
CORPORATION

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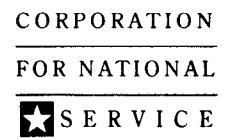
OFFICE OF THE INSPECTOR GENERAL

**Audit of Corporation for National Service
Award Number 94ADNTX045 to
The University of Texas at Austin**

This report is issued to CNS Management. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than October 8, 1997 and complete its corrective actions by April 12, 1998. 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
Audit of Corporation for National Service
Award Number 94ADNTX045 to
The University of Texas at Austin



Leonard G. Birnbaum and Company, under contract to the Office of Inspector General, performed an audit of the funds awarded by CNS to the University of Texas at Austin (UTA) under grant number 94ADNTX045. The audit covered the costs claimed during the period August 1, 1994 through September 30, 1996.

The audit included an examination to determine whether financial reports prepared by UTA presented fairly the financial condition of the award and the award costs reported to CNS were documented and allowable in accordance with the terms and conditions of the award. We have reviewed the report and workpapers supporting its conclusions and agree with the findings and recommendations presented.

Leonard G. Birnbaum and Company found that UTA

- lacked adequate controls for monitoring subrecipients;
- lacked an adequate labor distribution system for non-professorial and non-professional staff;
- lacked adequate controls for tracking and monitoring hours worked by AmeriCorps Members; and
- lacked adequate controls over the maintenance of records.

Based on Leonard G. Birnbaum and Company's audit, we are questioning \$5,711 in costs claimed under the award. These and other matters are discussed in detail in this report.

A draft of this report was provided to CNS and UTA for comment. CNS did not provide comments. UTA concurred with the findings and questioned costs and stated that they have begun corrective actions.

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

Corporation for National Service
Office of Inspector General
Report Number 97-24

Award Number 94ADNTX045
to
The University of Texas at Austin
2613 Speedway
Austin, Texas 78712

Financial Schedules
and
Independent Auditor's Reports

For the Period
June 24, 1994 to September 30, 1996

Leonard G. Birnbaum and Company
Certified Public Accountants
6285 Franconia Road
Alexandria, Virginia 22310
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The University of Texas at Austin

Table of Contents

	<u>Page</u>
REPORT SUMMARY AND HIGHLIGHTS:	
Summary of Audit Results	1
Purpose and Scope of Audit	4
Other Matters	4
Background	5
INDEPENDENT AUDITOR'S REPORT	7
FINANCIAL SCHEDULES:	
Exhibit A - Schedule of Award Costs	10
Schedule A-1 - Schedule of Claimed Costs - The University of Texas at Austin	11
Schedule A-2 - Schedule of Claimed Costs - The Ohio State University Research Foundation	12
Schedule A-3 - Schedule of Claimed Costs - The Foundation for California State University, San Bernardino	13
Exhibit B - Schedule of Reclassified and Questioned Costs	14
Notes to Financial Schedules	15
INDEPENDENT AUDITOR'S REPORTS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE:	
Independent Auditor's Report on Internal Control Structure	17
Independent Auditor's Report on Compliance	22
AUDITEE'S COMMENTS TO REPORT	Appendix A

REPORT SUMMARY AND HIGHLIGHTS

LEONARD G. BIRNBAUM AND COMPANY

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**Inspector General
Corporation for National Service**

We have performed an audit of the funds awarded by the Corporation for National Service (CNS) to The University of Texas at Austin (UTA) for the AmeriCorps for Math and Literacy program under Grant No. 94ADNTX045. Our audit covered the costs claimed during the period August 1, 1994 through September 30, 1996. UTA's program was administered by The Charles A. Dana Center (Dana Center), a component of UTA. In addition, UTA entered into subgrant agreements with The Ohio State University Research Foundation (OSURF) and The Foundation for California State University, San Bernardino (Foundation) to administer a program at their respective schools. UTA, however, was considered the prime recipient of the grant. Our audit efforts focused primarily on the programs administered by the Dana Center and OSURF.

SUMMARY OF AUDIT RESULTS

Our audit of the costs claimed by UTA for its AmeriCorps program disclosed the following:

Award Budget	\$ 940,948
Claimed Costs	734,480
Questioned Costs	5,711

As a result of our audit of the aforementioned award, we are questioning costs totaling \$5,711 which is summarized below and detailed in Exhibit A to the Independent Auditor's Report. Additionally, we have identified living allowance shortages which should be paid to the AmeriCorps Members as explained in Finding No. 1 of the Independent Auditor's Report on Compliance. Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the award or those costs which require additional support by the grantee or which require interpretation of allowability by CNS.

Inspector General
Corporation for National Service

The following summarizes the costs questioned on the above award by reason:

<u>Explanation</u>	<u>Amount</u>
• Costs were not adequately supported by source documentation	\$ 4,986
• Costs were not allocable to the grant	<u>725</u>
Total Questioned Costs	<u>\$5,711</u>

We used a judgmental sampling method to test the costs claimed by the auditees. Based upon this sampling plan, questioned costs in this report may not represent total costs that may have been questioned had all expenditures been tested. In addition, we have made no attempt to project such costs to total expenditures claimed, based on the relationship of costs tested to total costs. For a complete discussion of these questioned costs, refer to the Independent Auditor's Report.

INTERNAL CONTROL STRUCTURE

Our audit disclosed the following matters which we consider to be material weaknesses in the internal control structure and its operations.

- Lack of adequate controls for monitoring subrecipients. (Finding No. 1)
- Lack of an adequate labor distribution system for non-professorial and non-professional staff. (Finding No. 2)
- Lack of adequate controls for tracking and monitoring hours worked by the Members. (Finding No. 3)
- Lack of adequate controls over the maintenance of records. (Finding No. 4)

For a complete discussion of each matter, refer to the appropriate finding in the Independent Auditor's Report on Internal Control Structure.

COMPLIANCE FINDINGS

Our audit disclosed material and nonmaterial instances of noncompliance. The instances of noncompliance which we consider to be material are as follows:

- Part-time Members' living allowances were paid on an hourly basis rather than on a stipend basis as required by AmeriCorps Provision 12. (Finding No. 1)
- Quarterly financial reports were not submitted within the specified time period. (Finding No. 2)
- Labor charges for non-professorial and non-professional staff were not based on an after-the-fact labor distribution system. (Finding No. 3)

In addition, our audit disclosed the following nonmaterial instances of noncompliance:

- Members did not sign contracts and/or the contracts did not contain all of the required provisions. (Finding No. 4)
- Written evaluations were not always prepared for the Members' performance. (Finding No. 5)
- A Member during the second program year performed clerical services as part of service hours. (Finding No. 6)
- All Members were not informed of the grievance and drug-free workplace policies. (Finding No. 7)
- Member timesheets were not signed by a supervisor. (Finding No. 8)
- Member enrollment and end-of-term forms were either not submitted or copies of the forms were not retained. (Finding No. 9)

For a complete discussion of each matter, refer to the appropriate finding in the Independent Auditor's Report on Compliance.

PURPOSE AND SCOPE OF AUDIT

Our audit covered the costs claimed during the period June 24, 1994 through September 30, 1996 under Grant No. 94ADNTX045 which had an award period of June 24, 1994 to December 31, 1996.

The objectives of our audit were to determine whether:

1. Financial reports prepared by the auditee presented fairly the financial condition of the award;
2. The systems of internal control structure were adequate to safeguard Federal funds;
3. The auditees had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations and award conditions; and
4. The award costs reported to CNS were documented and allowable in accordance with the award terms and conditions.

We performed the audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the grant award, as presented in the schedule of award costs (Exhibit A), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibit A. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

We provided a draft of this report to CNS' Office of Grants Management and to UTA for comments. While CNS did not respond, UTA's response is presented as Appendix A of this report. The letter included additional information on UTA's corrective actions. We have forwarded this information to CNS' Office of Grants Management. Unless noted otherwise after each finding, UTA concurred with the finding and indicated corrective actions that have either been taken or will be taken.

OTHER MATTERS

Our audit revealed that OSURF incurred fringe benefits in August 1996 in the amount of \$18,282 which we would have questioned if they had already been claimed as of September 30, 1996.

Inspector General
Corporation for National Service

Even though these costs were incurred by September 30, 1996, they had not been claimed since UTA prepares the Financial Status Report on the cash basis instead of the accrual basis and as of September 30, 1996, UTA had not reimbursed OSURF for expenses incurred in August 1996. The \$18,282 represents fees related to the employees' enrollment in Ohio State University's graduate program. Although the fees are charged in proportion to the percentage of time spent by the employee on the grant, we do not feel that these fees should be charged to the grant since the fees were neither included in the budget approved by CNS nor included in the fringe benefit pool as described in Ohio State University's indirect rate agreement with the U.S. Department of Health and Human Services.

Similarly, our audit revealed that OSURF incurred staff salaries and fringe benefits in the amount of \$138 and \$22, respectively, in September 1996 which we would have questioned if they had already been claimed as of September 30, 1996. We would have questioned these costs since the expense was not supported by a timesheet for an hourly employee.

BACKGROUND

Effective June 24, 1994, CNS awarded grant no. 94ADNTX045 to The University of Texas at Austin (UTA) to conduct an AmeriCorps program to provide an activity based academic learning model for adolescents. This model is to provide young disadvantaged children with powerfully conceived educational and social experiences that support their intellectual and social development and their present and future school success. UTA's program was administered by The Charles A. Dana Center (Dana Center), a component of UTA. In addition, UTA entered into subgrant agreements with The Ohio State University Research Foundation (OSURF) and The Foundation for California State University, San Bernardino (Foundation) to administer similar programs at their respective schools.

The Dana Center, operates in Texas and nationally to achieve equity and excellence at all levels of public education. While the Dana Center's principal focus is on the strengthening of mathematics, science and technology education, it also operates major programs in literacy and community education.

REPORT RELEASE

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

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

We have audited the costs claimed by The University of Texas at Austin to the Corporation for National Service on the Financial Status Report - Federal Share of Outlays for the award number listed below. These Financial Status Reports, as presented in the schedule of award costs (Exhibit A), are the responsibility of the Grantee's management. Our responsibility is to express an opinion on Exhibit A based on our audit.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
94ADNTX045	June 24, 1994 to December 31, 1996	June 24, 1994 to September 30, 1996

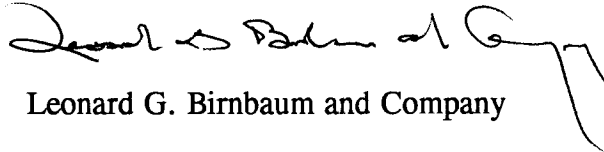
We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying financial schedules were prepared for the purpose of complying with the requirements of the award agreement as described in Note 1, and are not intended to be a complete presentation of financial position in conformity with generally accepted accounting principles.

Inspector General
Corporation for National Service

In our opinion, except for \$5,711 questioned costs (see Exhibit A), the financial schedules referred to above present fairly, in all material respects, the costs claimed in the Financial Status Report - Federal Share of Outlays as presented in the schedule of award costs (Exhibit A), for the period June 24, 1994 to September 30, 1996, in conformity with the award agreement.

This report is intended for the information and use of the Corporation's management and its Office of Inspector General, and The University of Texas at Austin's management and the management of its subrecipients. However, this report is a matter of public record and its distribution is not limited.



Leonard G. Birnbaum and Company

Alexandria, Virginia
November 20, 1996

FINANCIAL SCHEDULES

The University of Texas at Austin
 Corporation for National Service - Award Number 94ADNTX045
 Schedule of Award Costs
 From June 24, 1994 to September 30, 1996
 Interim

<u>Cost Category</u>	<u>Approved Budget</u>	(A) <u>Claimed Costs</u>	<u>Reclassified Costs</u>	<u>Claimed As Reclassified</u>	<u>Questioned Costs</u>	<u>Schedule Reference</u>
Member Support Costs:						
Training and education	\$ 94,621	\$ 32,808	\$ 1,351	\$ 34,159	\$ 859	Exhibit B
Uniforms	<u>3,872</u>	<u>2,504</u>		<u>2,504</u>		
Subtotal	<u>98,493</u>	<u>35,312</u>	<u>1,351</u>	<u>36,663</u>	<u>859</u>	
Staff:						
Salaries	164,922	119,414		119,414		
Benefits	44,439	32,662		32,662		
Training	<u>2,000</u>	<u>-</u>		<u>-</u>		
Subtotal	<u>211,361</u>	<u>152,076</u>	<u>-</u>	<u>152,076</u>	<u>-</u>	
Operational:						
Travel	35,490	20,165	2,246	22,411	893	Exhibit B
CNS meetings	4,250	3,012	(110)	2,902	2,902	Exhibit B
Transportation	9,500	-		-		
Supplies	7,500	4,058		4,058	1,057	Exhibit B
Equipment	16,750	16,985		16,985		
Other	<u>5,500</u>	<u>450</u>	<u>110</u>	<u>560</u>		Exhibit B
Subtotal	<u>78,990</u>	<u>44,670</u>	<u>2,246</u>	<u>46,916</u>	<u>4,852</u>	
Internal Evaluation:	<u>6,000</u>	<u>6,004</u>	<u>(3,597)</u>	<u>2,407</u>	<u>-</u>	Exhibit B
Administration:	<u>25,615</u>	<u>15,858</u>	<u>-</u>	<u>15,858</u>	<u>-</u>	
Other Participant Support:						
Living allowance	449,592	414,983		414,983		
FICA & comp	70,636	65,577		65,577		
Health care	<u>261</u>	<u>-</u>		<u>-</u>		
Subtotal	<u>520,489</u>	<u>480,560</u>	<u>-</u>	<u>480,560</u>	<u>-</u>	
TOTAL CNS FUNDS	940,948	734,480	-	734,480	5,711	
MATCHING FUNDS	<u>1,098,336</u>	<u>739,602</u>	<u>-</u>	<u>739,602</u>	<u>-</u>	
TOTAL FUNDS	<u>\$2,039,284</u>	<u>\$1,474,082</u>	<u>\$ -</u>	<u>\$1,474,082</u>	<u>\$ 5,711</u>	

(A) The total representing costs claimed agrees with the expenditures reported on the Financial Status Report - Federal Share of Outlays as of the quarter ended September 30, 1996. Claimed costs reported above are taken directly from the auditee's books of account.

The accompanying notes are an integral part of this financial schedule.

The University of Texas at Austin
 Corporation for National Service - Award Number 94ADNTX045
 Schedule of Claimed Costs
 From June 24, 1994 to September 30, 1996
 Interim

<u>Cost Category</u>	<u>Claimed Costs</u>	<u>Reclassified Costs</u>	<u>Claimed As Reclassified</u>	<u>Questioned Costs</u>
Member Support Costs:				
Training and education	\$ 15,418	\$ 1,351	\$ 16,769	
Uniforms	<u>2,504</u>	<u> </u>	<u>2,504</u>	<u> </u>
Subtotal	<u>17,922</u>	<u>1,351</u>	<u>19,273</u>	<u> </u>
Staff:				
Salaries	42,368		42,368	
Benefits	7,109		7,109	
Training	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Subtotal	<u>49,477</u>	<u> </u>	<u>49,477</u>	<u> </u>
Operational:				
Travel	17,424	2,246	19,670	\$ 725
CNS Meeting	-		-	
Transportation	-		-	
Supplies	1,810		1,810	
Equipment	10,000		10,000	
Other	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Subtotal	<u>29,234</u>	<u>2,246</u>	<u>31,480</u>	<u>725</u>
Internal Evaluation:	<u>6,004</u>	<u>(3,597)</u>	<u>2,407</u>	<u> </u>
Administration:	<u>15,858</u>	<u> </u>	<u>15,858</u>	<u> </u>
Other Participant Support:				
Living allowance	187,900		187,900	
FICA & comp	30,067		30,067	
Health care	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Subtotal	<u>217,967</u>	<u> </u>	<u>217,967</u>	<u> </u>
TOTAL CNS FUNDS	<u>\$ 336,462</u>	<u>\$ </u>	<u>\$ 336,462</u>	<u>\$ 725</u>

The accompanying notes are an integral part of this financial schedule.

The Ohio State University Research Foundation
The University of Texas at Austin
Corporation for National Service - Award Number 94ADNTX045
Schedule of Claimed Costs
From June 24, 1994 to September 30, 1996
Interim

<u>Cost Category</u>	<u>Claimed Costs</u>	<u>Reclassified Costs</u>	<u>Claimed As Reclassified</u>	<u>Questioned Costs</u>
Member Support Costs:				
Training and education	\$ 1,359		\$ 1,359	\$ 859
Uniforms	-		-	
Subtotal	<u>1,359</u>	<u>-</u>	<u>1,359</u>	<u>859</u>
Staff:				
Salaries	28,860		28,860	
Benefits	7,425		7,425	
Training	-		-	
Subtotal	<u>36,285</u>	<u>-</u>	<u>36,285</u>	<u>-</u>
Operational:				
Travel	168		168	168
CNS Meeting	3,012	\$ (110)	2,902	2,902
Transportation	-		-	
Supplies	1,150		1,150	1,057
Equipment	-		-	
Other	-	110	110	
Subtotal	<u>4,330</u>	<u>-</u>	<u>4,330</u>	<u>4,127</u>
Internal Evaluation:	-	-	-	-
Administration:	-	-	-	-
Other Participant Support:				
Living allowance	154,139		154,139	
FICA & comp	24,830		24,830	
Health care	-		-	
Subtotal	<u>178,969</u>	<u>-</u>	<u>178,969</u>	<u>-</u>
TOTAL CNS FUNDS	<u>\$ 220,943</u>	<u>\$ -</u>	<u>\$ 220,943</u>	<u>\$ 4,986</u>

The accompanying notes are an integral part of this financial schedule.

The Foundation for California State University, San Bernardino
The University of Texas at Austin
Corporation for National Service - Award Number 94ADNTX045
Schedule of Claimed Costs
From June 24, 1994 to September 30, 1996
Interim

<u>Cost Category</u>	<u>Claimed Costs</u>	<u>Reclassified Costs</u>	<u>Claimed As Reclassified</u>	<u>Questioned Costs</u>
Member Support Costs:				
Training and education	\$ 16,031	\$	\$ 16,031	\$
Uniforms	-	-	-	-
Subtotal	<u>16,031</u>	<u>-</u>	<u>16,031</u>	<u>-</u>
Staff:				
Salaries	48,186		48,186	
Benefits	18,128		18,128	
Training	-	-	-	-
Subtotal	<u>66,314</u>	<u>-</u>	<u>66,314</u>	<u>-</u>
Operational:				
Travel	2,573		2,573	
CNS Meeting	-	-	-	-
Transportation	-	-	-	-
Supplies	1,098		1,098	
Equipment	6,985		6,985	
Other	450	-	450	-
Subtotal	<u>11,106</u>	<u>-</u>	<u>11,106</u>	<u>-</u>
Internal Evaluation:	-	-	-	-
Administration:	-	-	-	-
Other Participant Support:				
Living allowance	72,944		72,944	
FICA & comp	10,680		10,680	
Health care	-	-	-	-
Subtotal	<u>83,624</u>	<u>-</u>	<u>83,624</u>	<u>-</u>
TOTAL CNS FUNDS	<u>\$ 177,075</u>	<u>\$ -</u>	<u>\$ 177,075</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial schedule.

The University of Texas at Austin
Corporation for National Service - Award Number 94ADNTX045
Schedule of Reclassified and Questioned Costs
From June 24, 1994 to September 30, 1996
Interim

1. Training and Education

We have questioned \$859 of the amount claimed by OSURF (CAN No. 301451) since adequate documentation was not provided to support the amount.

2. Travel

We have questioned \$893 of the amount claimed for travel. Of this amount, \$168 represents costs claimed by OSURF (CAN No. 301451). The amount was questioned since adequate documentation was not provided. The remaining \$725 represents costs claimed by UTA (Document ID FOVT6988482). The amount was questioned because the cost was not allocable to the grant since the travel request indicated that the purpose of the trip was not related to this grant.

3. CNS Meetings

Based on the supporting documentation from OSURF, we have reclassified \$110 (CAN No. 331031) of the amount claimed for CNS Meeting to Operating - Other. This amount represents the cost associated with making photocopies.

In addition, we have questioned \$2,902 of the amount claimed by OSURF (CAN Nos. 301453 and 301454) since adequate documentation was not provided to support this amount.

4. Supplies

We have questioned \$1,057 of the amount claimed by OSURF (CAN No. 301449) since adequate documentation was not provided to support this amount.

5. Internal Evaluation

We have reclassified \$1,351 and \$2,246 of the amount claimed by UTA as Internal Evaluation to Training and Education and Travel, respectively. Based on the supporting documentation, the \$1,351 (Document ID EDVP2900974) was training related expenses for the Members and the \$2,246 (Document ID EDVP2902776) was hotel related expenses for employees.

The University of Texas at Austin
Corporation for National Service - Award Number 94ADNTX045
Notes to Financial Schedules

1. Summary of Significant Accounting Policies

Accounting Basis

The accompanying financial schedules, Exhibits A and B, have been prepared from the reports submitted to CNS. The basis of accounting utilized in preparation of these reports differs from generally accepted accounting principles. The following information summarizes these differences.

A. Equity

Under the terms of the award, all funds not expended according to the award agreement and budget at the end of the award period are to be returned to CNS. Therefore, the auditee does not maintain any equity in the award and any excess of cash received from CNS over final expenditures is due back to CNS.

B. Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the statement of award costs include the cost of equipment purchased during the period rather than a provision for depreciation.

The equipment acquired is owned by The University of Texas at Austin while used in the program for which it is purchased or in other future authorized programs. However, CNS has the reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds therefrom, is subject to Federal regulations.

C. Inventory

Minor materials and supplies are charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the financial schedules.

INDEPENDENT AUDITOR'S REPORTS
ON
INTERNAL CONTROL STRUCTURE AND COMPLIANCE

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Inspector General
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

We have audited the schedule of award costs, as presented in Exhibit A, which summarizes the financial reports submitted by The University of Texas at Austin (UTA) to the Corporation for National Service (CNS) for the award listed below, and have issued our report thereon dated November 20, 1996.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
94ADNTX045	June 24, 1994 to December 31, 1996	June 24, 1994 to September 30, 1996

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

In planning and performing our audit of Exhibit A for the period June 24, 1994 to September 30, 1996, we considered the grantee's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal control structure.

The grantee's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required

Inspector General
Corporation for National Service

to assess the expected benefits and related costs on internal control structure policies and procedures. The objectives of an internal control structure 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 schedules in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Cash Disbursements
- Cash Receipts
- Payroll/timekeeping
- Recordkeeping

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we have assessed control risk.

We noted the following matters involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure, that, in our judgement, could adversely affect the entity's ability to record, possess, summarize and report financial data consistent with the assertions of management in the financial schedules. A material weakness is a reportable condition in which the design or operation of the specific internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses as defined above. However, our study and evaluation and our audit disclosed the following

Inspector General
Corporation for National Service

conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to the CNS grant may occur and not be detected within a timely period.

Finding No. 1

UTA lacks adequate controls for monitoring subrecipients. Our review of the grantee's records and discussions disclosed that the grantee provided little oversight to its subrecipients. According to a representative of UTA, the primary focus on subrecipients was to ensure that the total budget had not been exceeded. While our audit did not disclose any significant deficiencies of a financial nature regarding the subrecipients, without adequate monitoring and oversight a risk for such deficiencies exists. Moreover, our audit disclosed numerous instances of noncompliance which could have been avoided if adequate monitoring and oversight had been given. Further evidence of UTA's lack of monitoring and oversight became apparent when a representative of one subrecipient, OSURF, indicated that it had not received a copy of the AmeriCorps Provisions.

Recommendation

We recommend that UTA develop and implement policies and procedures to adequately monitor subrecipients. We further recommend that as part of these policies, the grantee ensure that personnel responsible for this grant are familiar with the laws, regulations, and grant provisions applicable to this program.

UTA's Comments

"We disagree with the assertion that OSURF did not receive a copy of the AmeriCorps provisions. A copy of these provisions was included with each subcontract issued.

Auditor's Response

The finding states that a representative of OSURF indicated that it had not received a copy of the AmeriCorps provisions. Whether a copy was included in each subcontract when issued is not relevant to the inadequacy of monitoring and oversight.

Finding No. 2

UTA and OSURF do not utilize an after-the-fact labor distribution system for non-professorial and non-professional staff. Labor costs charged to sponsored programs for all salary employees are based on predetermined percentages. According to section 8 of Subpart J of OMB Circular A-21,

Inspector General
Corporation for National Service

only those employees classified as professorial and professional staff applicable to sponsored programs may distribute salaries and wages under a method based on budgeted, planned or assigned work activity which is updated to reflect any significant changes in work distribution. We did not, however, question any of the labor costs associated with these individuals since the costs were either charged 100 percent to administration or else the individuals were 100 percent dedicated to the grant.

Recommendation

We recommend that UTA and OSURF implement an after-the-fact labor distribution system to allocate labor costs to the grant for non-professorial and non-professional staff so that if, in the future these types of individuals are not either 100 percent dedicated to the grant or charged entirely to administration, labor costs will be recorded properly.

Finding No. 3

UTA lacks adequate controls for tracking total hours worked by full-time Members. AmeriCorps Provision 13, Post-Service Educational Awards, requires the grantee to "certify to the National Service Trust that the Member is eligible to receive the educational benefit." In order to provide such certification, a system must be developed to track total hours worked by all Members so that upon completion or termination from the program the grantee knows whether or not the Member has completed enough hours to qualify for a full or partial educational benefit. Although UTA developed a system of recording the Member service hours, it is deficient in that the expected hours to be worked each payperiod were recorded instead of the actual hours worked by full-time Members. Of the 12 full-time Members enrolled in either the first or second year of the program, nine Members have earned a post-service educational award, one Member has not earned an award since the end-of-term form has not been completed and submitted, and two Members terminated from the program early without earning an educational award. We were unable to determine whether any of the full-time Members successfully completed the program entitling them to a post-service educational award since a complete set of timesheets for the each of the Members could not be located. We were only able to locate 30 percent of the timesheets that should have been completed by the full-time Members (excluding the two terminated Members).

Recommendation

We recommend that UTA revise its system to record the actual hours worked by Members as reflected on the Member timesheets, regardless of their part-time or full-time participation in the program.

Inspector General
Corporation for National Service

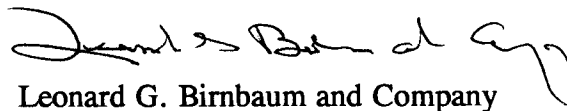
Finding No. 4

UTA and OSURF lack adequate controls over the maintenance of records. During our testing of compliance with various AmeriCorps Provisions it was disclosed that either required documentation was not used or else it could not be located (refer to Finding Nos. 4, 5, and 9 in the Independent Auditor's Report on Compliance). In addition, while reviewing UTA's system for tracking hours worked by Members (refer to Finding No. 3 above) we found that Member timesheets could not always be located.

Recommendation

We recommend that UTA and OSURF establish and implement policies and procedures to retain documentation as required by 45 CFR 2543.53.

This report is intended for the information and use of the Corporation's management and its Office of Inspector General, and The University of Texas at Austin's management and the management of its subrecipients. However, this report is a matter of public record and its distribution is not limited.


Leonard G. Birnbaum and Company

Alexandria, Virginia
November 20, 1996

LEONARD G. BIRNBAUM AND COMPANY

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Inspector General
Corporation for National Service

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

We have audited the schedule of award costs, as presented in Exhibit A, which summarizes the financial reports submitted by The University of Texas at Austin (UTA) to the Corporation for National Service (CNS) for the award listed below, and have issued our report thereon dated November 20, 1996.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
94ADNTX045	June 24, 1994 to December 31, 1996	June 24, 1994 to September 30, 1996

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

Compliance with laws, regulations, and the provisions of the award is the responsibility of UTA's management. As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and the terms and conditions of the award. However, our objective was not to provide an opinion on overall compliance with such provisions.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, and the provisions of the award that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is

Inspector General
Corporation for National Service

material to the financial schedules. The results of our tests of compliance disclosed the following material instance of noncompliance:

Finding No. 1

During program years one and two, all part-time Members, regardless of operating site, received a living allowance which was paid on an hourly basis in relation to the hours worked. Paragraph 12b of the AmeriCorps Provisions states, in part, that “programs must not pay a living allowance on an hourly basis. It is not a wage and should not fluctuate based on the number of hours Members serve in a given period. Programs should pay the living allowance in increments, such as weekly or bi-weekly.” An analysis of the living allowance for all of the 113 Members revealed that four received living allowances at amounts less than they would have received had the living allowance been paid on a stipend basis. The shortages ranged between \$22 and \$276.

Recommendation

We recommend that for future program years the living allowances be paid as they were intended by the AmeriCorps Provisions. We further recommend that UTA review the living allowances paid to the Members under this grant and attempt to contact the members to rectify the shortages.

UTA’s Comments

“As of August 1996, living allowances are disbursed in a manner that is unrelated to the number of hours worked.”

“We disagree with the finding that the members listed in the audit report received living allowances in amounts less than they were entitled to receive. It appears that the audit totals do not include living allowances paid from local funds (Dana Foundation).”

“After reviewing all member records for program years 1 and 2, we discovered that 4 of the 113 members received living allowances in amounts less than they were entitled to receive. The shortages ranged from \$22 to \$276. We will attempt to contact these members and reimburse them for the shortage.”

Auditor's Comments

After reviewing the additional information provided by UTA in response to the above finding, we have revised the finding to reflect the current status of the number of Members who received living allowances in amounts less than they were entitled to receive.

Inspector General
Corporation for National Service

Finding No. 2

Most of the quarterly financial reports were not submitted within the specified time period by UTA. Amendment No. 1, dated February 27, 1995, amended the grant to change the deadlines for the submission of quarterly reports. This amendment established February 1, 1995; May 1, 1995; August 1, 1995; and November 1, 1995, as the deadlines for submission of the first, second, third, and fourth quarter reports, respectively. Five of the eight Financial Status Reports were submitted from ten to 173 days after the deadlines.

Recommendation

We recommend that the grantee establish and implement policies and procedures to submit quarterly reports on a timely basis.

Finding No. 3

UTA and OSURF do not utilize an after-the-fact labor distribution system for non-professorial and non-professional staff. Labor costs charged to sponsored programs for all salary employees are based on predetermined percentages. According to section 8 of Subpart J of OMB Circular A-21, only those employees classified as professorial and professional staff applicable to sponsored programs may distribute salaries and wages under a method based on budgeted, planned or assigned work activity which is updated to reflect any significant changes in work distribution. We did not, however, question any of the labor costs associated with these individuals since during the period of this award the costs were either charged 100 percent to administration or else the individuals are 100 percent dedicated to the grant.

Recommendation

We recommend that UTA and OSURF implement an after-the-fact labor distribution system to allocate labor costs to the grant for non-professorial and non-professional staff so that if, in the future, these types of individuals are not either 100 percent dedicated to the grant or charged entirely to administration, labor costs will be recorded properly.

We considered these material instances of noncompliance in forming our opinion on whether Exhibit A is presented fairly in all material respects, in conformity with Corporation for National Service policies and procedures, and this report does not affect our report dated November 20, 1996, on this financial schedule.

Inspector General
Corporation for National Service

In addition to the above referenced material instances of noncompliance, we noted certain nonmaterial instances of noncompliance as described below.

Finding No. 4

Members either did not sign contracts and/or the contracts did not contain all of the required provisions. Paragraph 8b of the AmeriCorps Provisions states that “the grantee must require that Members sign contracts that stipulate the following:

- ii. the minimum number of service hours and other requirements (as developed by the Program) necessary to be eligible for the educational award;
- ii. acceptable conduct;
- iii. prohibited activities;
- iv. requirements under the Drug-Free Workplace Act (41 U.S.C. §701 *et seq.*);
- v. suspension and termination rules;
- vi. the specific circumstances under which a Member may be released for cause;
- vii. grievance procedures; and
- viii. other requirements as established by the Program.”

We found no evidence to the fact that Members at UTA had contracts during the first two years of the program. While the Members at OSURF signed a contract, the contracts did not contain any provisions regarding prohibited activities, the Drug-Free Workplace Act, suspension and termination rules, circumstances for release for cause, or grievance procedures.

Recommendation

We recommend that, for program year three, UTA and OSURF inform the Members of all appropriate provisions and require the Members to sign contracts which contain all of the required provisions, thereby acknowledging that they have read and understand the contract.

Finding No. 5

Written evaluations of each Member’s performance were not always prepared by UTA and OSURF. Paragraph 8e of the AmeriCorps Provisions states, in part, that “the Grantee must conduct at least a mid-term and end-of-term written evaluation of each Member’s performance.” We found no evidence to the fact UTA had performed any Member evaluations during the first two years of the program. Furthermore, according to a representative of OSURF only mid-term evaluations were conducted for the second year of the program. Our testing of 14 Members, however, revealed that only two mid-term evaluations could be located.

Recommendation

We recommend that UTA and OSURF establish and implement policies and procedures to conduct and document the required evaluations of each Member's performance.

Finding No. 6

During the second program year at OSURF, a Member performed clerical services as part of the hours of service worked towards attainment of an educational award. According to Paragraph 8a of the AmeriCorps Provisions, "Member activities may not include clerical work, research, or fund raising activities unless such activities are incidental to the Member's direct service activities." During the second year of the program OSURF had one Member whose duties included obtaining all of the Members' timesheets, verifying the mathematical accuracy of the timesheets, and preparing the summary of hours worked for submission to UTA for payment of the living allowances. Although the Member's timesheets did not clearly indicate the number of hours spent performing these duties, a representative of OSURF estimated that the Member spent approximately five hours per week for a total of approximately 220 hours during the Member's term.

Recommendation

We recommend that the grantee establish and implement policies and procedures to ensure that Member activities do not include clerical, research, or fund raising activities.

Finding No. 7

All Members were not informed of the grievance policy or the drug-free workplace policy at UTA and OSURF. According to AmeriCorps Provisions 31 and 33, the grantee must establish and implement a drug-free workplace policy and grievance policy. All Members of the program, regardless of operating site, are considered employees of UTA for payroll purposes. Since UTA has university wide policies regarding these areas, the program itself did not establish specific policies. In accordance with university procedure, all full-time employees/Members complete an orientation program which includes the issuance of these policies. The part-time employees/Members do not, however, participate in this orientation program. In addition, the full-time employees/Members at OSURF do not participate in this orientation program given the distance between the two universities. Furthermore, these policies are not reviewed during the program's orientation. Therefore, neither the part-time employees/Members of UTA and OSURF nor the full-time employees/Members of OSURF are informed of the grievance and drug-free workplace policies.

Inspector General
Corporation for National Service

Recommendation

We recommend that the grantees establish and implement policies and procedures to inform all Members of the grievance and drug-free workplace policies.

Finding No. 8

The Member timesheets at UTA and OSURF are not signed by a supervisor. AmeriCorps Provision 23c states, in part, that “time and attendance records must be signed by both the Member and by an individual with oversight responsibilities for the Member.” While the timesheets were signed by the Members, the timesheets were not signed or initialed by a supervisor. The purpose for the supervisor’s signature on the timesheets is to indicate approval and concurrence of the hours worked and recorded by the Members.

Recommendation

We recommend that the UTA and OSURF establish and implement policies and procedures to have all Member timesheets signed by a supervisor.

Finding No. 9

Member enrollment and end-of-terms forms were either not submitted or copies of the forms were not retained by the grantee. Several of the AmeriCorps Provisions require the notification of a Member’s enrollment, completion, change in status, etc... to the National Service Trust. Some of these provisions are as follows:

<u>Provision</u>	<u>Requirement</u>
9c Notice to the Corporation’s Service Trust	“The grantee must notify the Corporation’s National Service Trust immediately in writing upon a Member’s enrollment in, completion of, lengthy or indefinite suspension from, or release from a term of service.”

<u>Provision</u>	<u>Requirement</u>
13 Post-Service Educational Awards	"In order for a Member to receive a post-service educational award from the National Service Trust, the Grantee must certify to the National Service Trust that the Member is eligible to receive the educational benefit. The Grantee must notify the National Service Trust on a form provided by the Corporation when it enrolls a Member for a term of service, when the Member completes the term, and whenever there is a change in the Member's status during the term (e.g., release for compelling circumstances or suspension)."
15a Record-keeping	"The Grantee must maintain verifiable records which document each Member's eligibility to serve . . . , participation start date and end date, hours of service per week, location of service activities and project assignment."

Of the 139 Members who participated during program year one and/or program year two, we reviewed the Member files for 29 Members (14 from the operating site located in Ohio and 15 from the operating site located in Texas) and the AmeriCorps Member Roster (roster) to determine whether notification had been properly given to the National Service Trust and whether this notification could be verified from the Grantee's records. Our review disclosed that nine enrollment forms and 13 end-of-term forms could not be located in the Members' files. Of these missing forms, the roster indicated that only 5 enrollment forms and 4 end-of-term forms had been received by the National Service Trust.

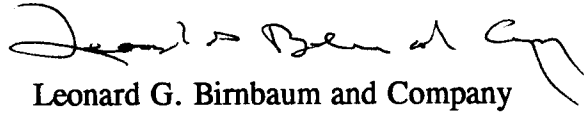
Recommendation

We recommend that UTA not only submit the proper forms for those Members that the National Service Trust does not have but also establish policies and procedures to complete, submit, and retain the required Member forms in the future.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, UTA and its subrecipients complied in all material respects, with the provisions referred to in the third paragraph of this report.

Inspector General
Corporation for National Service

This report is intended for the information and use of the Corporation's management and its Office of Inspector General, and The University of Texas at Austin's management and the management of its subrecipients. However, this report is a matter of public record and its distribution is not limited.



Leonard G. Birnbaum and Company

Alexandria, Virginia
November 20, 1996

Appendix A



THE CHARLES A. DANA CENTER
THE UNIVERSITY OF TEXAS AT AUSTIN

ECN 3.200 • 2901 North IH 35 • Austin, Texas 78722 • (512) 471-6190 • FAX (512) 471-6193

March 27, 1997

Ms. Leslie A. Leiper
Leonard G. Birnbaum and Company
6285 Franconia Road
Alexandria, VA 22310

Dear Ms. Leiper:

Enclosed are our comments on the findings and questioned costs mentioned in the report of your audit of Grant Number 94ADNTX045 which was awarded to The University of Texas at Austin by the Corporation for National Service.

If you have any questions, please feel free to contact me at (512) 471-8989.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jamie Southerland".

Jamie Southerland
Assistant Director for Business Affairs

I. Comments Related to Questioned Costs

A. Training and Education

OSURF is unable to provide documentation to support CAN No. 301451, and will reimburse UTA \$859.

B. Travel

OSURF is unable to provide documentation to support CAN No. 301451, and will reimburse UTA \$168.

The expenses associated with UTA Document ID FOVT6988482 (\$725) were originally charged to the Dana Foundation cost-sharing account. These expenses will no longer be included as cost-sharing for CNS Grant Number 94ADNTX045.

C. CNS Meetings

We agree with the reclassification of the costs on CAN No. 331031 from CNS Meeting to Operating-Other.

OSURF is unable to provide documentation to support CAN Nos. 301453 and 301454, and will reimburse UTA \$2,902.

D. Supplies

OSURF is unable to provide documentation to support CAN No. 301449, and will reimburse UTA \$1,057.

E. Internal Evaluation

We agree with the reclassification of the costs on UTA Documents E0VP2900974 and E0VP2902776.

II. Comments Related to Internal Control Findings

Finding No. 1

Each subcontract issued by the Charles A. Dana Center will contain a provision requiring that all invoices be submitted to us in a standard format (Exhibit A). For each budget line item, the subrecipient will report: award amount, current costs, cumulative costs, and remaining award amount. In addition, we will randomly audit invoices submitted by subrecipients to ensure that costs are accurately reported and allowable.

We disagree with the assertion that OSURF did not receive a copy of the AmeriCorps provisions. A copy of these provisions was included with each subcontract issued.

In the future, we will send a packet of information to subrecipients including; information specific to the subcontract, invoicing instructions, procedure for requesting a change in the budget, the names of the program contact and the fiscal contact, and a copy of the subcontract.

Finding No. 2

The Dana Center will implement an after-the-fact labor distribution system for non-professorial and non-professional staff. An activity report will be prepared which reflects the distribution of activity expended by non-professorial and non-professional staff. This report will be signed by either the employee, the principal investigator, or the employee's supervisor.

Finding No. 3

During August 1996, we changed the system used to record the number of hours worked by members. The hours of all full- and part-time members are recorded based on actual hours worked. A member of the audit team agreed that the current system is acceptable.

Finding No. 4

A database of member information is being developed. It will be used to track each member's progress through the program. One portion of the database will include a field for each form required by the Corporation. The date that a form is signed will be entered into that field. The forms will be filed in each member's folder. We will periodically compare the database information to the actual records contained in the member's folder.

II. Comments Related to Compliance Findings

Finding No. 1

As of August 1996, living allowances are disbursed in a manner that is unrelated to the number of hours worked.

We disagree with the finding that the members listed in the audit report received living allowances in amounts less than they were entitled to receive. It appears that the audit totals do not include living allowances paid from local funds (Dana Foundation).

After reviewing all member records for program years 1 and 2, we discovered that 4 of the 113 members received living allowances in amounts less than they were entitled to receive. The shortages ranged from \$22 to \$276. We will attempt to contact these members and reimburse them for the shortage.

Finding No. 2

Quarterly Financial Status Reports (FSRs) were originally prepared in aggregate. After the Corporation requested disaggregated reporting, modifications were made to the standard model used by the Office of Accounting. New sub-accounts were created to separate each site and the parent. The current account set-up facilitates accurate and timely reporting in a manner which satisfies the Corporation's requirements.

Finding No. 3

The Dana Center will implement an after-the-fact labor distribution system for non-professorial and non-professional staff. A monthly activity report will be prepared which reflects the distribution of activity expended by non-professorial and non-professional staff. This report will be signed by either the employee, the principal investigator, or the employee's supervisor.

Finding No. 4

A member contract (Exhibit B) was created which meets the requirements of paragraph 8b of the AmeriCorps Provisions. This revised contract was signed by all current members. A copy of the contract was distributed to each member.

Finding No. 5

Each site director will be responsible for ensuring the completion of mid-term and end-of-term evaluations of each member's performance. These evaluations will be submitted to the Parent organization. The receipt of the evaluations will be noted in the member database mentioned in the comment to Internal Control Structure Finding No. 4.

Finding No. 6

A letter (Exhibit C) was distributed to all current AmeriCorps members and staff explaining that members are not allowed to perform clerical, research, or fund-raising activities. This explanation is also included in the new member contracts.

Finding No. 7

A grievance procedure was established for all full- and part-time members. The grievance procedure and the drug-free workplace policy are included in the new contract, which all current members have received and signed.

Finding No. 8

All member timesheets will now require a supervisor's signature before the hours on that timesheet are counted toward completion of the member's service requirements.

Finding No. 9

We will review the member rosters to determine which forms are missing and forward copies to the National Service Trust. The member database mentioned in the comment to Internal Control Structure Finding No. 4 will be used to track the receipt and submission of these forms. We will also compare our database to the updated member rosters distributed by the Corporation.