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

**Audit of  
Congressional Hunger Center  
Cooperative Agreement No. 96ADNDC099**

**Report Number 99-04  
November 3, 1998**

*Prepared by:*  
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Under CNS OIG MOU # 94-046-1027  
With the Department of State  
Contract # S-OPRAQ-94C-0470-77

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**This report was issued to Corporation management on January 22, 1999. 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 July 21, 1999, and complete its corrective actions by January 22, 2000. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.**

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

CORPORATION  
FOR NATIONAL  
★ SERVICE

**Audit of Congressional Hunger Center  
Cooperative Agreement No. 96ADNDC099**

Leonard G. Birnbaum and Company, under contract to the Office of the Inspector General, performed an audit of the amounts claimed by Congressional Hunger Center under Cooperative Agreement No. 96ADNDC099.<sup>1</sup> The audit covered the costs (\$1,978,804) claimed during the grant period from October 1, 1996 through March 31, 1998, and included tests to determine whether financial reports prepared by Congressional Hunger Center presented fairly the financial condition of the award and the award costs reported to the Corporation were documented and allowable in accordance with the terms and conditions of the award. We have reviewed the report and work papers supporting its conclusions and agree with the findings and recommendations presented.

The firm found numerous compliance and internal weakness including that Congressional Hunger Center:

- Claimed costs that did not benefit the program or were unnecessary;
- Claimed costs which were not supported by adequate source documentation;
- Did not meet the minimum matching requirements for the 96/97 program year;
- Claimed living allowances and benefits, including health care, for participants of another program; and
- Drew down funds from the Corporation in excess of its immediate cash needs.

As a result, we are questioning \$239,940 (12 percent) in costs claimed under the award. These and other matters are discussed in detail in this report.

The Corporation's response to a draft of this report is included as Appendix A. In its response, the Corporation stated that it had not performed a comprehensive analysis of the findings and could not provide detailed comments or specifically concur with the recommendations at this time.

Congressional Hunger Center's response is summarized after each finding as appropriate and included as Appendix B. Congressional Hunger Center generally concurred with the findings and described actions it has taken to address the findings and recommendations.

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<sup>1</sup> This report is one of two reports issued under an engagement to (1) audit the costs claimed by Congressional Hunger Center and its subrecipients from October 1, 1996 through March 31, 1998, and (2) evaluate the Corporation for National Service's (Corporation) monitoring and oversight of the grant. OIG Audit Report 99-05, *Evaluation of the Corporation's Monitoring and Oversight of Cooperative Agreement Number 96ADNDC099 awarded to Congressional Hunger Center*, focuses on the Corporation's monitoring and oversight procedures.

Office of the Inspector General  
Corporation for National Service  
Audit of Congressional Hunger Center  
Cooperative Agreement No. 96ADNDC099

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## **REPORT SUMMARY AND HIGHLIGHTS**

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## Inspector General Corporation for National Service

This report is one of two reports issued under an engagement to (1) audit the costs claimed by Congressional Hunger Center and its subrecipients from October 1, 1996 through March 31, 1998, and (2) evaluate the Corporation for National Service's (Corporation) monitoring and oversight of the grant<sup>1</sup>. This report focuses on the audit of claimed costs, instances of noncompliance with Federal laws, applicable regulations or award conditions, and internal control weaknesses disclosed during the audit at Congressional Hunger Center and its subrecipients while the report on the evaluation focuses on specific areas where the Corporation's monitoring and oversight procedures are weak.

Our audit of Congressional Hunger Center covered the funds awarded by the Corporation under Cooperative Agreement No. 96ADNDC099 for the period October 1, 1996 through March 31, 1998, which had an award period of October 1, 1996 through December 31, 1998. Congressional Hunger Center entered into subgrant agreements with entities located in the District of Columbia, California, Mississippi, Vermont, and Wisconsin to administer a program at their respective sites. Congressional Hunger Center, however, was considered the prime recipient of the cooperative agreement. Our audit of the costs claimed by Congressional Hunger Center for its AmeriCorps program disclosed the following:

	<u>Period</u>	<u>Amount</u>	<u>Percentage Of Total</u>
Award Budget	10/96 - 12/98	\$ 2,887,278	-
Claimed Costs	10/96 - 03/98	\$ 1,978,804	69%
Questioned Costs	10/96 - 03/98	\$ 239,940	12%

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<sup>1</sup>OIG Audit Report 99-05, *Evaluation of the Corporation's Monitoring and Oversight of Cooperative Agreement Number 96ADNDC099 awarded to Congressional Hunger Center*, dated November 3, 1998.

SUMMARY OF AUDIT RESULTS

As a result of our audit of the aforementioned award, we are questioning costs totaling \$239,940, which are summarized below and detailed in Exhibit A to the Independent Auditor’s report. 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 the Corporation.

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

<u>Explanation</u>	<u>Federal</u>	<u>Matching</u>
• Claimed costs did not benefit the program or were unnecessary	\$ 20,118	\$ 3,826
• Undocumented costs claimed by the California site	87,175	
• Other claimed costs which were not supported by adequate source documentation	20,092	
• The minimum matching requirements were not met	96,811	
• Living allowances and benefits, including health care, were claimed for participants of another program	4,708	2,504
• Claimed costs were unallowable either under the cost principals or Federal Travel Regulation	71	
• Claimed costs were recorded twice in the general ledger	1,244	219
• Incorrect amounts were paid on invoices or invoices were paid twice	1,596	69
• Health care costs were paid for Members after they had left the program or for ineligible part-time Members	<u>1,217</u>	<u>290</u>
Total Questioned Costs	<u>\$ 233,032</u>	<u>\$ 6,908</u>



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We used a judgmental sampling method to test the costs claimed. 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 incurred, 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.

**COMPLIANCE**

Our audit disclosed the following instances of noncompliance with Federal laws, applicable regulations and award conditions:

- Minimum matching requirements for program operations were not met by Congressional Hunger Center for the 96/97 program year. (Independent Auditor's Report on Compliance, Finding No. 1)
- Congressional Hunger Center drew down funds from the Corporation in excess of its immediate cash needs and the California and Wisconsin sites requested and received funds from Congressional Hunger Center in excess of their immediate cash needs. Furthermore, Congressional Hunger Center did not maintain the advanced funds in an interest bearing checking account, nor did the Wisconsin site remit interest earned in excess of \$250 as required. (Independent Auditor's Report on Compliance, Finding No. 2)
- Congressional Hunger Center did not track progress toward achievement of the overall program objectives or submit the required Annual Accomplishment Report. (Independent Auditor's Report on Compliance, Finding No. 3)
- A report for an audit conducted in accordance with OMB Circular A-133 was not submitted on a timely basis by Congressional Hunger Center. (Independent Auditor's Report on Compliance, Finding No. 4)
- The California, Mississippi, Vermont and Wisconsin sites did not maintain documentation regarding the Members such as enrollment and end-of-term forms, timesheets and documentation verifying a Member's eligibility to enroll in the program. (Independent Auditor's Report on Compliance, Finding No. 5)
- Financial reports were not always submitted on a timely basis by Congressional Hunger Center and the Mississippi and Wisconsin sites. (Independent Auditor's Report on Compliance, Finding No. 6)

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- Member timesheets were not signed by the Member and approved by a supervisor nor were the staff timesheets consistently signed by the employee at the Wisconsin site. (Independent Auditor's Report on Compliance, Finding No. 7)
- End-of-term forms were not completed properly by the Vermont site; specifically, the type of termination was not indicated on the form. (Independent Auditor's Report on Compliance, Finding No. 8)
- The Vermont site did not obtain the necessary approval prior to making budget changes. (Independent Auditor's Report on Compliance, Finding No. 9)
- Living allowances were paid at the Wisconsin site based on an hourly basis rather than a stipend basis as required. (Independent Auditor's Report on Compliance, Finding No. 10)
- All of the Members did not sign contracts at the Mississippi and Wisconsin sites nor did the Member contracts contain all of the required provisions at the California and Wisconsin sites. (Independent Auditor's Report on Compliance, Finding No. 11)
- Written evaluations of each Member's performance were not always performed or could not always be located at the DC, Mississippi and Wisconsin sites. (Independent Auditor's Report on Compliance, Finding No. 12)
- A parental consent form was not obtained for two Members who were less than 18 years of age at the Wisconsin site. (Independent Auditor's Report on Compliance, Finding No. 13)
- The Drug-Free Workplace policy of the operating sites located in Mississippi and Wisconsin did not contain all of the required provisions as stipulated by the Drug-Free Workplace Act. (Independent Auditor's Report on Compliance, Finding No. 14)

INTERNAL CONTROLS

Our audit disclosed the following weaknesses in Congressional Hunger Center's internal controls:

- Separation of duties over cash receipts and cash disbursements at Congressional Hunger Center were inadequate. (Independent Auditor's Report on Internal Controls, Finding No. 1)

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- Documentation typically maintained in personnel files, such as the employee's application, salary history and tax withholding forms, did not exist for employees of Congressional Hunger Center. (Independent Auditor's Report on Internal Controls, Finding No. 2)
- The Mississippi, Vermont and Wisconsin sites lacked adequate controls for ensuring that health insurance premiums were paid for only eligible Members. (Independent Auditor's Report on Internal Controls, Finding No. 3)
- The Wisconsin site lacked adequate controls for ensuring that Members of this program served their hours exclusively on this program or that expenditures for participants of other programs were not claimed against this program. (Independent Auditor's Report on Internal Controls, Finding No. 4)
- The site had an inadequate system to track and record service hours performed by the Members. (Independent Auditor's Report on Internal Controls, Finding No. 5)

PURPOSE AND SCOPE OF AUDIT

Our audit covered the costs claimed under Grant No. 96ADNDC099 during the period October 1, 1996 through March 31, 1998, which had an award period of October 1, 1996 through December 31, 1998. The objectives of our audit were to determine whether:

1. Financial reports prepared by Congressional Hunger Center presented fairly the financial condition of the award;
2. The internal controls were adequate to safeguard Federal funds;
3. Congressional Hunger Center and the operating sites 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. Congressional Hunger Center had adequate procedures and controls to track and report progress toward achievement of the program objectives.

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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 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 the Corporation's Office of Grants Management and to Congressional Hunger Center. The Corporation did not provide detailed comments in their response (Appendix A). Congressional Hunger Center's response is presented as Appendix B. A synopsis of the comments made by Congressional Hunger Center in regard to a specific finding is presented in the body of the report immediately following the finding.

#### BACKGROUND

The Corporation awarded Cooperative Agreement Number 96ADNDC099 in the amount of \$2,887,278 for the period October 1, 1996 through December 31, 1998, to Congressional Hunger Center for its anti-hunger AmeriCorps program titled *Beyond Food*. *Beyond Food* projects include efforts to improve dietary intake through nutrition education, expand and strengthen the summer food programs for children, assist neighborhoods in planting community gardens, obtain and salvage food from restaurants and fields, and recertify isolated and homebound individuals for food stamps. Originally, Congressional Hunger Center and four other anti-hunger projects were subgrantees of the U.S. Department of Agriculture.

When the Corporation ceased making awards to Federal Agencies, Congressional Hunger Center formed a consortium with the existing anti-hunger projects and applied for funding directly to the Corporation as a multi-site program. The Congressional Hunger Center teamed up with organizations to operate the program in California, Mississippi, Vermont, and Wisconsin in addition to its own program in the District of Columbia. In November 1996, subsequent to receiving allegations pertaining to 'willful improprieties' at the California site, the Office of Inspector General (OIG) opened an investigation of the California organization. Although the Corporation's OIG investigation revealed evidence indicating that the Executive Director misapplied Federal funds, the cognizant United States Attorney declined to prosecute, citing the relatively low dollar amount, the availability of other remedies, and considering the totality of the circumstances, the lack of jury appeal. The Internal Revenue Service (IRS) seized and sold the California organization's assets to satisfy delinquent withheld and employer's taxes. The California organization was subsequently

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dissolved. Our review of the available records for the California site disclosed that, except for the amount expended for Member living allowances that we could verify had cleared the site's bank, we were unable to determine if the Federal funds received from Congressional Hunger Center at the start of the program were expended on behalf on this AmeriCorps program. As such, we have questioned \$87,175.

#### 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 Congressional Hunger Center and 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 incurred by Congressional Hunger Center for the award number listed below. These costs, as presented in the schedule of award costs (Exhibit A), are the responsibility of Congressional Hunger Center'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>
96ADNDC099	October 1, 1996 to December 31, 1998	October 1, 1996 to March 31, 1998

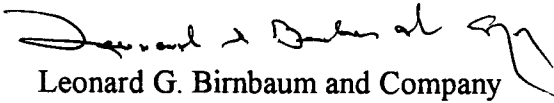
We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial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

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In our opinion, except for \$239,940 in questioned costs, the schedule of award costs (Exhibit A) referred to above presents fairly, in all material respects, the costs claimed for the period October 1, 1996 to March 31, 1998, 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 Congressional Hunger Center and 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 3, 1998



**FINANCIAL SCHEDULES**

Congressional Hunger Center  
Corporation for National Service Award No. 96ADNDC099  
Schedule of Award Costs  
From October 1, 1996 to March 31, 1998  
Interim

<u>Cost Category</u>	(A) <u>Approved Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Exhibit B Note Reference</u>
<b>Member Support Costs:</b>				
Living Allowance	\$ 997,029	\$ 700,643	\$ 8,927	1
FICA & Workers Comp	116,282	75,685	1,161	2
Health Care	<u>113,599</u>	<u>50,667</u>	<u>3,051</u>	3
Subtotal	1,226,910	826,995	13,139	
<b>Other Member Costs:</b>				
Training & Education	38,517	18,585	4,492	4
Other	<u>15,972</u>	<u>13,561</u>	<u>214</u>	5
Subtotal	54,489	32,146	4,706	
<b>Staff:</b>				
Salaries	449,446	635,421	11,427	6
Benefits	101,492	85,327	9,500	7
Training	5,087	4,796	226	8
Other	<u>1,250</u>	<u>1,152</u>	<u>-</u>	
Subtotal	557,275	726,696	21,153	
<b>Operational:</b>				
Travel	18,809	23,413	3,044	9
Corporation Meetings	6,373	685	-	
Supplies	21,996	18,570	685	10
Transportation	85,336	80,177	943	11
Equipment	23,139	10,953	-	
Other	<u>96,072</u>	<u>102,258</u>	<u>5,376</u>	12
Subtotal	251,725	236,056	10,048	
Internal Evaluation:	18,233	5,533	-	
Administration:	<u>73,646</u>	<u>64,203</u>	<u>-</u>	
Costs Claimed by the California Site (Net of Member Support)	-	87,175	87,175	13
Costs Exceeded Maximum Federal Share	-	-	96,811	14
CORPORATION FUNDS	2,182,278	1,978,804	233,032	
MATCHING FUNDS	<u>943,909</u>	<u>618,755</u>	<u>6,908</u>	15
TOTAL FUNDS	<u>\$ 3,126,187</u>	<u>\$ 2,597,559</u>	<u>\$ 239,940</u>	

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

Congressional Hunger Center  
Corporation for National Service Award No. 96ADNDC099  
Schedule of Award Costs  
From October 1, 1996 to March 31, 1998  
Interim

- (A) The amounts presented as Approved Budget represent the amounts set forth in the grant award for the first year, reduced by the carryover funds, plus 25 percent of the amounts set forth in the grant award for the second year. Only 25 percent for the second year was reflected since the program year was only 25 percent complete by March 31, 1998. While the actual expenditure of funds by budget line item may not occur in a strictly linear fashion, this calculation of the approved budget amount is merely intended to provide an “order of magnitude” estimate of how much program funds would have been available through the date covered by the audit.

Congressional Hunger Center  
 Corporation for National Service Award No. 96ADNDC099  
 Schedule of Claimed Costs by Grantee  
 From October 1, 1996 to March 31, 1998  
 Interim

<u>Cost Category</u>	<u>Prime</u>	<u>DC</u>	<u>(A) California</u>	<u>Mississippi</u>	<u>Vermont</u>	<u>Wisconsin</u>	<u>Total</u>
Member Support Costs:							
Living Allowance		\$ 29,031	\$	\$ 152,128	\$ 315,975	\$ 186,121	\$ 683,255
FICA & Workers Comp		2,973		21,604	27,851	23,257	75,685
Health Care		-		14,661	26,835	9,171	50,667
Subtotal		<u>32,004</u>		<u>188,393</u>	<u>370,661</u>	<u>218,549</u>	<u>809,607</u>
Other Member Costs:							
Training & Education		5,467		1,883	1,763	9,472	18,585
Other		225		1,911	-	11,425	13,561
Subtotal		<u>5,692</u>		<u>3,794</u>	<u>1,763</u>	<u>20,897</u>	<u>32,146</u>
Staff:							
Salaries	\$ 65,766	177,982		41,051	193,377	157,245	635,421
Benefits	7,923	30,104		7,179	9,853	30,268	85,327
Training	1,772	-		-	2,115	909	4,796
Other	-	-		-	1,152	-	1,152
Subtotal	<u>75,461</u>	<u>208,086</u>		<u>48,230</u>	<u>206,497</u>	<u>188,422</u>	<u>726,696</u>
Operational:							
Travel	7,036	678		8,584	6,354	761	23,413
Meetings	685	-		-	-	-	685
Supplies	3,121	1,812		87	7,763	5,787	18,570
Transportation	-	4,178		-	54,021	21,978	80,177
Equipment	736	162		2,345	1,363	6,347	10,953
Other	13,559	4,039		15,479	35,739	33,442	102,258
Subtotal	<u>25,137</u>	<u>10,869</u>		<u>26,495</u>	<u>105,240</u>	<u>68,315</u>	<u>236,056</u>
Internal Evaluation:	79	-		1,340	-	4,114	5,533
Administration:	<u>13,376</u>	<u>553</u>		<u>12,179</u>	<u>6,374</u>	<u>31,721</u>	<u>64,203</u>
CORPORATION FUNDS	<u>114,053</u>	<u>257,204</u>	<u>104,563</u>	<u>280,431</u>	<u>690,535</u>	<u>532,018</u>	<u>1,978,804</u>
MATCHING FUNDS	<u>59,767</u>	<u>85,488</u>	<u>-</u>	<u>78,328</u>	<u>133,133</u>	<u>262,039</u>	<u>618,755</u>
TOTAL FUNDS	<u>\$ 173,820</u>	<u>\$ 342,692</u>	<u>\$ 104,563</u>	<u>\$ 358,759</u>	<u>\$ 823,668</u>	<u>\$ 794,057</u>	<u>\$ 2,597,559</u>

(A) The records available for the California site did not distinguish costs incurred by budget line items.

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

Congressional Hunger Center  
Corporation for National Service Award No. 96ADNDC099  
Notes to Financial Schedules

1. Summary of Significant Accounting Policies

Accounting Basis

The accompanying financial schedules, Exhibit A and Schedule A-1, have been prepared from the books of account of the Congressional Hunger Center. 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, Congressional Hunger Center does not maintain any equity in the award and any excess of cash received from the Corporation over final expenditures, excluding any interest retained in accordance with OMB Circular A-110, 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.

Title to equipment acquired under Federal grants rests in Congressional Hunger Center while used in the program for which it is purchased or in other future authorized programs. However, the Corporation has a reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds therefrom, is subject to Federal regulations.

C. Supplies

Minor materials and supplies are charged to expense when purchased.

2. Income Taxes

Congressional Hunger Center is exempt from Federal and state income taxes as it is a nonprofit organization under Internal Revenue Code 501(c)(3).

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1. Living Allowance

As detailed in Finding No. 4 in the Independent Auditor's Report on Internal Controls, the Wisconsin site lacked adequate controls for ensuring that Members of this program served their hours exclusively on this program or that expenditures for participants of other programs were not claimed against this program. As a result, living allowances were paid to participants of other programs, yet the amounts were claimed against this grant. Accordingly, we have questioned this amount (\$8,927).

2. FICA & Workers' Comp

We have questioned \$1,161 of the costs claimed by the Wisconsin site which represents the FICA and workers' compensation payments applicable to the questioned amount of living allowance.

3. Health Care

We have questioned a total of \$3,051 of the amount claimed as health care. Of this amount, the following amounts were questioned at each of the operating sites:

<u>Site</u>	<u>Amount</u>	<u>Reason</u>
Mississippi	\$ 1,964	a
Vermont	654	b
Wisconsin	<u>433</u>	c
	<u>\$ 3,051</u>	

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3. Health Care - continued

a. Mississippi site

Health insurance was claimed for Members after they had left the program, an invoice was posted twice to the general ledger although the invoice was only paid once, and an invoice was incorrectly paid to the insurance company even though the invoice indicated that no payment was due as there was a credit balance. The insurance company's subsequent invoices never reflected this payment. Federal and matching funds were claimed at 85 and 15 percent, respectively. The questioned amount was computed as follows:

<u>Coverage Period</u>	<u>Invoices Posted to General Ledger Twice</u>	<u>Incorrect Invoice Amount Paid</u>	<u>Individuals No Longer Enrolled in the Program</u>	<u>Total</u>
January 1997	\$ 1,463			\$ 1,463
November 1997		\$ 462		462
November 1997			\$ 154	154
December 1998			221	221
Total	<u>\$ 1,463</u>	<u>\$ 462</u>	<u>\$ 385</u>	<u>\$ 2,310</u>
Federal (85 percent)	<u>\$ 1,244</u>	<u>\$ 393</u>	<u>\$ 327</u>	<u>\$ 1,964</u>
Non-Federal (15 percent)	<u>\$ 219</u>	<u>\$ 69</u>	<u>\$ 58</u>	<u>\$ 346</u>

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3. Health Care - continued

b. Vermont site

Health insurance was claimed for two Members who were only serving on a part-time basis and were, therefore, not eligible for health care coverage. Federal and matching funds were claimed at 85 and 15 percent, respectively. The questioned amount was computed as follows:

<u>Coverage Period</u>	<u>Part-time Members</u>
March 1997	\$ 154
April 1997	154
May 1997	154
June 1997	154
July 1997	<u>154</u>
Total	<u>\$ 770</u>
Federal (85 percent)	<u>\$ 654</u>
Non-Federal (15 percent)	<u>\$ 116</u>



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3. Health Care - continued

c. Wisconsin site

Health insurance was claimed for five Members who were not enrolled in the program during the coverage period, as well as for an individual who was not a participant of this AmeriCorps program. Federal and matching funds were claimed at 67 and 33 percent, respectively. The questioned amounts were computed as follows:

<u>Coverage Period</u>	<u>Individuals no Longer Enrolled in the Program</u>	<u>Not a Member of this Program</u>	<u>Total</u>
January 1997	\$	\$ 58.69	\$ 58.69
February 1997		58.69	58.69
April 1997	58.69	58.69	117.38
June 1997	58.69	58.69	117.38
July 1997	117.38	58.69	176.07
October 1997	58.69		58.69
November 1997	<u>58.69</u>		<u>58.69</u>
Total	<u>\$ 352.14</u>	<u>\$293.45</u>	<u>\$ 645.00</u>
Federal (67 percent)	<u>\$ 235.92</u>	<u>\$196.61</u>	<u>\$ 433.00</u>
Non-Federal (33 percent)	<u>\$ 116.22</u>	<u>\$ 96.84</u>	<u>\$ 213.00</u>

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4. Training & Education

We have questioned \$4,492 of the total amount claimed for Members' training and education. Of this amount, \$1,080 and \$3,412 is attributable to the Washington, D.C. and the Wisconsin sites, respectively.

	<u>Date/Check No.</u>	<u>Payee</u>	<u>Amount</u>	<u>Reason</u>
Washington, D.C. Site	10/11/96	Uma's	\$ 50	a
	01/08/97	Emily West	325	b
	03/20/97	Access	250	b
	03/20/97	Timothy Forbes	180	b
	07/29/97	Access	<u>275</u>	b
			<u>\$ 1,080</u>	
Wisconsin Site	9084	University of Wisconsin	\$ 618	c
	11074	M.A.T.C.	453	c
	11087	Arcade Drivers School	734	c
	12379	Arcard Drivers School	597	c
	08/12/97	Arcade Drivers School	<u>1,010</u>	c
			<u>\$ 3,412</u>	

- a. The amount paid was greater than the supporting documentation.
- b. The expenditure was not adequately supported.
- c. The expenditure was for services which are not required by the grant, such as driver training, and, therefore, unallowable.

5. Other

We have questioned \$214 (check no. 8883) of the amount claimed by the Wisconsin site as we consider the expenditure to be unnecessary and unreasonable. According to the supporting documentation, the expenditure was for the purchase of prescription glasses for one of the Members.

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6. Salaries

We have questioned \$11,427 of the amount claimed by Congressional Hunger Center as the expenditures were not adequately supported. Of this amount, \$1,360 represents payments made to companies for bookkeeping services. Of the remaining \$10,067, \$7,827 represents payments made in January 1997 to unidentified individuals at the defunct operating site in California, \$2,187 represents supplemental payroll checks and \$53 represents amounts recorded in the general ledger which exceeds the amounts in the payroll registers.

7. Benefits

We have questioned \$9,500 of the total amount claimed as staff benefits. Of this amount, \$770 ( $\$10,067 * 7.65\%$ ) is attributable to the questioned salaries claimed by Congressional Hunger Center and \$8,730 represents unemployment payments by the Vermont site for persons that were employed prior to the start of this program. The State of Vermont permits entities to either make quarterly unemployment tax payments or only make payments based on actual benefits paid to former employees. The Vermont site chose the latter option.

8. Training

We have questioned \$226 of the amount claimed as travel by Congressional Hunger Center as the costs were for a payment made to a vender (Wald) on October 3, 1996, for telephone charges that were incurred prior to the start of the grant period.

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9. Travel

We have questioned \$3,044 of the amount claimed as travel by the Congressional Hunger Center, either in its oversight capacity (Prime) or at its own operating site (DC). The majority of these expenditures were not supported by adequate documentation.

<u>Site</u>	<u>Date</u>	<u>Payee</u>	<u>Amount</u>
DC	12/10/96	USAA Federal Savings Bank	\$ 171
Prime	12/10/96	USAA Federal Savings Bank	233
Prime	01/24/97	Cash - Travel	795
DC	03/10/97	Staff	188
DC	05/13/97	Staff	139
Prime	06/19/97	Staff	1,070
Prime	11/17/97	Cash - Per diem for MS trip	400
Prime	11/18/97	Staff - MS trip	48
			<u>\$ 3,044</u>

10. Supplies

We have questioned \$685 of the amount claimed for supplies. Of this amount, \$460 represents costs for which Congressional Hunger Center did not maintain adequate supporting documentation. The balance, \$225, represents a duplicate payment made by the Wisconsin site.

<u>Site</u>	<u>Date/Check No</u>	<u>Payee</u>	<u>Amount</u>
Wisconsin	9008	Camadon, Inc.	\$ 225
Prime	11/12/96	Supply Distribution	84
DC	11/12/96	Supply Distribution	62
Prime	01/14/97	Kinko's	62
DC	05/09/97	Staff	100
DC	07/30/97	Staff	133
DC	01/27/98	Consolidated Photocopy	19
			<u>\$ 685</u>

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11. Transportation

We have questioned \$943 of the amount claimed by the Wisconsin site. Of this amount, \$928 represents a duplicate payment made to Frank Haack & Associates (check no. 9376) and \$15 represents a personal gas charge that was not reimbursed before payment was made to Amoco (check no. 11454).

12. Other

We have questioned a total of \$5,376 of the amount claimed as operational other. Of this amount, \$5,340 is attributable to the Congressional Hunger Center and \$36 is attributable to the Wisconsin site.

<u>Site</u>	<u>Date/Check No.</u>	<u>Payee</u>	<u>Amount</u>	<u>Reason</u>
Prime	10/03/96	Quill	\$ 69	b
DC	10/03/96	Quill	52	b
DC	10/03/96	Wald	166	b
Prime	10/17/96	Bell Atlantic	194	b
DC	10/17/96	Bell Atlantic	143	b
DC	10/31/96	Wald	105	b
Prime	11/13/96	Capital Hill Baptist	510	a
Prime	12/31/96	Edgerton-Becker, Inc	18	a
DC	12/31/96	U.S. Postal Service	67	a
DC	02/04/97	U.S. Postal Service	75	a
DC	02/06/97	Capital Hill Baptist	375	a
Prime	02/13/97	Postmaster	159	a
DC	02/13/97	Postmaster	117	a
Prime	02/21/97	NY Times	66	c
DC	02/21/97	NY Times	51	c
Prime	03/04/97	Yellow Pages	50	c

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12. Other - continued

<u>Site</u>	<u>Date/Check No.</u>	<u>Payee</u>	<u>Amount</u>	<u>Reason</u>
DC	03/04/97	Yellow Pages	37	c
Prime	03/14/97	Jennifer Coken	57	a
DC	03/14/97	Jennifer Coken	42	a
Prime	03/31/97	Federal Express	106	a
DC	04/09/97	Dept of Employee Service	728	b
Prime	04/11/97	Capital Hill Baptist	510	a
DC	05/28/97	Nick Sikic	104	a
DC	05/29/97	U.S. Postal Service	125	a
Prime	07/15/97	Capital Hill Baptist	510	a
DC	07/15/97	Capital Hill Baptist	375	a
Prime	01/27/98	Consolidated Photocopy	19	d
Prime	03/03/98	S. Hechmer	<u>510</u>	a
			<u>5,340</u>	
Wisconsin	9038	Daniel Taylor	23	e
Wisconsin	9197	Holt Motors	<u>13</u>	f
			<u>36</u>	
			<u>\$5,376</u>	

- a. The expenditure was not adequately supported by source documentation.
- b. The expenditure was incurred prior to the grant period.
- c. The expenditure was for either a subscription to a newspaper or an advertisement in the yellow pages. The grantee could not identify the payment further or otherwise support its necessity or reasonableness.
- d. The expenditure was for a maintenance contract that extends past the grant period.
- e. The expenditure included purchases of alcoholic beverages which is an unallowable charge to Federal grants.
- f. The expenditure included sales tax although the Wisconsin site had a sales tax exemption certificate.

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13. Costs Claimed by the California Site

Our review of the available records for the California site disclosed that, except for the amount expended for Member living allowances that we could verify had cleared the site's bank, we were unable to determine if the Federal funds received from Congressional Hunger Center at the start of the program were expended on behalf on this AmeriCorps program. As such, we have questioned \$87,175.

Federal funds received	\$104,563
Verified living allowances (Maximum Federal Share)	<u>17,388</u>
Questioned Cost	<u>\$ 87,175</u>

14. Costs Claimed in Excess of Maximum Federal Share

We have questioned \$96,811 which represents program operating costs for program year one that were paid with Federal funds in excess of the maximum Federal share. AmeriCorps Provision No. 14 stipulates that the grantee must provide matching funds at a minimum of 33 percent for program operating costs. Although some of the operating sites met or exceeded the minimum matching requirement, the program as a whole did not meet the minimum requirement. The bulk of the questioned amount was attributable to the California and Vermont sites.

15. Matching

We have questioned \$6,908 of the total amount claimed as matching. Of this amount, \$347 is attributable to the Mississippi site, \$5,367 is attributable to the Milwaukee site, and \$1,195 is attributable to the Vermont site. In regard to the Mississippi site, the questioned amount represents the matching portion of the questioned Member health care (Note 3). The amount related to the Wisconsin site represents the matching portion of the questioned living allowance, FICA and workers compensation and health care (Notes 1, 2, and 3). For the Vermont site, the questioned amount represents the matching portion of the staff benefits (Note 7).

INDEPENDENT AUDITOR'S REPORTS  
ON  
COMPLIANCE AND INTERNAL CONTROLS



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE**

We have audited the schedule of award costs, as presented in Exhibit A, which summarizes the claimed costs of the Congressional Hunger Center under the Corporation for National Service (Corporation) award listed below, and have issued our report thereon dated November 3, 1998.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
96ADNDC099	October 1, 1996 to December 31, 1998	October 1, 1996 to March 31, 1998

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 Congressional Hunger Center'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.

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Instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, and the provisions of the award. The results of our tests of compliance disclosed the following instances of noncompliance:

Finding No. 1

Congressional Hunger Center did not provide the minimum amount of matching funds for program operating expenses for the 96/97 program year. AmeriCorps Provision No. 14 stipulates that the grantee must provide matching funds at a minimum of 33 percent for program operating costs. Program operating costs include other Member costs, staff, operating costs, internal evaluation and administration. Our testing of the matching contributions disclosed that the minimum matching funds for program operating costs were not met by the program as a whole. As such, we have questioned costs in the amount of \$96,811.

Recommendation

We recommend that Congressional Hunger Center implement policies and procedures to provide at least the minimum matching percentages as required by the AmeriCorps Provisions. These procedures should include measures to ensure that each of its subrecipients meet its share of the match.

Congressional Hunger Center's Comments

"We interpret this finding to mean that the matching funds exist, but \$96,811 is questioned. In the case of the Los Angeles operating site, it is very difficult for CHC to respond. In all other cases we recognize this finding as a documentation issue, and have corrected it."

Auditor's Response

If the minimum matching funds had existed then the \$96,811 would not have been questioned. In order to support the statement that matching funds exist, there must be adequate documentation to support the matching costs claimed.

Finding No. 2

Congressional Hunger Center drew down funds from the Corporation in excess of its immediate cash needs and the California and Wisconsin sites requested and received funds from Congressional Hunger Center in excess of their immediate cash needs. Furthermore, Congressional Hunger Center did not maintain the advanced funds in an interest bearing account nor did the Wisconsin site remit

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interest earned in excess of \$250 per annum as required. The Corporation's regulations at 45 CFR 2543.22 stipulates that "cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project." This regulation further stipulates that "recipients shall maintain advances of Federal funds in interest bearing accounts". Lastly, the regulation states that interest earned on Federal advances in excess of \$250 per annum shall be remitted annually to the Department of Health and Human Services.

Recommendation

We recommend that Congressional Hunger Center and the Wisconsin site implement policies and procedures to provide for Federal advances to be limited to the program's immediate cash needs. We further recommend that Congressional Hunger Center maintain any future advances in an interest bearing account and that the Wisconsin site remit \$395 to the Department of Health and Human Services which represents interest earned on 96/97 program year funds in excess of the \$250 amount of interest that is permitted to be retained by a program per year. We have not proposed any recommendation in regard to the California site since it has dissolved operations.

Congressional Hunger Center's Comments

Congressional Hunger Center concurred with the finding.

Finding No. 3

Congressional Hunger Center did not track progress toward achievement of the overall program objectives or submit the required Annual Accomplishment Report for the 96/97 program year. AmeriCorps Provision No. 37 states, in part, that "the Grantee must track progress toward achievement of their Program objectives. The Grantee also must monitor the quality of service activities, the satisfaction of both service recipients and Members, and management effectiveness.... The Grantee may obtain an independent evaluation if provided for in the approved budget." The provision further states, in part, that "the Grantee must cooperate with the Corporation and its evaluators in all monitoring and evaluation efforts." The Corporation awarded Federal funding in the amount of \$21,786 for the internal evaluation in the grant award for the 96/97 program year. We determined during the audit that no such internal evaluation had been conducted. The Corporation has contracted with an outside entity (Aguirre International) to perform the Corporation's monitoring and evaluation efforts. Aguirre International uses a form titled Annual Accomplishment Report to collect the necessary data from each of the Corporation's grantees. We determined that neither Congressional Hunger Center nor any of its operating sites completed and submitted the Annual Accomplishment Report as required, except for the Vermont site.

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### Recommendation

We recommend that Congressional Hunger Center implement policies and procedures to track progress toward achievement of the overall program objectives and to cooperate with the Corporation and its evaluators in all monitoring and evaluation efforts.

### Congressional Hunger Center's Comments

Congressional Hunger Center concurred with the finding in all respects except that it did not track progress toward achievement of the overall program objectives. The disagreement is based on the fact that all of the required progress reports were submitted for the 96/97 program year.

### Auditor's Response

While progress reports are a part of the system used to track progress toward achievement of the overall program objectives, they do not constitute all that is necessary to track such progress. For example, the progress reports for the most part detail facts and figures in terms of the number of Members and what the Members have done during the reporting period. The progress reports do not necessarily evaluate the work performed against the objective set forth in the Grantee's proposal (as a measure of success against the Standard).

### Finding No. 4

Congressional Hunger Center did not submit its audit report for the year ended June 30, 1997, on a timely basis. Office of Management and Budget (OMB) Circular A-133, revised June 24, 1997, stipulates that recipients of Federal awards which expend at least \$300,000 of Federal funds per year have an audit conducted in accordance with the provisions of OMB Circular A-133. Section .320 stipulates that "for fiscal years beginning on or before June 30, 1998, that audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after the receipt of the auditor's report(s), or 13 months after the end of the audit period." Since Congressional Hunger Center's fiscal year end is June 30, the audit report is due no later than July 31 of each year. Thus, the auditor's report for Congressional Hunger Center's fiscal year ended June 30, 1997, was due by July 31, 1998. However, as of November 3, 1998, the date of this report, the auditor's report had not been issued.

### Recommendation

We recommend that Congressional Hunger Center implement policies and procedures to submit its audit report by the time frame stipulated in OMB Circular A-133.

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Congressional Hunger Center's Comments

Congressional Hunger Center concurred with the finding.

Finding No. 5

The California, Mississippi, Vermont and Wisconsin sites did not maintain documentation regarding all Members as required by Paragraph a of AmeriCorps Provision No. 15. This paragraph 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, birth date, 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." Our testing of the Member files disclosed the following number of instances where required documentation had not been maintained:

Lacking Documentation For:	Number of Files Lacking Documentation	Site
Eligibility to enroll	3 38 11	California Vermont Wisconsin
Enrollment	3 1	Mississippi Wisconsin
End of term	27 <sup>A</sup> 12 <sup>B</sup> 3 <sup>C</sup>	California Mississippi Wisconsin
Hours of service	29 <sup>D</sup> 40 <sup>E</sup> 4 <sup>F</sup>	California Wisconsin Mississippi
<sup>A</sup> The National Service Trust only has record of termination for 1 Member. <sup>B</sup> National Service Trust has record of termination for all 12 Members. <sup>C</sup> National Service Trust has no record of the Members' termination. <sup>D</sup> None of the Member files contained a complete set of timesheets. <sup>E</sup> No timesheets for the period ended May 17, 1997, could be located. <sup>F</sup> A complete set of timesheets was not maintained for 4 Members.		

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In addition, one file could not be located for a Member who participated in the 96/97 program year at the Wisconsin site. We did, however, verify that the National Service Trust had been notified of the Member's enrollment in, and termination from, the program by reviewing the AmeriCorps Member Roster maintained by the National Service Trust.

Recommendation

We recommend that the Mississippi, Vermont, and Wisconsin sites implement policies and procedures to obtain and retain documentation as required by AmeriCorps Provision No. 15. We have not proposed any recommendation in regard to the California site since it has dissolved operations.

Congressional Hunger Center's Comments

Congressional Hunger Center concurred with the finding.

Finding No. 6

Financial reports were not submitted on a timely basis by Congressional Hunger Center and the Mississippi and Wisconsin operating sites. Operating sites are to submit a Financial Status Report (FSR) to the prime recipient which is forwarded to the Corporation along with the prime recipient's own FSR on a quarterly basis. AmeriCorps Provision No. 17 stipulates that the FSRs are to be submitted within 30 days after the end of the reporting period. Six of the FSRs were submitted between 1 and 90 days after the due dates as follows:

<u>Recipient</u>	<u>Quarter Ended</u>	<u>Days Late</u>
Prime	December 31, 1996	7
Prime	September 30, 1997	1
DC Site	September 30, 1997	1
Wisconsin Site	September 30, 1997	5
Prime	December 31, 1997	90
Mississippi Site	December 31, 1997	23
Wisconsin Site	December 31, 1997	19

In addition to the FSRs, the prime recipient is to submit a Federal Cash Transactions Report (FCTR) in accordance with 45 CFR 2543.52. Congressional Hunger Center submitted the FCTR for the period ended June 30, 1997 and December 31, 1997, 32 and 4 days late, respectively.

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Recommendation

We recommend that Congressional Hunger Center establish and implement policies and procedures to submit financial reports on a timely basis, including those prepared by its subrecipients.

Congressional Hunger Center's Comments

Congressional Hunger Center concurred with the finding.

Finding No. 7

The Member timesheets were not signed by the Member and approved by the appropriate personnel nor were the staff timesheets consistently signed by the employee at the Wisconsin site. Paragraph c of AmeriCorps Provision No. 23 states, in part, that “salaries and wages charged directly to this Grant or charged to matching funds must be supported by signed time and attendance records for each individual employee regardless of position” and “time and attendance records must be signed by both the Member and by an individual with oversight responsibilities for the Member.” The employee’s signature represents acknowledgment that the hours reported reflect an accurate depiction of the hours worked and a Member’s signature represents acknowledgment that the hours reported reflect an accurate depiction of the service performed. A supervisor’s signature indicates approval and concurrence of the hours recorded by the Member.

Recommendation

We recommend that the Wisconsin site implement policies and procedures requiring that timesheets be signed by all Members and employees. We further recommend that the Wisconsin site implement policies and procedures requiring all Member timesheets be signed an individual with oversight responsibilities.

Congressional Hunger Center's Comments

Congressional Hunger Center concurred with the finding.

Finding No. 8

The Vermont site did not properly complete the end-of-term form for 50 percent of the Members during the 96/97 program year. AmeriCorps Provision No. 13 states, in part, that “the Grantee must certify the National Service Trust that the Member is eligible to receive the educational benefit.” This certification is provided by the use of the end-of-term form. The instructions on the form state,

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among other things, that the Program Director is to indicate the type of termination at the end of service, and sign and date the Certification of Service. The types of termination are as follows:

- Completion of service as scheduled and eligible for an education award.
- Early termination for Cause and not eligible for an education award.
- Early termination for Compelling Personal Circumstance and eligible for a partial education award.

Our testing of the 42 end-of-term forms for the 96/97 program year disclosed that while the Program Director had signed the Certification of Service, the type of termination had not been indicated on 23 of the end-of-term forms.

Recommendation

We recommend that the Vermont site implement policies and procedures for the proper completion of the end-of-term forms prior to submission.

Congressional Hunger Center's Comments

Congressional Hunger Center concurred with the finding.

Finding No. 9

The Vermont site did not obtain the Corporation's approval prior to reprogramming funds in the 96/97 program year. Paragraph b of AmeriCorps Provision No. 16 states, in part, that the grantee must obtain prior written approval of the Corporation before deviating from the approved budget in order to reallocate funds from the 'Member Support Cost' category to other categories or to decrease funds budgeted for training and education within the 'Other Member Costs' category. During the 96/97 program year, the Vermont site expended the total funds awarded yet expended less than the budgeted amounts in the 'Member Support Cost' category and training and education within the 'Other Member Costs' category.

Recommendation

We recommend that the Vermont site implement policies and procedures to obtain prior written approval for any budget changes which requires such by the AmeriCorps Provisions.

Congressional Hunger Center's Comments

Congressional Hunger Center concurred with the finding.



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Finding No. 10

Members from the Wisconsin site received a living allowance which was paid on an hourly basis in relation to the hours served rather than on a stipend basis as required. Paragraph b of AmeriCorps Provision No. 12 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 25 shortages and 3 overages. The overages did not, however, result in disallowed costs since these overages were not claimed against the Corporation. The shortages ranged between \$47 and \$4,014. The overages were \$1,734, \$671, and \$286.

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 the Wisconsin site review the living allowances paid to all Members under this award and attempt to contact the Members to rectify the shortages.

Congressional Hunger Center’s Comments

“As a youth corps, MCSC reached a compliance agreement with the Corporation for National Service in which the AmeriCorps living allowance was treated as the promulgated rule of stipend. This process, both procedural and implementation was successfully implemented in 1998. We concur with the auditor’s finding, recognizing that the above solution is in place. We request the auditor’s notes, seeking specific names of members that were potentially underpaid.”

Inspector General  
Corporation for National Service

Auditor's Response

Our testing of the living allowances was based on a sample of the Members, therefore, the shortages that we identified may not be all inclusive. Irrespective, we will provide Congressional Hunger Center with the information that we have.

Finding No. 11

Not all Members signed Member contracts at the Mississippi and Wisconsin sites nor did the Member contracts at the Wisconsin and California sites contain all of the required provisions. Paragraph b of AmeriCorps Provision No. 8 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.*);
- 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."

Our testing for signed Member contracts revealed the following exceptions at the Mississippi and Wisconsin sites:

<u>Site</u>	<u>Tested</u>	<u>Contracts Not Signed</u>
Mississippi	15	3
Wisconsin	19	16

In addition, the Member contracts for the 96/97 program year at the Wisconsin site did not stipulate (1) the minimum number of service hours necessary to be eligible for an educational award, (2) prohibited activities, and (3) requirements under the Drug-Free Workplace Act. The Member contract, however, for the 97/98 program year contained the previously omitted provisions except for the requirements under the Drug-Free Workplace Act. The Member contracts at the California site did not stipulate (1) prohibited activities and (2) requirements under the Drug-Free Workplace Act.

Inspector General  
Corporation for National Service

Recommendation

We recommend that both the Mississippi and Wisconsin sites implement policies and procedures requiring the Members to sign contracts, thereby acknowledging that they have read and understand the contract. We further recommend that the Wisconsin site incorporate all of the required provisions into its Member contracts. We have not proposed any recommendation in regard to the California site since it has dissolved operations.

Congressional Hunger Center's Comments

Congressional Hunger Center concurred with the finding.

Finding No. 12

Written evaluations of each Member's performance were not always performed or could not always be located at the DC, Mississippi, and Wisconsin sites. Paragraph g of AmeriCorps Provision No. 8 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."

Written performance evaluations (mid-term and end-of-term) were not prepared for any of the Members who participated in the 96/97 program year at the Mississippi site. Evidence of written performance evaluations could not be found for the following number of Members at the site indicated:

<u>Site</u>	<u>Evaluation</u>	<u>No. Tested</u>	<u>No. Missing</u>
DC	mid-term	10	3
DC	end-of-term	10	4
Wisconsin	mid-term	20	8
Wisconsin	end-of-term	20	7

Inspector General  
Corporation for National Service

### Recommendation

We recommend that DC, Mississippi, and Wisconsin sites implement policies and procedures to conduct and document the required evaluations of each Member's performance.

### Congressional Hunger Center's Comments

Congressional Hunger Center concurred with the finding.

### Finding No. 13

Written parental consent was not obtained for two Members who were less than 18 years of age at the Wisconsin site. Paragraph g of AmeriCorps Provision No. 7 states that "before enrolling in a Program, individuals under eighteen years of age must provide written consent from a parent or legal guardian."

### Recommendation

We recommend that the Wisconsin site implement policies and procedures requiring obtainment of written consent for all individuals under the age of 18 prior to enrollment in the program.

### Congressional Hunger Center's Comments

Congressional Hunger Center concurred with the finding.

### Finding No. 14

Mississippi and Wisconsin's Drug-Free Workplace policy did not contain all the provisions stipulated by 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 the following:

- (a) 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 actions that will be taken against employees for violation of such prohibition.

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- (b) Establishing an on-going Drug-Free awareness program to inform employees about (1) the dangers of drug abuse in the workplace, (2) the grantee's policy of maintaining a Drug-Free workplace, (3) any available drug counseling, rehabilitation, and employee assistance programs, and (4) the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.
- (c) Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the Drug-Free workplace policy statement.
- (d) Notifying the employee in the policy statement that as a condition of employment under the grant the employee will (1) abide by the terms of the statement and (2) notify the employer in writing of any criminal drug statute conviction for a violation occurring in a workplace no later than five calendar days after such conviction.
- (e) Notifying the agency in writing within ten calendar days after receiving notice of such conviction.
- (f) Within 30 calendar days of receiving notice of such conviction, taking appropriate personnel action against such an employee or requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program.

While the Mississippi and Wisconsin sites have issued a Drug-Free workplace policy which is included in the employees' policy manual, neither of the policies address the requirements of (d) or fully address the requirements of (b) stated above, in that, neither the Mississippi or Wisconsin site policy makes any mention of available counseling, rehabilitation, and employee assistance programs.

Recommendation

We recommend that the Mississippi and Wisconsin sites implement policies and procedures for the adherence of the requirements of the Drug-Free Workplace Act.

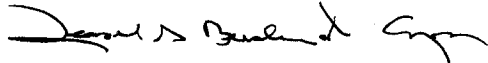
Congressional Hunger Center's Comments

Congressional Hunger Center concurred with the finding.

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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. We considered these instances of noncompliance in forming our opinion on whether Exhibit A is presented fairly in all material respects, in conformity with Corporation policies and procedures, and this report does not affect our report dated November 3, 1998, on this financial schedule.

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 Congressional Hunger Center and 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 3, 1998

**LEONARD G. BIRNBAUM AND COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS OF THE  
AMERICAN INSTITUTE  
OF CPA'S

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS

We have audited the schedule of award costs, as presented in Exhibit A, which summarizes the claimed costs of the Congressional Hunger Center under the Corporation for National Service (Corporation) award listed below, and have issued our report thereon dated November 3, 1998.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
96ADNDC099	October 1, 1996 to December 31, 1998	October 1, 1996 to March 31, 1998

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 October 1, 1996 to March 31, 1998, we considered the grantee's internal controls 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 controls.

Congressional Hunger Center's management is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs on internal control policies and procedures. The

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objective of internal controls is 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 controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal controls 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 policies and procedures in the following categories:

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

For all of the internal control 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 controls 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 controls, 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

The separation of duties over cash receipts and cash disbursements at Congressional Hunger Center were inadequate. In the case of cash receipts, the Deputy Director receives and deposits the checks. In the case of cash disbursements, the Deputy Director not only approves the check request but also prepares and signs the check whenever the accountant is unavailable. For the internal controls to be effective, there needs to be an adequate division of duties among those who perform accounting procedures and handle assets. Such arrangements reduce the risk of error and limit opportunities to misappropriate assets.



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Recommendation

While we recognize that Congressional Hunger Center is a small organization and a lack of separation of duties is inherent in small organizations, we feel that duties can be separated more than they are presently with the existing staff. For instance, the administrative assistant could open the mail and record the checks received each day, including stamping the checks for deposit, while the Deputy Director could prepare the deposit with the administrative assistant taking the deposit to the bank. In the case of cash disbursements, when the accountant is unable to perform the duties, the Deputy Director could approve the check request and prepare the check with the Executive Director given the responsibility to sign all checks. Accordingly, we recommend that Congressional Hunger Center undertake an evaluation of separation of duties and design and implement appropriate changes to the assignment of duties.

Congressional Hunger Center's Comments

"We concur with the auditors finding to the extent that such lack of segregation of duties existed up through June 1997. This situation was brought to management's attention by our independent auditors in May 1997 and was immediately corrected by June 1997."

Auditor's Response

We discussed the procedures in effect during the time of our audit with the Deputy Director for cash receipts and cash disbursements. Based on our work, we determined that the same individual received the checks, stamped the checks for deposit, and took the deposit to the bank. Furthermore, it was also our understanding that while ordinarily the accountant prepares the checks for disbursement and the Deputy Director signs the checks; the preparation and signature of a check will be performed by the Deputy Director if the accountant is unavailable. Thus, the segregation of duties is inadequate.

Finding No. 2

Documentation typically maintained in personnel files did not exist for employees of Congressional Hunger Center. Typically, a personnel file would contain, at a minimum, (1) the employee's resume or employment application, (2) salary history and (3) forms authorizing deductions for Federal and State tax withholdings and any voluntary deductions. These documents support that the individual has the appropriate education and/or experience to fulfill the position's responsibilities and support the amount processed for payroll purposes.

Inspector General  
Corporation for National Service

### Recommendation

We recommend that Congressional Hunger Center implement policies and procedures for the maintenance of these personnel documents for all employees.

### Congressional Hunger Center's Comments

“We concur with the auditor’s findings to the extent that up until June 1997, employee files were incomplete. After June 1997, in accordance with the recommendations of our CPA firm, Kaufman Davis, CHC management implemented a new system of employee files, including the necessary information to support management decisions concerning personnel.”

### Auditor's Response

Although Congressional Hunger Center contends that it has been maintaining documentation typically maintained in personnel files since June 1997, we were informed during our audit that such documentation was not available.

### Finding No. 3

The Mississippi, Vermont, and Wisconsin sites lacked adequate controls for ensuring that health insurance premiums were only claimed for eligible Members. Our testing revealed that health insurance premiums were claimed for Members who left the program and for Members who were only part-time and, therefore, not eligible for health insurance benefits. The Mississippi site also had instances where the insurance premiums were paid twice, or payment was made when not due.

### Recommendation

We recommend that the Mississippi, Vermont, and Wisconsin sites revise their systems to be able to determine whether a Member is still enrolled and enrolled on a full-time basis, thus eligible for insurance coverage. We also recommend that the Mississippi site review its cash disbursement system to ensure that invoices are paid once.

### Congressional Hunger Center's Comments

Congressional Hunger Center concurred with the finding as it related to the Mississippi and Wisconsin sites. As the finding related to the Vermont site, Congressional Hunger Center agreed with the finding “to the extent that written approval was needed to obtain health care for part-time members. Part-time members serving in Vermont were serving in a ‘full-time capacity’, in which, under the 1996 Provisions, it is allowable to use Corporation funds for health care as long as prior written approval exists. Verbal approval was given by CHC.”

Inspector General  
Corporation for National Service

### Auditor's Response

In order for part-time Members serving in a full-time capacity for a sustained period of time to be eligible for health care benefits paid by Corporation funds, coverage must be approved in the Award or via prior written approval from the Corporation. Therefore, the finding regarding the Vermont site stands.

A material weakness is a reportable condition in which the design or operation of the specific internal control element 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 controls would not necessarily disclose all matters in the internal controls 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. 4

The Wisconsin site lacked adequate controls for ensuring that Members of this program served their hours exclusively on this program or that expenditures for participants of other programs were not claimed against this program. Not only did our testing of the claimed costs for Member Support Costs reveal that persons not identified as Members of this program on either the AmeriCorps Member Roster maintained by the National ServiceTrust or the listing of Members maintained by the Wisconsin site were claimed on this grant, but persons identified by the Wisconsin site as participants of other program were claimed on this grant. In addition, persons identified as Members of this program by not only the Wisconsin site but also the AmeriCorps Member Roster were claimed on this grant while their timesheets reflected that hours were being served on other programs (Hillside and Recycling) operated by the Wisconsin site. While both the Hillside and Recycling programs are community service activities, these activities do not fall within the intent of this program which is aimed at relieving hunger.

In regard to the Hillside program, representatives of the Wisconsin site provided a copy of a letter dated June 24, 1994, from the U.S. Department of Housing and Urban Development (HUD) to the City of Milwaukee Housing Authority, which forwarded a letter from the Corporation approving the Milwaukee Housing Community Service Plan and stated that the Corporation would enter into an agreement with the City of Milwaukee Housing. These letters were offered as authority to utilize

Inspector General  
Corporation for National Service

AmeriCorps Members on the HUD sponsored program (Hillside). We observed, however, that (1) the letters predated the AmeriCorps cooperative agreement by approximately two years and (2) the letters do not in anyway mention the AmeriCorps cooperative agreement. For those persons that were claimed on this program but were not participating in this program we have questioned the costs which were disclosed during our testing of Member Support Costs.

Recommendation

We recommend that the Wisconsin site implement policies and procedures to track which persons are participating on which programs in order to ensure costs are claimed against the appropriate programs. Furthermore, a determination should be made by the Corporation's Office of Grants Management as to whether the two programs (Hillside and Recycling) have been expressly or tacitly approved under the current cooperative agreement. Absent such approval, we recommend that the Corporation's Office of Grants Management require the Wisconsin site to identify the extent of effort performed by the AmeriCorps Members on the two programs and refund such amount to the Corporation.

Congressional Hunger Center's Comments

"We concur with the auditor's finding to the extent improvement is needed in Wisconsin's systems to track which persons are participating in which program. We are committed to assisting in this process, and the State Commission has expressed an interest in helping as well. We disagree that members were not serving in an anti-hunger capacity. In the 1996-97 program year, our AmeriCorps members were working largely under objectives adopted from the original USDA program. Food insecurity, a concept developed by USDA, was the rationale for many projects in all our sites. The idea is to address the general issue of poverty in a specific community (going 'beyond food'), to stop hunger before it starts. We would not consider most of the projects done by the Wisconsin operating site (such as a children's clothing drive) outside the parameters of our program or AmeriCorps in general."

Auditor's Response

In our view, Congressional Hunger Center did not address the issues raised in the above finding.

Finding No. 5

The Wisconsin site's system to track and record service hours performed by the Members was inadequate. AmeriCorps Provision No. 13, Post-Service Educational Awards, requires the grantee to "certify to the National Service Trust that the Member is eligible to receive the educational

Inspector General  
Corporation for National Service

benefit.” In order to provide such certification, a system must be developed to record and track the total hours served by the 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. We obtained the timesheets for six Members in order to compute the total hours served by each Member. Based on our computations we determined that the actual hours served for each of these Members differed from the hours reported to the Corporation on the end-of-term forms. None of the differences, however, resulted in the Member being awarded a full educational benefit to which they were not entitled at the Wisconsin site.

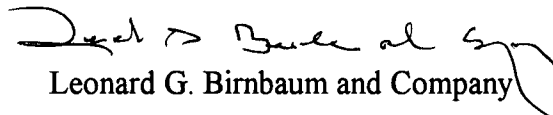
Recommendation

We recommend that the Wisconsin site revise its system to track service hours to ensure that the proper number of hours is being reported to the Corporation.

Congressional Hunger Center's Comments

Congressional Hunger Center concurred with the finding.

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 Congressional Hunger Center and 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 3, 1998

## **Appendix A**

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### **Response of the Corporation's Office of Grants Management**

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## MEMO

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**DATE:** JANUARY 20, 1999

**TO:** LUISE JORDAN, INSPECTOR GENERAL

**CC:** WENDY ZENKER, CHIEF OPERATING OFFICER  
DEB JOSPIN, DIRECTOR, AMERICORPS

**FROM:** MICHAEL KENEFICK, DIRECTOR, GRANTS MANAGEMENT *MK.*  
PETER HEINARU, DIRECTOR, AMERICORPS STATE AND NATIONAL *PH*

**RE:** OIG REPORT 99-04, AUDIT OF CONGRESSIONAL HUNGER CENTER  
INC. CNS AWARD NUMBER 96ADNDC099.

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We have reviewed the draft audit report for Cooperative Agreement number 96ADNDC099, awarded to the Congressional Hunger Center.

Our review primarily was limited to information contained in the report. We have not conducted a more comprehensive review and analysis, obtained comments from the award recipient, Congressional Hunger Center, or considered other information. This will be done during the audit resolution process. Therefore, we are not providing detailed comments or specific concurrence with the report's findings or recommendations at this time.

## **Appendix B**

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### **Response of Congressional Hunger Center**





# Congressional Hunger Center

*“Fighting Hunger by Developing Leaders”*

**Honorable Tony P. Hall**  
U.S. House of Representatives  
Founder and Co-Chairman

**Honorable Frank Wolf**  
U.S. House of Representatives  
Co-Chairman

**Honorable Byron Dorgan**  
U.S. Senate

**Honorable Dennis Hertel**  
U.S. House of Representatives (Ret.)

**Honorable Amory Houghton**  
U.S. House of Representatives

**Honorable Sheila Jackson Lee**  
U.S. House of Representatives

**Honorable Alan Wheat**  
U.S. House of Representatives (Ret.)

**Mr. David Beckmann**  
President  
Bread for the World

**Mr. Paul Carothers**  
Philip Morris Companies Inc.

**Mr. Al Franken**  
Actor/Author

**Mr. George P. Hirsch**  
Chef and CEO  
Hirsch Productions

**Ms. Arianna Huffington**  
Chair  
Center for Effective Compassion

**Mr. David Kantor**  
President  
Victory Wholesale Grocers

**Mr. Climis Lascaris**

**Ms. Elizabeth Emerson Leger**  
Political Director  
Ind't Insurance Agents of America

**Mr. Marshall Matz**  
Olsson, Frank and Weeda

**Mr. Scott Miller**  
Director, Nat'l Government Relations  
Procter and Gamble

**Mr. Manly Molpus**  
President and CEO  
Grocery Manufacturers of America

**Ms. Grace Nelson**

**Mr. Jim Scheibel**  
America's Promise

**Ms. Carol Vittert**

January 14, 1999

Ms. Leslie Leiper  
Senior Partner  
Leonard G. Birnbaum and Company, LLP  
6285 Franconia Road  
Alexandria, VA 22310-2510

Dear Ms. Leiper:

Enclosed is a copy of our response to your draft audit of Cooperative Agreement Number ADNDC099 which was awarded to us by the Corporation for National Service. Please include all of the following in your final report.

We have based our responses on our interpretation of your findings, as well as responses solicited from our subgrantees.

Should you have any questions regarding the enclosed, please do not hesitate to call me at the number below.

Sincerely,

William H. Stott  
Program Director

enc: Audit Response

cc: Mr. William Anderson, CNS-OIG  
Mr. Michael Kenefick, CNS-GM  
Ms. Wendy Zenker, CNS-COO

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**John Morrill**  
Executive Director

**Dr. Margaret Zeigler**  
Deputy Director

**Amb. Gene Dewey**  
Founding Director  
Professor, Army Peacekeeping Institute

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In Memory Of:  
Honorable Bill Emerson  
Honorable Mickey Leland

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Tax Exempt 501 (c) (3) organization

**Congressional Hunger Center  
Cooperative Agreement Number 96ADNDC099  
Comments and Response to the Audit Findings**

Thank you for the opportunity to comment and respond to the findings in the audit. We hope this process continues as smoothly as it has thus far.

We would like to frame our responses and comments by reviewing the history of our grant, and the evolution that has taken place since the inception of the Beyond Food AmeriCorps Program. The Congressional Hunger Center (CHC) inherited the grant in its third program year, 1996 -97, from the United States Department of Agriculture (USDA). The USDA built the five-operating site program in the first two years, creating the systems and expectations for subgrantees. Due to legislation passed by Congress prohibiting Federal agencies from making grants to other Federal agencies, the USDA was forced to seek a new entity to host the AmeriCorps program. The Congressional Hunger Center took the lead, assembling a consortium of the existing subgrantees and applied for funding as a National Direct AmeriCorps program.

The application for funding was approved by the Corporation for National Service (CNS) as Cooperative Agreement ADNDC099 in August, 1996. The CHC accepted the term of the agreement in September, and officially took over operations on October 1. Unfortunately, no transition assistance was offered or contributed by either the USDA or CNS. We absolutely concur with the auditor's statement that "the lack of oversight by the Corporation significantly contributed to the environment which lead to several of the findings in this report" (page 1). However, we also believe that USDA is culpable as well, especially in the matter concerning the Los Angeles operating site.

The audit contains accurate findings concerning the dissolution of the Los Angeles operating site. Just over one month after assuming responsibility for the program, in November 1996, the CHC began to suspect misuse of government funds by the Los Angeles subgrantee. In conjunction with the CNS, an investigation resulted in the findings contained in the audit. Less than three months after assuming responsibility for the grant, the CHC shut down the Los Angeles subgrantee. We believe that the immediacy and magnitude of financial problems created by the Los Angeles operating site call into question the culpability of USDA and CNS fiscal monitoring procedures in the first and second program years.

The first CHC program year was marred by the events concerning Los Angeles – program staff needed to contribute massive amounts of time and resources to the investigation and to the AmeriCorps members laid off the week before Christmas. Fortunately, with cooperation from CNS, the members were well taken care of as they transitioned out of the program.

Due to the Los Angeles collapse, the CHC Board of Directors opted not to reapply to continue as Lead Agency for the next three year grant cycle. The Mississippi operating site applied to be the lead agency instead of CHC, and was rejected in the grant process. As a result, program close out was planned for September 30, 1997.

In October 1997, CNS approached the CHC Board of Directors to offer a new grant award. The new award came with the stipulation that CHC fix and reengineer its organizational structure to operate the new National Direct program. The CHC Board of Directors accepted the offer based on the promise of technical assistance from CNS CEO Harris Wofford. CNS kept its promise, allowing CHC a dedicated "master consultant," other technical assistance providers, and consistent attention from National Direct program staff. Other specialized assistance came from CHC's new executive director and its new auditing firm Kaufman Davis, LLP. In December of 1997, CHC submitted a new application to CNS that was approved in January 1998 (retroactive to October 1, 1997). Two operating sites commenced operations in January, two waited until March for start-up.

Since the fall of 1997, a true partnership between the CHC and CNS has been forged. We wish to acknowledge all the good help and encouragement CHC has received from CNS over the past year. Hard work from both parties created an atmosphere of continuous improvement. Citing the summary of our recent monitoring visit by CNS National Direct staff, "It is evident from the two days of site visits, that the Congressional Hunger Center has made tremendous positive strides in establishing itself as the lead agency of an AmeriCorps National Direct grant. While room for growth and continuous improvement still exists, the program should be commended for its efforts over the past year" (CNS letter dated December 21, 1998).

We hope that by providing the history of our AmeriCorps program, our responses to the audit will be put into a context of vast and continuing improvement. Again, we appreciate the opportunity to respond, and commend the auditors for their thorough and professional work.

## **Response to Findings**

### Finding No. 1, Page 28

We interpret this finding to mean that the matching funds exist, but \$96,811 is questioned. In the case of the Los Angeles operating site, it is very difficult for CHC to respond. In all other cases we recognize this finding as a documentation issue, and have corrected it.

### Finding No. 2, Page 28

We concur with this finding and have corrected our systems accordingly.

### Finding No. 3, Page 29

We disagree with the contention that the Hunger Center “did not track progress toward achievement of the overall program objectives.” We submitted all three required program progress reports for the 1996 - 97 program year. We concur with this finding to the extent that improvement was needed in progress tracking systems, and we have made such improvements. We also concur with the Aguirre and internal evaluation parts of this finding. We have made changes to rectify these issues.

### Finding No. 4, Page 30

We concur with the auditor's finding. We have taken pro-active steps to improve the timely completion of the year-end audits, including the timely completion and submission of A-133 audits.

### Finding No. 5, Page 31

We agree with the auditor's finding. We have been pro-active with our sites to improve procedures to obtain and retain documentation required by AmeriCorps provision 15.

### Finding No. 6, Page 32

We agree with the auditor's finding. Policies and procedures are in place to ensure that financial and programmatic reports are filed on time.

### Finding No. 7, Page 33

We concur with the auditor's finding. Procedures have been implemented to ensure that timesheets are filled out and signed properly.

Finding No. 8, Page 34

We concur with the auditor's findings. Vermont has remedied the problem, implementing policies and procedures for the proper completion of end-of-term forms.

Finding No. 9, Page 35

We concur with the auditor's finding. Vermont has remedied the problem, complying with CHC's protocol for a written request for the reallocation of funds.

Finding No. 10, Page 35

As a youth corps, MCSC reached a compliance agreement with the Corporation for National Service in which the AmeriCorps living allowance was treated as the promulgated rule of stipend. This process, both procedural and implementation was successfully instituted in 1998. We concur with the auditor's finding, recognizing that the above solution is in place. We request the auditor's notes, seeking specific names of members that were potentially underpaid. If shortages exist, we are committed to the auditor's recommendation to "attempt to contact the members to rectify shortages."

Finding No. 11, Page 36

We concur with the auditor's finding. Policies and procedures are now in place at all subgrantees to require members sign a complete member contracts.

Finding No. 12, Page 37

We concur with the auditor's finding. All subgrantees are now aware of the required member evaluations, and are able and willing to comply.

Finding No. 13, Page 38

We concur with the auditor's finding. All subgrantees are aware of, and willing and able to comply with the minimum age Provision. CHC is working with the Wisconsin operating site to address the special needs of those in its program. The disadvantaged, at-risk youth who serve in the Wisconsin program are often estranged from their parents or legal guardians.

Finding No. 14, Page 39

We concur with the auditor's finding. The Mississippi and Milwaukee sites are now in compliance with the Drug-Free Workplace Act.

## **Internal Control Findings**

### Internal Control Finding No.1, Page 42

We concur with the auditors finding to the extent that such a lack of segregation of duties existed up through June 1997. This situation was brought the management's attention by our independent auditors in May 1997 and was immediately corrected by June 1997.

### Internal Control Finding No. 2, Page 43

We concur with the auditor's findings to the extent that up until June, 1997, employee files were incomplete. After June, 1997, in accordance with the recommendations of our CPA firm, Kaufman Davis, CHC management implemented a new system of employee files, including the necessary information needed to support management decisions concerning personnel.

### Internal Control Finding No. 3, Page 44

In the case of Mississippi and Wisconsin, we concur with the findings. Both sites have changed their systems to reach health care compliance. In the case of Vermont, we agree to the extent of that written approval was needed to obtain health care for part-time members. Part-time members serving in Vermont were serving in a "full-time capacity," in which, under the 1996 Provisions, it is allowable to use Corporation funds for health care as long as prior written approval exists. Verbal approval was given by CHC. Policies are currently in place to correct this problem, requiring written approval.

### Internal Control Finding No. 4, Page 45

We concur with the auditor's finding to the extent improvement is needed in Wisconsin's systems to track which persons are participating in which program. We are committed to assisting in this process, and the State Commission has expressed an interest in helping as well. We disagree that members were not serving in an anti-hunger capacity. In the 1996 - 97 program year, our AmeriCorps members were working largely under objectives adopted from the original USDA program. Food insecurity, a concept developed by USDA, was the rationale for many projects in all our sites. The idea is to address the general issue of poverty in a specific community (going "beyond food"), to stop hunger before it starts. We would not consider most of the projects done by the Wisconsin operating site (such as a children's clothing drive) outside the parameters of our program or AmeriCorps in general.

### Internal Control Finding No. 5, Page 46

We concur with the auditor's findings. A new system is in place at the Milwaukee site to track service hours in a more accurate manner.