

**Office of Inspector General
Corporation for National and
Community Service**

**QUALITY CONTROL REVIEW OF
COCCHIARO & ASSOCIATES,
OMB CIRCULAR A-133 AUDIT
OF THE CATHOLIC NETWORK
OF VOLUNTEER SERVICES
FISCAL YEAR ENDED JUNE 30, 2005**

OIG REPORT NUMBER 07- 11



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

**Office of Inspector General
Corporation for National and
Community Service
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This report was issued to Corporation management on November 28, 2006. Under the laws and regulations governing follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than May 28, 2007, and complete its corrective actions by November 28, 2007. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



OFFICE OF INSPECTOR GENERAL

April 19, 2006

Cocchiaro & Associates
Certified Public Accountants and Consultants

SUBJECT: Quality Control Review of Cocchiaro & Associates, Certified Public Accountants and Consultants, Office of Management and Budget (OMB) Circular A-133 Audit of the Catholic Network of Volunteer Services, for Fiscal Year (FY) Ended June 30, 2005

The audit firm of Cocchiaro & Associates (Cocchiaro) performed a single audit of the Catholic Network of Volunteer Services (CNVS) for the fiscal year ended June 30, 2005. Office of Management and Budget (OMB) Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*" requires the audit. The Office of Inspector General (OIG) conducted a quality control review of the Cocchiaro audit of CNVS.

RESULTS

Cocchiaro's audit met Generally Accepted Government Auditing Standards (GAGAS) and the requirements in the OMB Circular A-133 and related criteria, with the following two exceptions: Labor costs were not questioned for one employee that did not complete timesheets, and the Schedule of Findings and Questioned Costs incorrectly reported the auditee as a high risk auditee.

BACKGROUND

CNVS was established in 1963 to work to bring about greater participation of the laity in the work of the Catholic Church. It is a national membership organization of volunteer and mission programs that promotes full-time national and international service opportunities for people of all backgrounds, ages and skills. CNVS recruits volunteers and supports the membership by providing training, resources, networking opportunities, and national advocacy. CNVS's national office is in Takoma Park, Maryland.

The Corporation for National and Community Service (Corporation) awarded CNVS Grant Nos. 01CADC0015 and 02EDNDC091, which became effective on October 1, 2001, and July 1, 2002, respectively. These two AmeriCorps grants were CNVS' only Federal awards for the Fiscal Year (FY) ending June 30, 2005. Both grants are the same Federal program for the OMB Circular A-133 audit. Cocchiaro issued an unqualified opinion in its June 30, 2005, CNVS OMB Circular A-133 Audit.

OBJECTIVE

The OIG performed the quality control review of the Cocchiaro report and supporting working papers for the CNVS FY 2005 single audit. The objectives of the quality control review were to determine the extent to which the OMB Circular A-133 Audit (single audit) was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and the auditing and reporting requirements of OMB Circular A-133.

QUALITY CONTROL REVIEW PROCESS

SCOPE AND METHODOLOGY

We conducted a quality control review of the Cocchiaro OMB Circular A-133 single audit of CNVS, for the FY ended June 30, 2005, during April 2006 at Cocchiaro's office in Alexandria, Virginia.

In conducting our review, we assessed the audit documentation prepared by Cocchiaro. We also discussed the audit with Cocchiaro representatives at an exit conference on June 29, 2006. We emphasized the areas that are of major concern to the Federal Government, such as determining and auditing major program compliance and internal controls.

SINGLE AUDIT REQUIREMENTS

The Single Audit Act and OMB Circular A-133 are designed to improve the financial management of State and local governments and nonprofit organizations. The Act and OMB Circular A-133 establish uniform auditing and reporting requirements for all Federal award recipients that are required to obtain a single audit. OMB Circular A-133 establishes policies that guide implementation of the Act and provide an administrative foundation for uniform requirements of non-Federal entities administering Federal awards. OMB Circular A-133 requires that Federal departments and agencies rely on and use the single audit work to the maximum extent practicable. Entities that expend \$500,000 or more of Federal awards in a fiscal year are subject to the Act and the audit requirements in OMB Circular A-133 and, therefore, must have an annual single or program-specific audit performed in accordance with GAGAS.

To meet the requirements of the Act and OMB Circular A-133, the auditee (non-Federal entity) submits to the Federal Audit Clearinghouse a reporting package on each single audit.

The American Institute of Certified Public Accountants (AICPA) Audit Guide provides guidance on auditor responsibilities for conducting audits according to the Act and OMB Circular A-133. In general, the Audit Guide provides auditors with an understanding of the unique planning, performance, and reporting considerations for single audits performed in compliance with GAGAS. In addition, the Audit Guide uses summary tables and detailed discussions to provide the auditor with an understanding of GAGAS general, fieldwork, and reporting requirements.

REVIEW RESULTS

An unsupported labor cost was not questioned for an employee who did not complete timesheets. Additionally, the Schedule of Findings and Questioned Costs and the data collection form incorrectly reported the auditee as not being low risk

Timesheet Requirements – During the testing of labor cost, the auditor discovered two employees that did not complete timesheets. The A-133 report questioned the labor cost for the Executive Director but did not question the labor cost for the Technical Assistance Coordinator. Also, the related fringe benefits for both employees were not questioned. The Executive Director divides time between six different activities. The auditor questioned \$7,164, the portion representing the Executive Director’s salary for effort on the Training and Technical Assistance grant.

The auditor interviewed the Technical Assistance Coordinator and the Executive Director and determined the Coordinator’s effort is dedicated only to the Training and Technical Assistance grant. The auditor concluded a timesheet for the Technical Assistance Coordinator was not necessary because all of the labor costs were charged to one grant. The fact that the Technical Assistance Coordinator charged 100 percent of the salary to one grant does not negate the need for timesheets. The audit report should have questioned the Technical Assistance Coordinator’s salary cost of \$43,000. Timesheets are required for employees charging salaries to Federal awards, according to OMB A-122 Cost Principals for Non-Profit Organizations, Attachment B, Selected Items of Cost, Paragraph 8.m. *Compensation for personnel services*.

The fringe benefit costs applied to the salaries of the Executive Director and the Technical Assistance Coordinator were not questioned in the audit report. OMB A-122 Cost Principals for Non-Profit Organizations, Attachment B, *Selected Items of Cost*, introductory paragraph states, in part, the determination of allowability in each case should be based on the treatment or principals provided for similar or related items of cost. Because salary costs should be questioned based on the principal of requiring labor activity documentation, the related fringe benefit costs should also be questioned.

Low Risk Auditee Determination – The auditor determined, and the audit work papers documented that the auditee was low risk in accordance with OMB A-133 §__.530 *Criteria for low risk auditee*. However, the Schedule of Findings and Questioned Costs and the data collection form indicated that the auditee was not low risk. The auditor thought that reporting the auditee as low risk would be an indication that the 25 percent coverage rule was used for testing. The auditee only had one Federal program which was required to be tested, effectively providing 100 percent of Federal programs. Since the low risk determination did not impact the percentage of Federal programs tested, the auditor concluded it would be misleading to indicate the auditee as low risk. We believe that the auditee’s low risk should have been indicated on the Schedule of Findings and Questioned Costs and the data collection form; regardless of whether the 25 percent coverage rule was used.

Recommendation

We recommend that Cocchiaro more effectively apply its professional judgment in performing and reporting the results of audits. This process should include selecting the standards that apply to the audit and reaching conclusions based upon those standards. Specifically, we recommend that a footnote be used on the data collection form and the Schedule of Findings and Questioned Costs, when the scope of testing has not been reduced by the low risk determination. Also, the data collection form on the Federal Audit Clearinghouse website should be corrected.

Cocchiaro's Response

Cocchiaro agrees with reporting the low risk determination and questioning fringe benefits related to questioned labor costs. The auditor thinks the time logs for the Technical Assistance Coordinator meets the requirements of OMB Circular A-122.

OIG Comments

The OMB Circular A-122 requirements to support salary costs charged to Federal awards allows for a substitute system if approved by the cognizant Federal agency.

Carol Bates /s/
Assistant Inspector General for Audit

APPENDIX 1

Cocchiaro Response

The findings related to our reporting the auditee as other than low risk are correct. Our decision to not report the auditee as low risk was based on our belief that to report the auditee as low risk would imply that the 25% coverage rule was used, when it was not. We concur with the recommendation made by the OIG that in the future we report the auditee as low risk and footnote the report to indicate that the 25% coverage rule was not able to be used.

We understand the finding related to the time sheet for the technical coordinator and understand that OMB Circular A-122 requires documentation through a time record even if the employee is only charged 100% to one grant. During our fieldwork we noted the absence of a traditional time sheet and satisfied ourselves as to compliance with OMB Circular A-122 by reviewing the employee time log (employee's sign in and out each day showing hours) and interviewing both the employee and her supervisor as to her activity during the year in question. While we believe that the time log meets the requirements of OMB circular A-122, we did not adequately document the reasons for this conclusion in our workpapers. In addition, we did not maintain a copy of the time log and during the OIG quality control review our client could not locate the time logs for the period of the audit. As a result, we have no choice but to accept the finding as written.

We also understand that the fringe benefits allocated to the executive director's salary would also be questioned costs if the basis used to allocate such benefits was salary. We chose not to report this as a questioned costs because it fell below the \$10,000 reporting threshold for questioned costs, even when combined with the questioned costs attributable to the Executive Director's salary. Our decision to report the amount of questioned costs related to the Executive Director's salary, even though it fell below the \$10,000 reporting threshold in OMB Circular A-133, was based on our experience with other agencies that have requested the dollar amounts when following up on our audit reports.

We will adopt procedures to ensure that in the future our decisions in these grey areas are better documented in our work papers and that any additional costs (or estimates thereof) related to a questioned cost reported are also reported, regardless of the dollar amount.