


Report Number 95-03

Date: June 30, 1995

CORPORATION

FOR NATIONAL

 SERVICE

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

OFFICE OF THE INSPECTOR GENERAL

Financial Compliance Audit of

Commission on National and Community Service

Grant Number 92NMSTAR0001

Awarded to

The State of Arkansas Division of Volunteerism

and

Delta Service Corps of Arkansas, Louisiana and Mississippi

The report is issued to the Corporation For National Service to resolve. As required by OMB Circular A-50, *Audit Followup*, the Corporation must make a final management decision within 180 days of the report. Consequently, the reported findings do not necessarily represent the final resolution of the issue presented.

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

Corporation for National and Community Service
Office of Inspector General
Audit of
Commission on National and Community Service Grant Number 92NMSTAR0001
Awarded to the State of Arkansas and
Subrecipient, Delta Service Corps of Arkansas, Louisiana, & Mississippi

The Office of Inspector General (OIG)¹ selected this grant for audit because (a) it was one of the Commission on National and Community Service's (the Commission) largest awards and (b) the program was one of the Commission's seven demonstration models for potential national replication and subsequent refunding by the Corporation for National Service.

The grant was awarded to the State of Arkansas and the Delta Service Corps (DSC), a tri-state initiative among the states of Arkansas, Louisiana, and Mississippi. The purpose of the grant was to promote an ethic of civic responsibility and develop a structured way for any citizen over the age of 17 to make a significant time commitment to serving others by addressing human, educational, environmental, and public safety challenges of the Delta Region. The Division of Volunteerism (DOV) within the State of Arkansas' Department of Human Services was the legal grantee and responsible for the financial and programmatic administration and the related Federal reporting requirements for the grant.

The DOV awarded subgrants to the Mississippi Department of Education, the Louisiana Lieutenant Governor's Office, and two nonprofit organizations in Arkansas, Good Neighbor Center, Inc., and Future Builders' Inc., to implement and run the program.

Results in Brief

As a result of our audit we found that

- the Arkansas Division of Volunteerism appears to have adequately monitored the grant and all related subrecipient activities.
- Delta Service Corps' (DSC) accounting system and system of internal controls was generally adequate to document grant expenditures, and
- DSC met its participant goals by enrolling 340 full-time and 276 part-time volunteers in the program.

¹

On December 14, 1993, the Corporation for National and Community Service established in the Corporation Office of Inspector General audit responsibility for all programs administered by the Corporation as well as grants awarded by the former Commission on National and Community Service.

However, we found that the DSC drew down \$825,708 of Federal funds in excess of actual need for post-service education awards to participants. We also found management control weaknesses in the approval, recording, and reporting of participant hours served and in the recording and reporting of non-Federal expenditures. These weaknesses impacted the grantee's ability to accurately report total participant hours served and total program costs. In addition to the recommended recovery of excess Federal funds, we have questioned in Exhibit A, \$2,137 related to the inappropriate payment of a post service educational award.

Audit fieldwork was completed on December 2, 1994. At that time, although overdue, the grantee had not yet submitted its final Financial Status Report (FSR). Relying on DSC's November 30, 1994 General Ledger, we determined that the grantee had spent Federal funds totaling \$5,998,426 (Exhibit A). On March 15, 1995, we received a copy of the grantee's final FSR claiming Federal grant expenditures totaling \$6,353,488. The difference between audited and claimed Federal expenditures amounts to \$355,062. These costs were charged to the grant after our work and reported at least two months after the final FSR was due. Thus, the reported difference of \$355,062 is unaudited and we offer no opinion as to the appropriateness of these costs.

Background

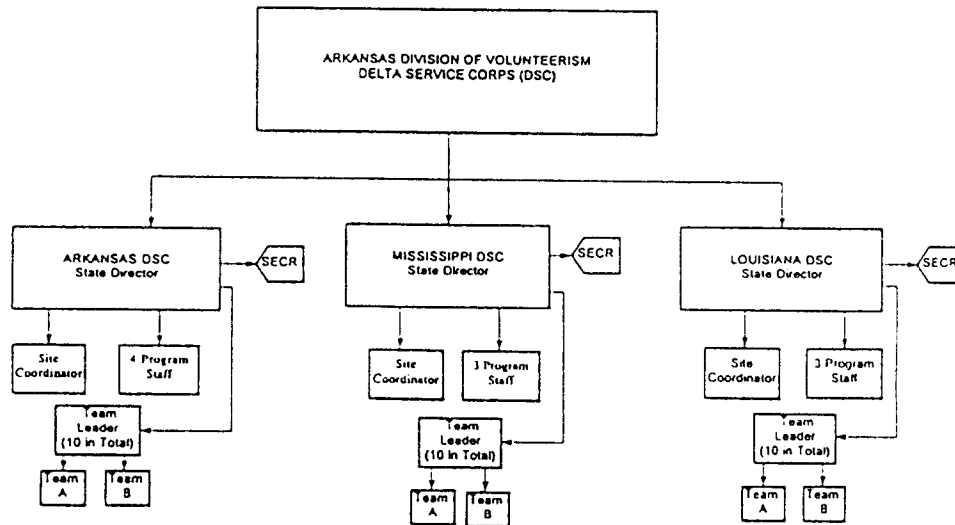
The Delta Service Corps is a tri-state initiative that addresses inherent poverty related issues in the 132 designated Delta counties and parishes in Arkansas, Mississippi, and Louisiana. In 1990 the citizens of the Delta and the Lower Mississippi Delta Development Commission identified 68 goals and offered more than 400 recommendations to achieve these goals by building on the strengths of the Delta communities and its resources. These recommendations were consolidated into 19 emphasis areas, which became the criteria for service opportunity site selections (where the participants serve). The project addressed three of the Commission's four national priority areas: Education, Human Needs, and Environment.

The Delta Service Corps was established to:

- build an ethic of citizenship, service, and understanding among the people of the Delta Region
- provide trained and motivated community services workers to expand the services of existing public and not-for-profit organizations and
- meet the critical educational, environmental, health, human service, and public safety needs of communities in the 132-county Lower Mississippi Delta region of Arkansas, Mississippi, and Louisiana,

Each DSC state subrecipient maintains its own office and related support staff to administer and oversee the day-to-day operations of the state-corps system. The Arkansas Division of Volunteerism pays all participant support costs and reimburses the subrecipients for their share of administrative costs. Each state office consists of a five-to-seven person staff which includes a State Director, Site Coordinator, three-to-four Program Staff, and one administrative assistant/secretary. Each state office supports a cadre of ten DSC team leaders--participants with management duties. Team leaders are individually placed at service opportunity sites and supervise two teams of up to five participants each.

DELTA SERVICE CORPS
ORGANIZATIONAL CHART



Participants must be at least 17 years of age, a United States citizen (or have a permanent residence visa), and a high school graduate or have a Graduate Equivalent Degree (GED). Participants may also agree to earn a diploma or GED during the service period. Generally, participants were eligible for a living allowance (stipend), a post-service education benefit award, and health or liability and accident insurance.

The Commission initially awarded the grant to the State of Arkansas on August 25, 1992 in the amount of \$3,400,000 for the period August 1, 1992 through January 31, 1994. The grantee agreed to provide an additional \$2,187,367 as its nonfederal share. The approved grant provided for pre-award costs incurred from June 30, 1992 (to the extent they were incurred under the approved terms of the award). The grant was amended on September 22, 1993, increasing the Federal share of the award to \$8,685,000 and extending the completion date through July 31, 1994. A final amendment on May 6, 1994, extended the completion date through August 31, 1994.

Delta Service Corps supported 340 full-time and 276 part-time participants over the grant's two-year period. These participants were distributed among 121 sites during the first year and 205 sites the following year. Participants were assigned service opportunities that addressed the

national priority issues of the Commission in more than 100 of the 132 targeted Delta counties and parishes in the tri-state area. The DSC actively engaged the support of the "Golden Triangle," a partnership composed of nonprofit organizations, local business entities, and local and state government agencies to address community awareness and needs.

Objectives, Scope, and Methodology

The OIG established three objectives for this audit, specifically to determine if:

- adequate Federal and State oversight was provided over the grant's financial reporting and accounting systems,
- the DSC's accounting system and systems of internal controls were adequate to document grant expenditures according to Federal standards and safeguard grant funds, and
- costs charged to the grant were reasonable, allocable, and allowable and if Federal funds were spent for purposes detailed in the terms, conditions, and requirements of the grant award.

We performed the audit between October 17, and December 2, 1994. Our audit covered the Commission on National and Community Service's and the State's financial and administrative responsibilities for the 25-month period of the grant ending August 31, 1994.

We conducted the audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Our procedures included

- interviews and discussions with officials of the Corporation for National and Community Service and the State,
- review and testing of Delta Service Corps' and Arkansas' reports and records, and
- other financial analyses.

In addition, we reviewed audit reports for the State of Arkansas, the State of Mississippi, the State of Louisiana, and the grant's two non-profit organizations in Arkansas. We relied upon the opinions and reports of external auditors² regarding the adequacy of the accounting system and systems of internal control for the State of Arkansas as required by the Single Audit Act and related OMB Circulars.

²We reviewed the applicable Single/Legislative Audit or OMB Circular A-133 audit of each subrecipient: (1) State of Mississippi, Department of Education, (2) Louisiana Lt. Governor's Office, (3)Future Builders, Inc. and (4) Good Neighbor Center, Inc.

We provided a draft of this report to CNS and DSC for their comments. CNS management has reviewed the draft and opted not to respond to the report's findings at this time. DSC's response is included as Exhibit B. DSC indicates that it has corrected several of the deficiencies we are reporting. We recommend that CNS' grants management assess the effectiveness of these corrective actions during oversight visits to DSC.

Findings

I. DSC's final Financial Status Report (FSR) was due on November 30, 1994. However, the final FSR was dated January 30, 1995 and submitted to the Corporation sometime thereafter. This final FSR claimed additional costs amounting to \$355,062 for outstanding claims reported to have been incurred prior to August 31, 1994.

As stated in the Results in Brief section, these late charges to the grant are unaudited and need to be resolved by the Corporation's grants officer. In addition, DSC stated that it may submit additional grant costs in the future.

We recommend that CNS require DSC to immediately submit a complete and final accumulation of all grant related costs and initiate steps to validate their accuracy and allowability.

DSC's response to our draft report took no exception to the finding and recommendations and has stated that it resubmitted its final Financial Status Report to the Corporation.

II. In violation of the grant award and Federal cash management policies, Delta Service Corps has drawn \$825,708 in Federal funds in excess of its reported expenditures.

As of September 27, 1994, the grantee drew down cash advances totaled \$6,003,367. We requested the grantee's latest draw down report from the CNS grants office to analyze grant closeout information reported by the grantee in a memorandum dated March 24, 1995. The Report reflected grantee cash drawdowns totaling \$7,179,196. Comparing advances to Federal outlays reported in its final FSR, we determined that the grantee had an excess Federal cash balance of \$825,708 calculated as follows:

Total Cash Advances	\$ 7,179,196
less: Federal Outlays per Final FSR	<u>6,353,488</u>
Total Excess Cash.....	<u>\$ 825,708</u>

All of the excess cash resulted from drawn downs, totaling \$1,175,829, made after October 1994. The grantee claims an accrued liability for post-service education benefits totaling \$833,297 to justify the extent of its drawdown. However, it is unclear as to how many PSEB claims will actually be made and in the case of this grant the use of these funds can extend over a six-year eligibility period. .

Federal regulations (CFR 31, Part 205) prohibit a grantee from requesting or maintaining Federal cash in excess of reasonable and immediate need. The Commission's policy required grantees to minimize the elapsed time between the transfer of funds from the U.S. Treasury and disbursements by grantees.

These unused funds drawn down to support post-service educational benefits can potentially remain with the grantee up to six years. Under the grant award, the Commission allowed the grantee to establish the eligibility period for a participant to redeem their post-service education benefits. The grantee chose a six-year eligibility period and the Commission accepted this time frame.

We recommend that CNS take steps to immediately recover all excess Federal cash and arrange to provide these funds to the grantee only when actually needed.

In responding to our draft report, DSC stated that \$717,965 of the excess Federal funds were actually drawn down for expenses incurred for the program's continuation grant awarded by the Corporation and that other differences are due to the unaudited expenses incurred after December 31, 1994. Although this may explain some of the draw-down, CNS records do not currently support this assertion and still need to be properly reconciled. We recommend that appropriate adjustments and the recovery of excess Federal funds be determined by the CNS grants officer.

III. The total Federal authorization in the approved grant budget appears to exceed all anticipated Federal expenditures--inclusive of the grant's estimated costs for post service educational benefits. As of March 24, 1995, the grant's projected unobligated balance amounts to \$1,498,215 calculated as follows:

Total Federal Authorization	\$ 8,685,000
less:	
Federal Outlays per Final FSR	\$ 6,353,488
Net Accrued Federal Education Benefits ...	<u>833,297</u>
	<u>(7,186,785)</u>
Total Unobligated Balance	<u>\$ 1,498,215</u>

As required by Title 45 CFR § 602.23 (b) Liquidation of Obligations, the grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period. The grantee's budget period ended August 31, 1994; therefore, all grant obligations should have been liquidated by November 30, 1994. The CFR also directs grantees to submit within 90 days after the expiration of the grant period, all financial performance and other reports required as a condition of the award.

We recommend that the Corporation:

- (1) establish a closeout date for which all Federal claims must be submitted to the Corporation.

- (2) determine that any unaudited grant costs that may be claimed in the future were incurred prior to August 31, 1994 and are of an allowable and allocable nature.
- (3) deobligate and/or carryover any remaining unobligated funds.

The DSC agrees with the OIG's recommendations and is currently waiting on the Corporation's decision as to how the unobligated balance will be handled.

IV. During our testing of participant service hours, we found weaknesses in DSC's controls for approving and maintaining time sheets that serve as the basis for documenting the hours served by each participant.

Although the Commission provided no specific guidance as to how participant hours should be documented, it did require that each participant's service hours be reported to ensure participant eligibility for post-service educational benefits. To quantify and validate each participant's service hours, DSC relied upon the procedural guidance detailed in its own Administrative Handbook. We examined 2,845 participant time sheets of which 1,462 were found to be incomplete or inaccurately prepared. Specifically, 646 time sheets were unsigned by a participant and or supervisor. The balance of 816 were either missing or inaccurately reflected participant hours worked. The DSC state directors stated that it had become common practice for them to rely upon verbal confirmations when reporting participant hours served rather than relying on participant time sheets.

This practice resulted in numerous reporting errors and in one instance, the falsification of hour worked in an apparent attempt to embezzle Federal funds³ by two grant participants.

These weak management controls over the completion, submission, and review of time sheets--if continued--will have a significant and adverse impact on the Delta Service Corps under its 1995 AmeriCorps grant governed by the National and Community Service Trust Act of 1993. The Act establishes eligibility requirements for participants receiving post service education awards. To become eligible, full-time participants must serve a minimum of 1,700 hours and part-time participants must serve at least 900 hours. The accurate recording of participant hours served becomes critical to establishing eligibility for future post service education awards provided by the Corporation For National Service.

We recommend that the Delta Service Corps strengthen its internal management controls by:

- (1) enforcing its policy to have participants sign their time sheets
- (2) requiring site supervisors rather than team leaders to certify participant hours
- (3) maintaining adequate documentation of hours served by each participant.

³The State of Arkansas, Department of Human Services, Internal Affairs Section conducted an investigation concerning allegations of embezzlement by two Mississippi participants. Evidence was collected and referred to the Pike County Grand Jury in McComb, Mississippi. Indictments were returned for both participants and a trial is pending.

In responding to this report, DSC agreed with our recommendation and cited a new control initiative to address the noted deficiency. DSC acknowledged the responsibility of State Directors to collect and verify the hours reported by each participant. DSC also developed a new time sheet to help document reported hours. We acknowledge DSC's efforts to correct the noted deficiency but recommend that the CNS program officer follow up to determine grantee compliance with their new procedures.

V. The grantee's accounting system did not record costs or maintain accounting records and other detail related to the non-Federal financial activity associated with the DSC grant.

As reflected in the approved grant budget, the grantee agreed to provide approximately \$2,187,367 as its non-Federal contribution to the program. However, except for post service benefits, the terms of the grant required no minimum non-Federal match. DSC reported non-Federal costs totaling \$1,565,765 on its final Financial Status Report (FSR) dated January 30, 1995. The non-Federal costs were not be supported by source documentation.

The DSC grant was renewed by the Corporation For National Service for FY 1995 as part of its AmeriCorps program. As such, the grant is now subject to the requirements of the National and Community Service Trust Act of 1993, which requires specific statutory non-Federal matching contribution of 25 and 15 percent for certain line item costs. All required non-Federal costs must be fully documented. Although we were verbally assured by the grantee's fiscal officer that all non-Federal costs would be properly recorded in the future, we did not determine that the changes were implemented in the grantee's accounting system.

We recommend that the Corporation's grants officer determine if DSC's accounting system for the new AmeriCorps grant appropriately accounts for both Federal and non-Federal grant related receipts and expenditures and that all such expenditures are accurately disclosed in their financial status reports to the Corporation.

The grantee agrees with our recommendation and claims that all non-Federal expenses incurred for the Corporation's renewal grant are now reflected in the state accounting system. In addition, DSC reports it has implemented a new procedure to document in-kind matching costs.

VI. DSC procedures for approval and payment of post-service education awards did not detect an inappropriate claim by a program participant. At the time of our audit, 38 post-service education benefit awards had been processed by the grantee. We reviewed all 38 and found that one improper payment had been made. Although the error had been recognized by DSC, it was originally detected by a university registrar's office rather than by DSC.

A participant submitted an educational award request in the amount of \$4,275 for a non-credit course which included \$2,116 in travel costs. Public Law 101-610, as amended, restricted the use of post-service benefits for the repayment of a student loan and actual tuition costs for credited courses. Part-time participants are allowed to use the benefit as a down-payment or for closing costs associated with the purchase of a first home. The participant's claim met none of these criteria.

The Eligibility and Verification Roster was signed by an employee at the university who was not with the registrar's office and did not have the authority to do so. DSC paid the claim in full. While processing the paperwork, the university's administrative office questioned the \$4,275 request and brought it to the attention of DSC who eventually denied the claim. We were unable to determine during the time of our audit whether the funds had been recovered.

DSC followed its own procedures for the approving the award. The fact that someone signed the certification form was all that was needed to allow DSC to pay the claim. Consequently the error illustrates that current procedures expose Delta Service Corps to the risk of awarding improper post-service education benefits.

We recommend that the Delta Service Corps

- (1) accept certification of enrollment only from someone within the educational institution's registrar's, admission, or business office and that the document contains an official marking (stamp, seal, etc.) of that office for the release of payments for all post-service education benefits for participants, and
- (2) recover the inappropriately paid post-service educational award benefit in the amount of \$4,275.

In response to this report, the grantee indicates that it now requires an official marking, stamp or seal from a registrar's or admission office prior to the release of payment for a participant's educational benefits. In addition, DSC stated that it has fully recouped the inappropriate payment cited in the report.

EXHIBIT A

Schedule of Budgeted, Incurred, Accepted, and Questioned Costs
For the Period August 1, 1992 through August 31, 1994

FEDERAL SHARE

Cost Category	Budgeted	Incurred (*)	Accepted	Questioned	Notes
Participant Support Costs---					
Full-Time Participants					
Living Allowances & Benefits	\$3,198,120	\$3,080,782	\$3,080,782	\$	
Health Insurance	300,375	162,873	162,873		
Post-Service Benefits	795,000	34,622	32,485	2,137	(1)
In-Service Education	58,875	7	7		
Other	265,050	135,964	135,964		
Sub Total	4,617,420	3,414,248	3,412,111	2,137	
Participant Support Costs---					
Part-Time Participants					
Living Allowances & Benefits	283,829	(21)	(21)		
Health Insurance	1,875				
Post-Service Benefits	249,000				
In-Service Education	65,625	2,624	2,624		
Other	172,500				
Sub Total	772,829	2,603	2,603		
Training of Supervisors & Corps Evaluation	1,123,924	772,450	772,450		
	466,399	14,873	14,873		
Other Program Costs					
Operating	1,738,480	1,641,861	1,641,861		
Capital	30,000	20,145	20,145		
Sub Total	1,768,480	1,662,006	1,662,006		
Administration	435,948	132,246	132,246		
Total Federal Costs	\$9,185,000	\$5,998,426	\$5,996,289	\$ 2,137	
less: Year 1 carry-over	(500,000)				(2)
Total Adjusted Budget	<u>\$8,685,000</u>				(3)

(*) In February 1995, DSC submitted its final FSR dated January 30, 1995. The FSR was submitted over 2 months after the closeout period of the grant and included more than \$355 thousand of costs that were not included in accounting reports provided to us during the audit. It is unclear as to why they were not recorded in the accounting system. We consider them to be unaudited.

Note 1: Questioned costs resulted from an inappropriate post-service education benefit paid by the grantee to an educational institution.

Note 2: The grantee underspent the first year of its grant budget by \$500,000. These funds were carried over into the second year of the award. The carryover was fully incorporated into the second year budget--no attempt was made by the grants officer to adjust the line item cost distribution established in the first grant year. The sum of the two budgets exceeds the grant award by the amount of the carryover. Our gross adjustment reduces the budget to reflect the grant's total actual approved Federal award.

Note 3: Once final costs are determined, a portion of unspent Federal funds will be set aside in reserve to cover post service education awards for eligible members and the balance deobligated.



Arkansas Department of Human Services
Division of Volunteerism

Donaghey Plaza South
P.O. Box 1437
Little Rock, Arkansas 72203-1437
Telephone (501) 682-7540 FAX (501) 682-6752

September 8, 1995

Luise S. Jordan, Inspector General
Corporation for National Service
Office of the Inspector General
1201 New York Avenue, NW
Washington D.C. 20525

Re: Grant Number 92NMSTAR0001

Dear Ms. Jordan:

Attached is the requested information regarding the draft report resulting from your audit of the Commission on National and Community Services' Grant Number 92NMSTAR0001 awarded to the State of Arkansas and the Delta Service Corps.

If you need additional information, please feel free to call me at 501-682-7540.

Sincerely,

A handwritten signature in cursive script, appearing to read "Alice M. Shands".

Alice M. Shands
Director

ARKANSAS DEPARTMENT OF HUMAN SERVICES
Division of Administrative Services

SCHEDULE OF FINDINGS AND RECOMMENDATIONS WITH AGENCY RESPONSE
August 25, 1995

COMMISSION ON NATIONAL AND COMMUNITY SERVICES
Grant # 92NMSTAR0001

Finding I-DSC's final Financial Status Report (FSR) was due on November 30, 1994. However, the final FSR was dated January 30, 1995.

As stated in the Results in Brief section, these late charges to the grant are unaudited and need to be resolved by the Corporation's grants officer. In addition, DSC stated that it may submit additional grant costs in the future.

We recommend that CNS require DSC to immediately submit a complete and final accumulation of all grant related costs and initiate steps to validate their accuracy and allowability.

RESPONSE: The Financial Status Report showing expenses thru September 30, 1994 was submitted to the Commission on October 26, 1994. On November 3, 1994 the FSR was returned by the Post Office due to change of address. The address was corrected and the report was remailed ASAP.

Findings II-In violation of the grant award the Federal cash management policies, Delta Service Corps has drawn \$825,708 in Federal funds in excess of its reported expenditures.

As of September 27, 1994, the grantee drew down cash advances totaled \$6,003,367. We requested the grantee's latest draw down report from the CNS grants office to analyze grant closeout information reported by the grantee in a memorandum dated March 24, 1995. The Report reflected grantee cash drawdowns totaling \$7,179,196. Comparing advances to Federal outlays reported in its final FSR, we determined that the grantee had an excess Federal cash balance of \$825,708 calculated as follows:

Total Cash Advances	\$ 7,179,196
Less: Federal Outlays per Final FSR ...	6,353,488
Total Excess Cash	<u>\$ 825,708</u>

All of the excess cash resulted from draw downs, totaling \$1,175,829, made after October 1994. The grantee claims an accrued liability for post-service education benefits totaling \$833,297 to justify the extent of its drawdown. However, it is unclear as to how many PSEB claims will actually be made and in the

case of this grant the use of these funds extend over a six-year eligibility period.

Federal regulations (CFR 31, Part 205) prohibit a grantee from requesting or maintaining Federal cash in excess of reasonable and immediate need. The Commission's policy required grantees to minimize the elapsed time between the transfer of funds from the U.S. Treasury and disbursements by grantees.

These unused funds drawn down to support post-service educational benefits can potentially remain with the grantee up to six years. Under the grant award, the Commission allowed the grantee to establish the eligibility period for a participant to redeem their post-service education benefits. The grantee chose a six-year eligibility period and the Commission accepted this time frame.

We recommend that CNS take steps to immediately recover all excess Federal cash and arrange to provide these funds to the grantee only when actually needed.

RESPONSE: Federal funds totaling \$717,965 were drawn on grant #92NMSTAR0001 for expenses on grant #94ADNAR002. A draw on grant #94ADNAR002 and a negative draw on grant #92NMSTAR0001 has been done to correct this error.

Total Cash Advances (March 24, 1995)	\$7,179,196
Less: Federal Outlays (March 30, 1995)	<u>6,738,155</u>
Total Excess Cash	<u>441,041</u>

The difference between the \$825,708 and the \$441,041 is due to additional expenditures accounted for by DHS from December 31, 1994 thru March 30, 1995, amounting to \$384,667 that were not identified by the audit.

Finding III-The total Federal authorization in the approved grant budget appears to exceed all anticipated Federal expenditures-inclusive of the grant's estimated costs for post service educational benefits. As of March 24, 1995, the grant's projected unobligated balance amounts to \$1,498,215 calculated as follows:

Total Federal Authorization.....	\$8,685,000
Less:	
Federal Outlays per Final FSR	\$6,353,488
Net Accrued Federal Education Benefits	<u>833,297</u>
	<u>(7,186,785)</u>
Total Unobligated Balance	<u>\$1,498,215</u>

As required by Title 45 CFR 602.23(b) Liquidation of Obligations, the grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period. The grantee's budget period ended August 31, 1994; therefore, all grant obligations should have been liquidated by November 30, 1994. The CFR also directs grantees to submit within 90 days after

the expiration of the grant period, all financial performance and other reports required as a condition of the award.

We recommend that the Corporation:

- (1) establish a closeout date for which all Federal claims must be submitted to the Corporation.
- (2) determine that any unaudited grant costs that may be claimed in the future were incurred prior to August 31, 1994 and are of an allowable and allocable nature.
- (3) deobligate and/or carryover any remaining unobligated funds.

RESPONSE: Arkansas Department of Human Services' records show an unobligated balance of \$1,052,697. We are waiting on a decision from the Commission on National and Community Services as to how the unobligated balance will be handled.

Grant amount		\$8,685,000.
Expenditures thru 9/30/94	\$5,988,967.	
Post Service Benefits	<u>1,100,200.</u>	
Total obligated Expenditures		<u>7,089,167.</u>
Unobligated balance		1,595,833.
Less Carryover		<u>543,136.</u>
Net Unobligated Balance		<u>\$1,052,697.</u>

Finding IV-During our testing of participant service hours, we found weaknesses in DSC's controls for approving and maintaining time sheets that serve as the basis for documenting the hours served by each participant.

Although the Commission provided no specific guidance as to how participant hours should be documented, it did require that each participant's service hours be reported to ensure participant eligibility for post-service educational benefits. To quantify and validate each participant's service hours, DSC relied upon the procedural guidance detailed in its own Administrative Handbook. We examined 2,845 participant time sheets of which 1,462 were found to be incomplete or inaccurately prepared. Specifically, 646 time sheets were unsigned by a participant and or supervisor. The balance of 816 were either missing or inaccurately reflected participant hours worked. The DSC state directors stated that it had become common practice for them to rely upon verbal confirmations when reporting participant hours served rather than relying on participant time sheets.

This practice resulted in numerous reporting errors and in one instance, the falsification of hour worked in an apparent attempt to embezzle Federal funds by two grant participants.

These weak management controls over the completion, submission, and review of time sheets--if continued--will

have a significant and adverse impact on the Delta Service Corps under its 1995 AmeriCorps grant governed by the National and Community Service Trust Act of 1993. The Act establishes eligibility requirements for participants receiving post service education awards. To become eligible, full-time participants must serve a minimum of 1,700 hours and part-time participants must serve at least 900 hours. The accurate recording of participant hours served becomes critical to establishing eligibility for future post service education awards provided by the Corporation For National Service.

We recommend that the Delta Service Corps strengthen its internal management controls by:

- (1) enforcing its policy to have participants sign their time sheets
- (2) requiring site supervisors rather than team leader to certify participant hours
- (3) maintaining adequate documentation of hours served by each participant

RESPONSE: The individual DSC State Directors are responsible for collecting and verifying the number of hours worked by each participant in their respective states. The attached Delta Service Corps time sheet is being used for sending Corps members service hours that include participant signing the time sheet as well as the site supervisor (see the attached time sheet.)

Finding V-The grantee's accounting system did not record costs or maintain accounting records and other detail related to the non-Federal financial activity associated with the DSC grant.

As reflected in the approved grant budget, the grantee agree to provide approximately \$2,187,367 as its non-Federal contribution to the program. However, except for post service benefits, the terms of the grant required no minimum non-Federal match. DSC reported non-Federal costs totaling \$1,565,765 on its final Financial Status Report (FSR) dated January 30, 1995. The non-Federal costs were not supported by source documentation.

The DSC grant was renewed by the Corporation For National Service for FY 1995 as part of its AmeriCorps program. As such, the grant is now subject to the requirements for the National and Community Service Trust Act of 1993, which requires specific statutory non-Federal matching contribution of 25 and 15 percent for certain line item costs. All required non-Federal costs must be fully documented. Although we were verbally assured by the grantee's fiscal officer that all non-Federal costs would be properly recorded in the future, we did not determine that the changes were implemented in the grantee's accounting system.

We recommend that the Corporation's grants officer determine if DSC's accounting system for the new AmeriCorps grant appropriately accounts for both Federal and non-Federal grant related receipts and expenditures and that all such expenditures are accurately disclosed in their financial status reports to the Corporation.

RESPONSE: With the start of the renewed grant (94ADNAR002) through AmeriCorp, the required state match is shown on the State Accounting System (AFGMS) as a percentage of related Program Codes.

The Assistant Director of the Division of Volunteerism has implemented a new procedure using the reporting forms, to record Inkind match, as recommended by the Commission (see attached form.)

Finding VI-DSC procedures for approval and payment of post-service education awards did not detect an inappropriate claim by a program participant. At the time of our audit, 38 post-service education benefit awards had been processed by the grantee. We reviewed all 38 and found that one improper payment had been made. Although the error had been recognized by DSC, it was originally detected by a university registrar's office rather than by DSC.

A participant submitted an educational award request in the amount of \$4,275 for a non-credit course which included \$2,116 in travel costs. Public Law 101-610, as amended, restricted the use of post-service benefits for the repayment of a student loan and actual tuition costs for credited courses. Part-time participants are allowed to use the benefit as a down-payment or for closing costs associated with the purchase of a first home. The participants claim met none of these criteria.

The Eligibility and Verification Roster was signed by an employee at the university who was not with the registrar's office and did not have the authority to do so. DSC paid the claim in full. While processing the paperwork, the university's administrative office questioned the \$4,275 request and brought it to the attention of DSC who eventually denied the claim. We were unable to determine during the time of our audit whether the funds had been recovered.

DSC followed its own procedures for the approving the award. The fact that someone signed the certification form was all that was needed to allow DSC to pay the claim. Consequently the error illustrates that current procedure expose Delta Service Corps to the risk of awarding improper post-service education benefits.

We recommend that the Delta Service Corps

- (1) accept certification of enrollment only from someone within the educational institution's registrar's, admission, or business office and that the document contains an official marking (stamp, seal, etc.) of that office for the release of payment for all post-service education benefits for participants, and
- (2) recover the inappropriately paid post-service educational award benefit in the amount of \$4,275.

RESPONSE: Time Schedule

Currently being required.

Corrective Action

Certification of enrollment forms are required to have a stamp or seal of the registrar's or admissions office.

\$4,275 was fully recouped from the University of Colorado at Boulder.

DELTA SERVICE CORPS TIME SHEET

DATE: _____

NAME: _____ SS# _____

PAY PERIOD _____ THROUGH _____ 19 _____

SERVICE OPPORTUNITY SITE _____

FULL TIME _____ PART TIME _____

VOLUNTEER _____

DATE	TIME IN	TIME OUT	TOTAL HOURS	ACTIVITIES	SUPVSR. INITS.

TOTAL HOURS: _____

_____ Approved by Supervisor
 _____ Corps Member Signature
 _____ Certified by Corps Director
 * Hours spent at team meetings or corps trainings will be verified by Corps Director.

Receipt Voucher: In-Kind Contribution

VOUCHER NUMBER _____

Project Name _____

Address _____

Donor's Name	Phone Number <small>include area code</small>
Donor's Complete Address (include zip code)	

Date Contributed <small>(Month/Day/Year)</small>	Value \$
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Description: _____

Authorized Donor Signature

For Office Use Only	
Credit to budget category* _____	
<small>* There should be a separate voucher for each different line item category. If not, the amount to be credited to each category will need to be shown here.</small>	
Original-project files Copy-donor	_____ Authorized Project Signature