCC	TOTAL	CNS	NCCC	TOTAL
A. Participant support						
Training and education	\$75,000	\$10,400	\$85,400			
Uniforms						
Other						
A. Total participant support	75,000	10,400	85,400			
B. Staff						
Salaries	102,400	83,029	185,429			
Benefits	24,576	18,052	42,628			
Training			0			
Other			0			
B. Total staff	126,976	101,081	228,057			
C. Operational						
Travel	18,260	3,900	22,160			
Transportation	0	800	800			
Supplies	2,250	12,925	15,175			
Equipment	13,786	5,500	19,286			
Other	43,900	50,025	93,925			
C. Total operational	78,196	73,150	151,346			
D. Internal evaluation monitoring	23,808	0	23,808			
E. Administration	42,500	23,808	66,308			
Total Sections A - E	\$346,480	\$208,439	\$554,919	\$347,313	\$285,973	\$633,286
Percent allocation	62.44%	37.56%	100.00%	54.84%	45.16%	100.00%
F. Other participant support						
Living allowances	\$369,640	\$68,760	\$438,400			
FICA and Workers' Compensation	41,520	7,320	48,840			
Alternative health Care	44,880	7,920	52,800			
F. Total other participant support	\$456,040	\$84,000	\$540,040	\$369,911	\$63,052	\$432,963
Percent allocation	85.00%	15.00%	100.00%	85.44%	14.56%	100.00%
G. Child care	\$27,480	\$0	\$27,480	\$0	\$0	\$0
TOTALS	\$850,000	\$292,439	\$1,142,439	\$717,224	\$349,025	\$1,066,249
Percentages	74.40%	25.60%	100.00%	87.27%	32.73%	100.00%

(A) Since there was no reconciliation of reported grant costs to the general ledger and the Financial Status Report (FSR), a detailed analysis of reported costs by cost category is not available.

This draft report is issued for response by the Corporation for National Service and the National Council of Churches.