

**Office of the Inspector General
Corporation for National Service**

**Corporation for National Service
Cooperative Agreement Number 95ASTRMN03
to
Red Lake Tribal Council**

**Report Number 98-10
August 28, 1997**

This report was issued to Corporation management on February 24, 1998. 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 August 8, 1998, and complete its corrective action by February 24, 1999. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented or the amount of disallowed costs.

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

Office of the Inspector General
Corporation for National Service
Cooperative Agreement Number 95ASTRMN03
to
Red Lake Tribal Council

Leonard G. Birnbaum and Company, under contract to the Office of the Inspector General, performed an audit of the funds awarded by the Corporation for National Service to the Red Lake Tribal Council (Red Lake) for the AmeriCorps program under Cooperative Agreement Number 95ASTRMN03. The audit covered the costs (\$314,452) incurred during the period September 1, 1995 through November 30, 1996.

The audit was performed to determine whether financial reports prepared by Red Lake presented fairly the financial condition of the award, the systems of internal control structure were adequate to safeguard Federal funds, and the award costs reported to the Corporation were documented and allowable in accordance with the terms and conditions of the award. Furthermore, the audit assessed whether Red Lake had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations and award conditions and to track and report progress toward achievement of the program objectives. We have reviewed the report and work papers supporting its conclusions and agree with the findings and recommendations presented.

No costs were questioned as a result of the audit. However, the firm found that

- Red Lake lacked an adequate system to internally evaluate the program.
- Red Lake lacked adequate controls for recording and tracking the service hours worked by the Members.
- Red Lake lacked adequate controls over the preparation and submission of reports.
- The accounting records did not adequately identify the source and application of funds nor were actual expenditures compared with budgeted amounts.
- Living allowances were paid based on an hourly basis rather than a stipend basis.

These and other matters are discussed in greater detail in the report.

Red Lake's response to a draft of this report is presented in Appendix A. In its response, Red Lake concurred with all of the findings and recommendations and stated that it would implement the recommendations. The Corporation did not respond.

Corporation for National Service
Office of the Inspector General
Report Number 98-10

Corporation for National Service Cooperative Agreement Number 95ASTRMN03
to
Red Lake Tribal Council
Red Lake, MN 56671

Financial Schedules
and
Independent Auditor's Reports

For the Period
September 1, 1995 to November 30, 1996

Leonard G. Birnbaum and Company
Certified Public Accountants
6285 Franconia Road
Alexandria, Virginia 22310
(703) 922-7622

Corporation for National Service
Office of the Inspector General
Audit of Red Lake Tribal Council
Cooperative Agreement No. 95ASTRMN03

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REPORT SUMMARY AND HIGHLIGHTS

LEONARD G. BIRNBAUM AND COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

WASHINGTON OFFICE

6285 FRANCONIA ROAD

ALEXANDRIA, VA 22310-2510

(703) 922-7622

FAX: (703) 922-8256

LEONARD G. BIRNBAUM
LESLIE A. LEIPER
DAVID SAKOFS
CAROL A. SCHNEIDER

MEMBERS OF THE
AMERICAN INSTITUTE
OF CPA'S

WASHINGTON, D.C.
SUMMIT, NEW JERSEY
LOS ALTOS, CALIFORNIA
SAN DIEGO, CALIFORNIA

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Corporation for National Service

We have performed an audit of the funds awarded by the Corporation for National Service (Corporation) to the Red Lake Tribal Council (Red Lake) for the AmeriCorps program under Cooperative Agreement No. 95ASTRMN03. Our audit covered the costs incurred during the period September 1, 1995 through November 30, 1996.

SUMMARY OF AUDIT RESULTS

Our audit of the costs incurred by Red Lake for its AmeriCorps program disclosed the following:

Award Budget	\$ 367,370
Incurred Costs	314,452
Questioned Costs	-

We have not questioned any of the incurred costs as a result of our audit.

COMPLIANCE FINDINGS

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

- Progress and financial reports were not submitted in accordance with the schedule required under AmeriCorps Provisions, Section 17. (Independent Auditor's Report on Compliance, Finding No. 1)

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- Living allowances were paid based on an hourly basis rather than a stipend basis. (Independent Auditor's Report on Compliance, Finding No. 2)
- The accounting records did not adequately identify the source and application of funds nor were actual expenditures compared with budgeted amounts. (Independent Auditor's Report on Compliance, Finding No. 3)
- Not all Members signed a contract in accordance with AmeriCorps Provisions, Section 8. (Independent Auditor's Report on Compliance, Finding No. 4)
- Member performance evaluations (mid-term and end-of-term) were not conducted. (Independent Auditor's Report on Compliance, Finding No. 5)
- The 30 Member files sampled were significantly deficient in the maintenance of required documentation; for example, all 30 files lacked enrollment forms and 22 lacked end of term forms. (Independent Auditor's Report on Compliance, Finding No. 6)

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

- Member positions descriptions were not developed. (Independent Auditor's Report on Compliance, Finding No. 7)
- Parental consent was not obtained for those Members under 18 years of age at the start of the program. (Independent Auditor's Report on Compliance, Finding No. 8)
- Not all Members signed a copy of Red Lake's policy statement issued in accordance with the Drug-Free Workplace Act. (Independent Auditor's Report on Compliance, Finding No. 9)

INTERNAL CONTROL STRUCTURE

Our audit disclosed material weaknesses and reportable conditions in the internal control structure and its operation. The matter which we considered to be a reportable condition is as follows:

- Red Lake lacked adequate controls over the preparation and submission of reports. (Independent Auditor's Report on Internal Control Structure, Finding No. 1)

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In addition, the following matters are considered material weaknesses:

- Red Lake lacked an adequate system to internally evaluate the program. (Independent Auditor's Report on Internal Control Structure, Finding No. 2)
- Red Lake lacked adequate controls for recording and tracking the service hours worked by the Members. (Independent Auditor's Report on Internal Control Structure, Finding No. 3)

PURPOSE AND SCOPE OF AUDIT

Our audit covered the costs incurred under Cooperative Agreement No. 95ASTRMN03 during the period September 1, 1995 through November 30, 1996, which was the award period. The objectives of our audit were to determine whether:

1. Financial reports prepared by Red Lake presented fairly the financial condition of the award;
2. The systems of internal control structure were adequate to safeguard Federal funds;
3. Red Lake had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations and award conditions;
4. The award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions; and
5. Red Lake had adequate procedures and controls to track and report progress toward achievement of the program objectives.

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 required 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.

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We provided a draft of this report to the Corporation and to Red Lake for comments. While the Corporation did not respond, Red Lake's comments are presented as Appendix A of this report. Red Lake concurred with all of the findings.

MATTER REQUIRING RESOLUTION

Red Lake acquired equipment, at a cost of \$3,125, during its performance of the cooperative agreement. The terms of the cooperative agreement provide that title to the equipment vests with Red Lake, but that the Corporation has a reversionary interest in the equipment and the right to direct the disposition upon completion of award performance. As of the date of our audit, Red Lake had not received any direction from the Corporation as to the disposition of the equipment. We observed that Red Lake was awarded other funding by the Corporation through the Minnesota Commission on National and Community Service.

BACKGROUND

The Red Lake Tribal Council is the governing body of the Red Lake Band of Chippewa Indians. Effective September 1, 1995, the Corporation awarded Cooperative Agreement No. 95ASTRMN03 to Red Lake for its AmeriCorps program. The application reflected a cooperative partnership between Red Lake and several other organizations: the Bois Forte Band of Chippewa Indians; the Red Lake Tribal College; and the Polk County Alliance for Families and Children of Crookston. The overall title of the partnership project is Partners in Service to America, Inter-Tribal/Inter-Community AmeriCorps Project. The program operated three program sites: Red Lake, Bois Forte, and Crookston.

REPORT RELEASE

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

INDEPENDENT AUDITOR'S REPORT

LEONARD G. BIRNBAUM AND COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

WASHINGTON OFFICE

6285 FRANCONIA ROAD

ALEXANDRIA, VA 22310-2510

(703) 922-7622

FAX: (703) 922-8256

LEONARD G. BIRNBAUM
LESLIE A. LEIPER
DAVID SAKOFS
CAROL A. SCHNEIDER

WASHINGTON, D.C.
SUMMIT, NEW JERSEY
LOS ALTOS, CALIFORNIA
SAN DIEGO, CALIFORNIA

MEMBERS OF THE
AMERICAN INSTITUTE
OF CPA'S

Inspector General
Corporation for National Service

INDEPENDENT AUDITOR'S REPORT

We have audited the costs incurred by Red Lake Tribal Council (Red Lake) under the Corporation for National Service (Corporation) cooperative agreement number listed below. A final Financial Status Report was not submitted for this cooperative agreement. The incurred costs, as presented in the schedule of award costs (Exhibit A), are the responsibility of Red Lake'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>
95ASTRMN03	September 1, 1995 to November 30, 1996	September 1, 1995 to November 30, 1996

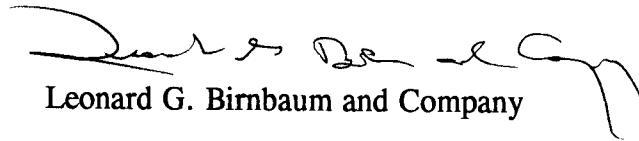
We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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 schedule was prepared for the purpose of complying with the requirements of the award agreement as described in Note 1, and is not intended to be a complete presentation of financial position in conformity with generally accepted accounting principles.

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In our opinion the financial schedule referred to above presents fairly, in all material respects, the costs incurred, as presented in the schedule of award costs (Exhibit A), for the period September 1, 1995 to November 30, 1996, in conformity with the award agreements.

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


Leonard G. Birnbaum and Company

Alexandria, Virginia
August 28, 1997

FINANCIAL SCHEDULES

Red Lake Tribal Council
 Corporation for National Service - Award Number 95ASTRMN03
 Schedule of Award Costs
 From September 1, 1995 to November 30, 1996
 Final

<u>Cost Category</u>	<u>Approved Budget</u>	(A) <u>Incurred Costs</u>	<u>Reclassified Costs</u>	<u>Incurred As Reclassified</u>	<u>Questioned Costs</u>	<u>Exhibit B Note Reference</u>
Member Support Costs:						
Living allowance	\$ 71,170	\$ 64,068		\$ 64,068		
FICA & worker's comp	6,869	5,765		5,765		
Health care	<u>13,200</u>	<u>10,299</u>		<u>10,299</u>		
Subtotal	<u>91,239</u>	<u>80,132</u>	<u>\$ -</u>	<u>80,132</u>	<u>\$ -</u>	
Other Member Costs:						
Training and education	14,850	14,850	(1,465)	13,385		1
Uniforms	5,062	4,312	1,975	6,287		2
Other	<u>1,650</u>	<u>-</u>		<u>-</u>		
Subtotal	<u>21,562</u>	<u>19,162</u>	<u>510</u>	<u>19,672</u>	<u>-</u>	
Staff:						
Salaries	131,976	126,752		126,752		
Benefits	23,274	17,039		17,039		
Training	<u>14,177</u>	<u>5,310</u>	<u>1,565</u>	<u>6,875</u>		3
Subtotal	<u>169,427</u>	<u>149,101</u>	<u>1,565</u>	<u>150,666</u>	<u>-</u>	
Operational:						
Travel/Transportation	32,164	51,096	(100)	50,996		4
Supplies	22,525	13,223	(1,975)	11,248		2
Other	<u>3,125</u>	<u>1,738</u>		<u>1,738</u>		
Subtotal	<u>57,814</u>	<u>66,057</u>	<u>(2,075)</u>	<u>63,982</u>	<u>-</u>	
Internal Evaluation:	<u>10,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Administration:	<u>16,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
TOTAL CNS FUNDS	367,370	314,452	-	314,452	-	
MATCHING FUNDS	<u>539,200</u>	<u>552,155</u>	<u>-</u>	<u>552,155</u>	<u>-</u>	
TOTAL FUNDS	<u>\$ 906,570</u>	<u>\$ 866,607</u>	<u>\$ -</u>	<u>\$ 866,607</u>	<u>\$ -</u>	

(A) Incurred costs reported above are taken directly from the auditee's books of account. A final Financial Status Report was not submitted.

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

Red Lake Tribal Council
Corporation for National Service - Award No. 95ASTRMN03
Notes to Financial Schedules

1. Summary of Significant Accounting Policies

Accounting Basis

The accompanying financial schedule, Exhibit A, has been prepared from the books of account. The basis of accounting utilized 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 the Corporation. Therefore, the auditee does not maintain any equity in the award and any excess of cash received from the Corporation over final expenditures is due back to the Corporation.

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 Red Lake Tribal Council while used in the program for which it is purchased or in other future authorized programs. However, the Corporation 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.

Red Lake Tribal Council
Corporation for National Service - Award No. 95ASTRMN03
Explanation of Reclassified Costs
From September 1, 1995 to November 30, 1996
Final

1. Training and education

We have reclassified a net amount of \$1,465 from Training and education. All of the reclassifications to Training and education were made because the documentation supporting these costs indicated that the costs related to Member training. The reclassification from Training and education was made because the supporting documentation indicated that the cost related to the training of staff personnel and not the Members.

<u>JE No.</u>	<u>Amount</u>	<u>Reclassified from</u>	<u>Reclassified to</u>
42053	\$ 100	Travel/Transportation	Training & education
31183	575	Staff - Training	Training & education
40272	600	Staff - Training	Training & education
41507	(3,240)	Training & education	Staff - Training
30647	250	Staff - Training	Training & education
40961	<u>250</u>	Staff - Training	Training & education
	<u>\$(1,465)</u>		

2. Uniforms

We have reclassified \$1,975 (JE Nos. 28155 and 28154) to Uniforms from Supplies because the supporting documentation indicated that Members' uniforms were purchased.

Red Lake Tribal Council
Corporation for National Service - Award No. 95ASTRMN03
Explanation of Reclassified Costs
From September 1, 1995 to November 30, 1996
Final

3. Training

We have reclassified a net amount of \$1,565 to Training. All of the reclassifications from Training were made because the documentation supporting these costs indicated that the costs related to training and were incurred for the benefit of the Members and not staff personnel. The reclassification to Training was made because the supporting documentation indicated that the cost related to the training of staff personnel.

<u>JE No.</u>	<u>Amount</u>	<u>Reclassified from</u>	<u>Reclassified to</u>
31183	\$ (575)	Staff - Training	Training & education
40272	(600)	Staff - Training	Training & education
41507	3,240	Training & education	Staff - Training
30647	(250)	Staff - Training	Training & education
40961	<u>(250)</u>	Staff - Training	Training & education
	<u>\$ (1,565)</u>		

4. Travel/Transportation

We have reclassified \$100 (JE No. 42053) from Travel/Transportation to Training & education because the cost was for the registration fee for two Members to attend a training seminar.

INDEPENDENT AUDITOR'S REPORTS
ON
COMPLIANCE AND INTERNAL CONTROL STRUCTURE

LEONARD G. BIRNBAUM AND COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

WASHINGTON OFFICE
6285 FRANCONIA ROAD
ALEXANDRIA, VA 22310-2510

(703) 922-7622

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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 incurred costs of Red Lake Tribal Council (Red Lake) under the Corporation for National Service (Corporation) award listed below, and have issued our report thereon dated August 28, 1997.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
95ASTRMN03	September 1, 1995 to November 30, 1996	September 1, 1995 to November 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 Red Lake'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

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conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial schedules. The results of our tests of compliance disclosed the following material instances of noncompliance:

Finding No. 1

Progress reports and Financial Status Reports (FSR) were not submitted in accordance with AmeriCorps Provision 17. As stated in this provision, the Corporation established the following reporting requirements:

<u>Due Date</u>	<u>Contents</u>	<u>Time Period Covered</u>
February 29, 1996	Progress report	October 1 - December 31
April 19, 1996	Renewal request Progress report FSR	January 1 - March 31
July 31, 1996	FSR	April 1 - June 30
October 31, 1996	Final Progress Report FSR	April 1 - September 30

Red Lake did not submit a final progress report nor did it submit a FSR for the quarter ended September 30, 1996 (this would not have been the final report since the award period was extended to November 30, 1996, by Amendment No. 2). Furthermore, Red Lake did not submit a final FSR after the end of the award period. The late or lack of submission of required reports diminishes the Corporation's and the grantee's ability to monitor and administer the program.

Recommendation

We recommend that Red Lake establish and implement policies and procedures to submit all required reports on a timely basis. We further recommend that Red Lake submit a final FSR immediately.

Finding No. 2

Members received a living allowance which was paid on an hourly basis in relation to the hours worked rather than on a stipend basis as required. 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 time period. Programs should pay the living allowance in increments, such as weekly or bi-weekly." By paying living allowances on an hourly basis rather than a stipend basis, a Member may be paid amounts which are either more or less than the Members should have been paid. If the living allowance paid to the Member is less than the living allowance amount (prorated for less than a complete term of service) stated in the Member's contract, then the Member is entitled to the difference. If the living allowance paid to the Member results in the Member receiving more than the living allowance amount (prorated for less than a complete term of service) stated in the Member's contract, then the program runs the risk that costs may be disallowed if the Corporation share exceeds the maximum amount of \$6,753 (85 percent of the minimum living allowance amount of \$7,945) for a full-time Member (this amount is prorated for part-time Members). Our review of the living allowances paid to 28 Members disclosed 12 shortages and 13 overages. The overages did not, however, result in disallowed costs since these overages were not claimed against the Corporation. The overages and shortages ranged between \$2 and \$820 as follows:

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	Enrolled Date	Completion Date	% of Term Completed ₂	Allowance Earned ₃	Allowance Paid	Shortages (Overages) ₄
Boney, A.	10/10/95	11/03/95	8	596	639	(43)
Brown, D.	10/10/95	07/23/96	95	7,548	7,251	297
Drift, S.	10/10/95	07/31/96	100	7,945	7,963	(18)
Gatica, M.	10/10/95	04/01/96	55	4,370	4,356	14
Gonzales, G.	10/10/95	08/02/96	100	7,945	7,941	5
Graves, D.	10/10/95	08/16/96	100	7,945	7,140	805
Greenleaf, D.	10/10/95	08/30/96	100	7,945	7,889	56
Gurno, M.	10/10/95	08/16/96	100	7,945	8,006	(61)
Isham, C.	10/10/95	03/26/96	55	4,370	4,271	99
Marichalar, C.	10/10/95	04/24/96	65	5,164	5,328	(164)
Morrison, D.	11/27/95	08/18/96	90	7,151	7,164	(13)
Nelson, H.	10/10/95	03/18/96	53	4,171	4,392	(221)
Oakgrove, J. ₁	02/26/96	05/21/96	55	2,316	2,043	273
Perkins, D.	10/16/95	03/08/96	48	3,774	2,954	820
Perkins, D.	10/10/95	07/12/96	90	7,151	6,955	196
Ramirez, J.M.	10/10/95	08/14/96	100	7,945	7,943	2
Ramirez, J.V. ₁	02/19/96	08/07/96	100	4,211	4,206	5
Rosebear, B.	10/10/95	08/23/96	100	7,945	7,954	(9)
Strong, R.	10/10/95	08/30/96	100	7,945	7,815	130
Strong, S.	10/10/95	08/30/96	100	7,945	8,164	(219)
Sumner, F.	10/10/95	08/30/96	100	7,945	8,489	(544)
Thompson, M.	10/10/95	08/16/96	100	7,945	7,968	(23)
VanWert, A.	10/10/95	08/02/96	100	7,945	7,992	(47)
Villebrun, D.	10/10/95	08/16/96	100	7,945	7,997	(52)
Whiteman, R. ₁	02/26/96	04/24/96	40	1,684	1,038	647

₁ Member was enrolled on a part-time basis.
₂ A full term covered a ten month period. The percentage of term completed was calculated by dividing the number of months enrolled in the program by the full term of ten months.
₃ A full-time member would have earned \$7,945 for a complete term and a part-time member would have earned \$4,211 for a complete term.
₄ The overages and shortages are the difference between the living allowances earned and paid.

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Recommendation

We recommend that for any existing or future AmeriCorps programs, the living allowances be paid as was intended by the AmeriCorps Provisions. We further recommend that Red Lake review the living allowances paid to all Members under this cooperative agreement and attempt to contact the Members to rectify the shortages.

Finding No. 3

Red Lake's accounting records did not adequately identify the source and application of funds, nor did Red Lake compare budgeted amounts with actual expenditures. The Corporation's regulations at 45 CFR 2541.200 detail the standards for financial management systems. Two of these standards require (1) adequate identification of the source and application of funds provided for financially-assisted activities and (2) the comparison of actual expenditures or outlays with budgeted amounts for each grant. Given that Red Lake records all expenditures for a program (regardless of funding source) in the same general ledger account, Red Lake was unable to provide us with the expenditures made with Corporation funds and matching funds related to this cooperative agreement without significant reconstruction effort. The budget to actual comparisons assist the program in determining whether additional funding is necessary or if Corporation approval needs to be obtained for budget transfers. Our comparison of budget versus actual did not disclose a need for budget transfer approval.

Recommendation

We recommend that Red Lake implement a financial management system which will provide for the identification of the source and application of funds, as well as the comparison of budgeted amounts with actual expenditures.

Finding No. 4

Not all Members signed a contract in accordance with AmeriCorps Provision 8. Of 30 contracts sampled, 18 Members had not signed a contract. Paragraph 8b of these provisions states that "the grantee must require that Members sign contracts that stipulate the following:

- i. 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.*);

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- 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.”

The use of a detailed Member contract helps to eliminate confusion with the Members during the program, such as what is expected of them and what the consequences may be for unacceptable behavior.

Recommendation

We recommend that Red Lake establish and implement policies and procedures requiring the Members of existing and future AmeriCorps program to sign contracts, thereby acknowledging that they have read and understand the contract.

Finding No. 5

Written evaluations of each Member’s performance were not prepared. Paragraph 8g of the AmeriCorps Provisions states that “the grantee must conduct at least a mid-term and end-of-term written evaluation of each Member’s performance, focusing on such factors as:

- i. whether the Member has completed the required number of hours;
- ii. whether the Member has satisfactorily completed assignments; and
- iii. whether the Member has met other performance criteria that were clearly communicated at the beginning of the term of service.”

Red Lake did not conduct any such performance evaluations. Performance evaluations not only give the Members a sense of how they are doing in the program (i.e., meeting expectations, on track to complete the program within the specified time period, etc.) but can be a source of information which is used by the program in its overall program evaluation efforts.

Recommendation

We recommend that, for any existing or future AmeriCorps program, Red Lake establish and implement policies and procedures to conduct and document the required evaluations of each Member’s performance.

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 Corporation for National Service

Finding No. 6

Red Lake did not maintain documentation regarding the Members as required by AmeriCorps Provision 15. Paragraph 15a of the AmeriCorps Provisions states, in part, that “the Grantee must maintain verifiable records which document each Member’s eligibility to serve based upon citizenship or lawful permanent residency, birthdate, level of educational attainment, date of high school diploma or equivalent certificate (if attained), participation start date and end date, hours of service per week, location of service activities and project assignment.” In addition, Paragraph 15b of these same provisions states, in part, that “if a Member does not have a high school diploma or its equivalent at the time of enrollment, the Grantee must maintain a record of the Member’s elementary or high school drop-out date, the Member’s written agreement to obtain a high school diploma or its equivalent before using the educational award. . . .” Our testing of 30 Member files disclosed the following:

Lacking Documentation For:	Number of Files Lacking
Eligibility to enroll	5
Level of education obtained	6
Written agreement indicating Member will obtain high school diploma or its equivalent before using the educational award, where the education level was unknown with no member contract	4
Written agreement indicating Member will obtain high school diploma or its equivalent before using the educational award, where the education level was known	6
Enrollment	30
End of term	22
Hours of service performed per week	30

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Recommendation

We recommend Red Lake establish and implement policies and procedures to retain documentation as required by AmeriCorps Provision 15.

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 on the financial schedule dated August 28, 1997.

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

Finding No. 7

Member position descriptions were not developed. Paragraph 8a of the AmeriCorps Provisions states, in part, that "the Grantee must develop Member position descriptions that provide for direct and meaningful service activities that are appropriate to the skill level of Members. Member activities may not include clerical work, research, or fund raising activities unless such activities are incidental to the Member's direct service activities." According to the Project Director, written position descriptions were not developed but activities such as clerical were discussed with the Members during the orientation. Without written position descriptions, Members may not be clear on what their duties and responsibilities are.

Recommendation

We recommend that Red Lake develop written position descriptions for the Members of existing and future AmeriCorps programs.

Finding No. 8

Parental consent was not obtained for those Members under 18 years of age at the start of the program. Paragraph 7g of the AmeriCorps Provisions states that "before enrolling in a Program, individuals under eighteen years of age must provide written consent from a parent or legal guardian." Our testing revealed that, of the 30 Members included in our sample, three Members had not reached the age of 18 upon enrollment in the program and had not obtained written parental consent.

Inspector General
Corporation for National Service

Recommendation

We recommend that Red Lake establish and implement policies and procedures to obtain written consent from a parent or legal guardian for all Members under 18 years of age prior to their enrollment in the program for any existing or future AmeriCorps programs.

Finding No. 9

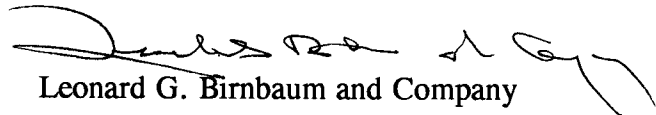
Not all Members signed a copy of Red Lake's policy statement that was issued in accordance with the Drug-Free Workplace Act. (Public Law 100-690 Title V, Subtitle D, 41 U.S.C. 701 et seq.). The Drug-Free Workplace Act requires that all recipients receiving grants or cooperative agreements from any Federal agency certify that they will provide a drug-free workplace. The recipient certifies that it will provide a drug-free workplace by publishing a policy statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition. The policy statement issued by Red Lake in accordance with this act states that all employees are to sign a statement documenting the employee's notification of the policy. We found no evidence that 16 of the 30 Members included in our sample had signed such a notification statement.

Recommendation

We recommend that Red Lake establish and implement policies and procedures to ensure adherence to its Drug-Free Workplace Act policy statement.

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

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


Leonard G. Birnbaum and Company

Alexandria, Virginia
August 28, 1997

LEONARD G. BIRNBAUM AND COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

WASHINGTON OFFICE

6285 FRANCONIA ROAD

ALEXANDRIA, VA 22310-2510

(703) 922-7622

FAX: (703) 922-8256

LEONARD G. BIRNBAUM
LESLIE A. LEIPER
DAVID SAKOFS
CAROL A. SCHNEIDER

WASHINGTON, D.C.
SUMMIT, NEW JERSEY
LOS ALTOS, CALIFORNIA
SAN DIEGO, CALIFORNIA

MEMBERS OF THE
AMERICAN INSTITUTE
OF CPA'S

Inspector General
Corporation for National Service

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

We have audited the schedule of award costs, as presented in Exhibit A, which summarizes the incurred costs of Red Lake Tribal Council (Red Lake) under the Corporation for National Service (Corporation) award listed below, and have issued our report thereon dated August 28, 1997.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
95ASTRMN03	September 1, 1995 to November 30, 1996	September 1, 1995 to November 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 September 1, 1995 to November 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 schedule 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 to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with

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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 matter 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.

Finding No. 1

Red Lake lacked adequate controls over the preparation and submission of reports. As detailed in Finding No. 1 of the Independent Auditor's Report on Compliance, not all the required progress and financial reports were submitted.

Recommendation

We recommend that Red Lake establish and implement policies and procedures to submit all required reports on a timely basis.

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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, we noted the following matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

Finding No. 2

Red Lake lacked an adequate system to internally evaluate the program. The internal evaluation process should include procedures to track progress toward achievement of the program objectives, as well as monitor the quality of service activities, satisfaction of both service recipients and participants, and management effectiveness. Such a system should allow for frequent feedback and the quick correction of weaknesses. Based on our discussion with program personnel and our review of documentation provided during the audit, we determined that Red Lake had an unstructured and informal method of collecting data which would be used in an evaluation process. In addition, Red Lake did not consistently collect program data nor maintain records documenting the data collected. Furthermore, Red Lake did not have any procedures to analyze the data collected or assess whether the program objectives were achieved.

Recommendation

We recommend that Red Lake develop and implement policies and procedures to evaluate the program, track the progress toward achievement of the program's objectives, and monitor the quality of service activities, satisfaction of both service recipients and participants, and management effectiveness.

Finding No. 3

Red Lake lacked adequate controls for recording and tracking service hours worked by the 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 record and track the total service hours worked by the Members so that upon completion or termination from the

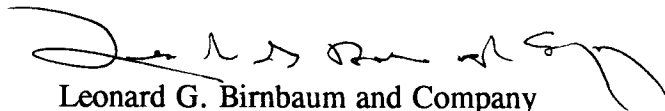
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program the grantee knows whether or not the Member has completed enough hours to qualify for a full or partial educational benefit. Although Red Lake developed a system to track Member service hours, it is deficient in that the hours tracked are based on the timesheets completed by the Members for payroll purposes. Since the hours reported on these timesheets were limited to 80 hours per payperiod, they may not reflect the actual time spent performing service. For example, some timesheets indicated that the Member was paid for hours on days when notes from either the supervisor or the placement site located in the Members' files indicated that the Member had not reported to work. We were informed that this was the result of the Member recording hours previously worked but not paid in a prior payperiod since the total hours in the prior payperiod exceeded 80 hours. The program did not, however, maintain records to support this information. Therefore, since the timesheets submitted for payroll purposes were used to track total Member service hours, it is possible that Members did not receive credit for all service hours or were credited with service hours which were not worked. Based on this system, we were unable to determine the actual service hours worked by the Members.

Recommendation

We recommend that Red Lake revise its system to track service hours by requiring the Members to record actual service hours worked on their timesheets.

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



Leonard G. Birnbaum and Company

Alexandria, Virginia
August 28, 1997

Appendix A

Response of the Red Lake Tribal Council

RED LAKE BAND of CHIPPEWA INDIANS



TRIBAL COUNCIL
Organized April 18, 1918
(Revised Constitution & By-Laws,
January 6, 1959)

OFFICERS:
BOBBY WHITEFEATHER, Chairman
JUDY ROY, Secretary
JAMES (GUS) STRONG, Treasurer

DISTRICT REPRESENTATIVES:
ROMAN P. STATELY, JR.
FABIAN COOK
LARRY DUDLEY
PRESTON GRAVES
LAWRENCE BEDEAU
ALLEN ENGLISH, JR.
BRUCE STILLDAY, SR.
CLIFFORD C. HARDY

ADVISORY COUNCIL:
7 HEREDITARY CHIEFS

CHIEF COUNCIL OF 1889
May-dway-gwa-no-nind
Nah-gaun-e-gwon-abe
Mays-co-co-caw-ay
Ahnah-me-ay-ge-shig
Naw-ay-tah-wowb
Nah-wah-quay-ge-shig

Red Lake, MN 56671

Phone 218-679-3341 • Fax 218-679-3378

DIVISION:

February 2, 1998

Leonard G. Birnbaum and Company, LLP
Attn: Regina Dull
Washington Office
6285 Franconia Road
Alexandria, VA 22310-2510

RE: Draft Audit Report

Dear Regina:

Per your request the tribe has no comments or objections to the draft audit report of Cooperative Agreement number 95ASTRMN03.

The Tribe agrees with the findings and recommendations of the audit. All recommendations will be implemented or already are implemented at this time. The Program Director is implementing the recommended changes at the program level.

If you have any further questions please feel free to contact me.

Sincerely,

Ron Eischens