
C O R P O R A T I O N

F O R N A T I O N A L



S E R V I C E

OFFICE OF THE INSPECTOR GENERAL

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Review of

Blackfeet Nation

Grant Number 94ASTRMT01

This report was issued to CNS Management on July 3, 1996. According to OMB Circular A-50, *Audit Followup*, the Corporation must make a final management decision no later than December 30, 1996. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

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

Office of the Inspector General
Review of the Blackfeet Nation
CNS Grant # 94ASTRMT01



M.D. Oppenheim & Company, under contract to the Office of Inspector General, performed a limited review of the Blackfeet Nation's financial reporting and accounting systems to assess their ability to comply with Federal fiscal accounting and reporting requirements applicable to its AmeriCorps grant, as well as its ability to safeguard related funds. We have reviewed the report and workpapers supporting its conclusions and agree with the findings and recommendations presented.

Based on their review, the Blackfeet Nation's accounting systems and system of internal controls are not adequate to report grant expenditures in accordance with grant requirements and to safeguard Federal funds. M.D. Oppenheim & Company noted the following deficiencies:

- The Blackfeet Nation's accounting system does not track its grant costs or matching share on the same basis as the budget. Furthermore, the total match provided included some unallowable costs and was insufficient to meet either the individual line-item matching requirements or the total matching share required under the grant.
- The Blackfeet Nation made several purchases that were unauthorized and not within Federal guidelines. These costs were charged both to CNS funds or as a matching share. We are questioning \$10,291.
- The Blackfeet Nation's Financial Status report, at June 30, 1995, contained several mathematical and other errors. This resulted in an overstatement of \$18,000 of the unobligated balance.
- The Blackfeet Nation's AmeriCorps members were not advised of CNS' and other Federal policies regarding prohibited lobbying activities.
- The Blackfeet Nation's final OMB Circular A-128 Single Audit report, for the fiscal year ended September 30, 1994, has not been issued on a timely basis. The report has been presented by the Blackfeet Nation's independent auditors as a draft report, but it is incomplete. It is missing the Independent Auditor's Report and all of the financial statements.

CNS has awarded the Blackfeet Nation a second operating grant of \$320,000 covering the period September 1, 1995 through August 31, 1996. We recommend that CNS grants management determine whether the Blackfeet Nation has corrected the conditions noted above.

1201 New York Avenue, NW
Washington, DC 20525
Telephone 202-606-5000

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1201 New York Avenue, NW
Washington, D.C. 20525

We performed a limited review, as described in the **Scope and Methodology** section of this report, of the Blackfeet Nation's Health and Safety Corps' financial reporting and accounting systems to assess their ability to comply with Federal fiscal accounting and reporting requirements applicable to its AmeriCorps grant and to safeguard related funds.

RESULTS

The Blackfeet Nation's Health and Safety Corps' accounting system and system of internal controls did not appear adequate to report grant expenditures in accordance with Federal and grant requirements and to safeguard Federal funds. We noted the following deficiencies:

- Finding 1** The Blackfeet Nation's accounting system does not track its grant costs or matching share on the same basis as the budget. Furthermore, the total match provided included some unallowable costs and was insufficient to meet either the individual line-item matching share requirements or the total matching share required under the grant.
- Finding 2** The Blackfeet Nation made several purchases that were unauthorized and not within Federal guidelines. These costs were charged both to CNS funds or as matching share. We have questioned \$10,291.
- Finding 3** The Blackfeet Nation's Financial Status Report, at June 30, 1995, contained several mathematical and other errors. This resulted in an overstatement of \$18,000 of the unobligated balance.
- Finding 4** The Blackfeet Nation's AmeriCorps members were not advised of CNS' and other Federal policies regarding prohibited lobbying activities.
- Finding 5** The Blackfeet Nation's final OMB Circular A-128 Single Audit report, for the fiscal year ended September 30, 1994, has not been issued on a timely basis. The report has been presented by the Blackfeet Nation's independent auditors

as a draft report, but it is incomplete. It is missing the Independent Auditor's Report and all of the financial statements (pages 1-9 of the audit report).

These findings are described in more detail in the **Findings and Recommendations** section of this report.

BACKGROUND

The Blackfeet Nation is an American Indian Tribe headquartered in Browning, Montana on the Blackfeet Indian Reservation. It represents the 10,000 tribal members living on the Reservation. The Tribal Council of the Blackfeet Nation established the Blackfeet Health and Safety Corps to address the issues of accidental death and disability on the reservation.

The purpose of the Blackfeet Health and Safety Corps is to develop community leaders through tactical service and training. The AmeriCorps grant is designed to allow the Blackfeet Health and Safety Corps to expand its training programs. The AmeriCorps team members will become role models to community youth and seek solutions and perform community service to overcome the overall Tribal problem of accidental death and disability resulting from preventable circumstances (motor vehicle crimes, domestic violence and at-home accidents).

The Blackfeet Nation was awarded Grant Agreement #94ASTRMT01 by the Corporation for National Service (CNS) under the AmeriCorps Program. The total grant was for \$811,718, of which \$568,744 was direct AmeriCorps funding for program operations. The Blackfeet Nation's required share of the grant was \$242,974 (29.93%). The matching funds are Tribal funds and a Job Training Partnership Act (JTPA) grant. [The budget and reported costs are detailed in Table 1 on page 6.] The funds under this agreement are for the period October 1, 1994 to August 31, 1995. The program provides funding for 30 full-time participants and six part-time participants.

SCOPE AND METHODOLOGY

We performed our review at the Blackfeet Nation's Central Tribal Office in Browning, Montana, during the period October 30 through November 3, 1995. The most recently submitted Financial Status Report, for the quarter ended June 30, 1995, was the focus of our work. (Because the Blackfeet Nation was short of its matching requirement at June 30, 1995, we also reviewed the August 31, 1995 Financial Status Report, which was provided by CNS. We analyzed the status of the matching funds at the end of the grant and found that the grantee was \$50,595 short of its matching share at the end of the grant.)

We obtained an understanding of the Blackfeet Nation's accounting system and management controls and performed limited testing to determine whether they were operating as intended. Our procedures included:

- interviewing key accounting and program personnel;

- documenting and nominally testing key management controls over the Blackfeet Nation's accounting and reporting systems;
- reviewing prior audit reports on the Blackfeet Nation's financial statements and management controls, and
- testing a judgmental sample of financial transactions related to the grant.

Although we reviewed Blackfeet Nation's monitoring of its program sites, our review did not include visits to any program sites.

We performed our review in accordance with generally accepted government auditing standards issued by The Comptroller General of the United States, as applicable. However, our procedures were substantially less in scope than an audit, and accordingly, did not include elements essential to the expression of an opinion on management controls. Accordingly, we do not express such an opinion. Further, if additional procedures had been performed, other matters might have come to our attention that would have been reported. Also, projection of any evaluation of the internal control structure over financial reporting to future periods is subject to the risk that the internal control structure may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

We provided a copy of the draft report to the Corporation for National Service Executive Director and the Chief Financial Officer as well as the grantee, Blackfeet Nation. No comments were received.

This report is intended for the information and use of the Corporation's and the Blackfeet Nation's management. However, this report is a matter of public record and its distribution is not limited.

M. D. Oppenheim & Company, P.C.

December 6, 1995
Fairfax, Virginia

FINDINGS AND RECOMMENDATIONS

Finding 1: The Blackfeet Nation's accounting system did not record CNS' or the Blackfeet Nation's matching share costs in compliance with the budget.

The Blackfeet Nation did not adequately account for its costs or matching share. The following deficiencies in its accounting system were noted:

- A) The general ledger did not account for CNS' share of costs according to the line-items in the budget.
- B) The matching share costs were not allocated to specific budget line-items and not all of the claimed matching share costs were recorded in the general ledger, resulting in a matching share shortfall.

Because of these deficiencies, it was not possible to determine that the Blackfeet Nation had properly complied with the expenditure requirements or the matching share requirements for each of the major line-items.

- A) The general ledger did not account for CNS' share of costs according to the line-items in the budget.**

The Blackfeet Nation's general ledger did not account for CNS' share of the costs based on the major line-item groupings in the budget. Consequently, it was not possible to determine which costs were associated with the specific line-items or if the Blackfeet Nation's costs were within the stated budgets. (See Table 1.)

For instance, it appears that all of the FICA and workers' compensation costs for the participants were included in the general ledger as part of the staff fringe benefits line-item. Therefore, it is not possible to determine whether the proper fringe benefits were being provided to the participants or that the fringe benefits were within budget.

- B) The matching share costs were not allocated to specific budget line-items and not all of the claimed matching share costs were recorded in the general ledger, resulting in a matching share shortfall.**

The grant budget, revised October 12, 1994, indicated that the total grant budget was \$811,718, of which CNS would provide \$568,744 (70.07%) and the Blackfeet Nation would provide a matching share of \$242,974 (29.93%).

On its June 30, 1995 Financial Status Report, the Blackfeet Nation claimed \$122,049 of matching share. However, both the costs claimed as CNS costs and the costs claimed as matching share included unallowable costs. Table 2 shows the recalculation of CNS' and the Blackfeet Nation's share of the costs after exclusion of the unallowable items.

In addition to the inclusion of unallowable costs, the Blackfeet Nation's general ledger did not allocate its matching share contributions to the individual budget line-items. The general ledger simply reflected a transfer of some Tribal funds (\$31,552) and some JTPA funds (\$9,878) to the program. The rest of the claimed matching share (\$8,721) was maintained "off-book" and, consequently, some of these costs were not reported to CNS. The Blackfeet Nation had recorded only parts of its matching funds in its general ledger (Account 622.85) at June 30, 1995. The matching share was tracked separately on worksheets by the program office.

Beyond the preceding items, the Blackfeet Nation simply reported part of the total grant costs as CNS costs and assumed that the balance was their matching share. This additional matching share claimed (\$80,619) does represent actual costs incurred, but none of these costs were allocated to the major line-items. Table 1 reflects the costs according to the general ledger. Those costs which could be identified with specific budget line-items were aligned in this schedule. However, many of the costs could not be identified with specific budget line-items and are indicated as "unallocated" in Table 1. All of the Blackfeet Nation's claimed matching share costs are unallocated, as were several other CNS line-items (salaries, contracted services, professional services).

As a result of the lack of monitoring of its matching share, the Blackfeet Nation is short of its matching share by \$40,800 as of June 30, 1995. [Subsequent to the fieldwork, we reviewed the August 31, 1995 Financial Status Report. At the end of the grant period, the grantee was short its matching share by \$50,595.]

The Grant Agreement, Part VII., *Other Grant Requirements* Section B. *Matching Funds*, states:

1. *The Grantee is responsible for meeting the matching amount in the approved and attached aggregate budget*

Recommendations:

We recommend that the Blackfeet Nation:

- 1) Track and monitor both the CNS share and its matching share by the major line-item groupings in the budget;
- 2) Provide the necessary matching share, from Tribal funds, to meet its grant matching requirement;
- 3) Include its matching share in its general ledger, and
- 4) Revise its August 31, 1995 Financial Status Report, as necessary, to provide an adequate matching share, as required by the grant.

Table 1

Blackfeet Nation
Budget Summary
Grant Agreement #94ASTRMT01
(Unaudited)

	Budget (A)			Notes	Reported Costs			Notes
	CNS	Blackfeet	Total		CNS	Blackfeet	TOTAL	
A. Participant support								
Training and Education	19,500	6,000	25,500				0	
Uniforms	6,575	0	6,575		10,350		10,350	
Other: meetings	3,600	3,500	7,100				0	
Total participant support	29,675	9,500	39,175		10,350	0	10,350	
B. Staff								
Unallocated salaries					125,508		125,508	
Unallocated contracted services					3,204		3,204	
Unallocated professional services					22,850		22,850	
Director	32,000	0	32,000				0	
Secretary	11,600	5,040	16,640				0	
Office/community coordinator	20,833	0	20,833				0	
Education/field coordinator	22,880	0	22,880				0	
Data coordinator	0	9,720	9,720				0	
Team leaders	45,440	0	45,440				0	
Benefits	33,719	3,838	37,557		20,150		20,150	(F)
Training	4,000	48,000	52,000		17,938		17,938	
Other: Dr.	21,194	6,903	28,097		1,684		1,684	
Total staff	191,666	73,501	265,167		191,334	0	191,334	
C. Operational								
Travel	7,500	0	7,500		15,530		15,530	(G)
Transportation	19,727	637	20,364				0	
Supplies	12,001	0	12,001		11,680		11,680	
Equipment - van	36,210	0	36,210		48,765		48,765	
Equipment - radios	8,950	0	8,950				0	
Equipment - crash kits	900	0	900				0	
Equipment - FR supplies	1,815	0	1,815				0	
Equipment - office	5,520	0	8,680	(C)			0	
Vehicle repairs					4,986		4,986	
Space rental					2,893		2,893	
Other - Utilities etc.	14,500	15,450	29,950		9,468		9,468	
Total operational	107,123	16,087	126,370		93,323	0	93,323	
D. Evaluation 5%	0	10,000	10,000		0	0	0	
E. Administration 10% IDC	28,437	28,437	56,874		14,550	0	14,550	
F. Participant Support								
Living allowances	195,075	58,975	253,800	(C)	241,067		241,067	
FICA/workers' compensation	13,168	3,964	17,132		1,871		1,871	(F)
Health - IHS	0	39,600	39,600				0	
Health - CNS	3,600	0	3,600				0	
Total participant support	211,843	102,539	314,132		242,938	0	242,938	
G. Childcare	0	0	(B)		0	0	0	
Unallocated matching share (E)								
Unallocated Tribal transfers					(31,552)	31,552	0	
Unallocated OJT transfers					(9,878)	9,878	0	
Unallocated costs claimed as matching share					(80,619)	80,619	0	
Unclaimed disbursements (D)						8,721	8,721	
Total unallocated matching share	0	0	0		(122,049)	130,770	8,721	
TOTALS	\$568,744	\$240,064	\$811,718	(C)	\$430,447	\$130,770	\$561,217	

(A) As revised October 12, 1994

(B) Original budget called for Child Care of \$23,650 as a matching share. Amendment #1, dated October 12, 1994, deleted the childcare.

(C) The total of CNS' share of \$568,744 plus the matching share of \$240,064 = \$808,808, a difference of \$2,190 from the total budget. The office equipment line matching share is understated by \$3,160; the living allowance matching share is overstated by \$250 resulting in an understatement of the matching share by \$2,190.

(D) Disbursements on behalf of program but not recorded in the CNS portion of the general ledger. The costs questioned in Findings 2 and 3 have not been deleted in this schedule.

(E) The grantee does not allocate its matching share to the specific costs. The grantee simply reports a portion of the total costs as CNS costs and the balance is treated as the grantee's matching share.

(F) Fringe benefits were recorded in the general ledger as one line item and were not identified by staff and participant costs.

(G) Transportation was not separated from travel in the general ledger.

TABLE 2

Blackfeet Nation
Grant Agreement #94ASTRMT01
Calculation of Matching Share
June 30, 1995 Financial Status Report
 (as revised during fieldwork)

COSTS	COSTS CLAIMED		
	CNS	MATCH	TOTAL
Reported on June 30, 1995 Financial Status Report	\$430,447.14	\$122,048.68	\$552,495.82
Plus Additional Matching Share Not Claimed:		8,721.00	8,721.00
Less Unallowable Costs:			
Prime Rib Dinner	(980.00)		(980.00)
Wagon Rides		(500.00)	(500.00)
Youth Christmas Party		(1,238.00)	(1,238.00)
Graduation Night Activities		(4,940.00)	(4,940.00)
EMS Mens Trousers	(2,633.14)		(2,633.14)
Revised Costs at June 30, 1995	<u>\$426,834.00</u>	<u>\$124,091.68</u>	<u>\$550,925.68</u>
Required Matching Share per			
Grant Budget Dated October 12, 1994	70.07%	29.93%	100.00%
Matching Share Shortage (Overage)	<u>(7.41%)</u>	<u>7.41%</u>	<u>0.00%</u>
Matching Share Shortage (Overage)	<u>(\$40,800.38)</u>	<u>\$40,800.38</u>	<u>\$0.00</u>
Revised Costs After Recalculation of Matching Share	<u>\$386,033.62</u>	<u>\$164,892.06</u>	<u>\$550,925.68</u>

Finding 2: The Blackfeet Nation expended funds for unauthorized purchases.

The Blackfeet Nation charged unallowable costs (as either direct CNS costs or as matching share) to the grant.

<u>Unallowable Costs</u>	<u>Reason Unallowable</u>	<u>Amount</u>
Uniform pants for Corps members	Only shirts, hats & pins allowed per grant (1)	\$ 2,633
Prime rib dinner	Entertainment (2)	980
Wagon rides	Entertainment (2)	500
Youth Christmas party	Entertainment (2)	1,238
Graduation night activities	Entertainment (2)	<u>4,940</u>
Total unallowable costs		<u>\$10,291</u>

Notes:

- (1) The Blackfeet Nation was authorized to purchase uniforms for its Corps members that consisted of a t-shirt, sweatshirt, hat, and pin. Normally, clothing is not an allowable expense in grant programs. However, since the grant provisions specifically provided for shirts, hat, and a pin, these are the only clothing items which may be charged to CNS for the program. The AmeriCorps USA Indian Tribes Set-Aside Funds Grant Provisions Section B (3c) state:

The Corporation will provide all participants with an initial basic uniform, consisting of a t-shirt, sweatshirt, hat, and pin.

- (2) A prime rib dinner was held on July 31, 1995 for 100 people and charged to CNS's share of the grant. A youth Christmas party, wagon rides, and prom and graduation night activities were charged to the grant as matching share. The Federal regulations state that entertainment costs are unallowable. OMB Circular A-87, *Cost Principles for State and Local Governments*, Section D(4) states:

Entertainment. Costs of amusements, social activities, and incidental costs relating thereto, such as meals, beverages, lodgings, rentals, transportation, and gratuities, are unallowable.

It appears that the Blackfeet Nation has not adequately reviewed the conditions of the grant or the Cost Principles (OMB Circular A-87) before incurring costs under this grant. The unallowable purchases represent adjustments to the CNS share and the Blackfeet Nation matching share of the grant costs and are reflected in Table 2 with Finding 1.

Recommendation:

We recommend that the Blackfeet Nation adjust its final Financial Status Report to delete the unallowable costs of \$10,291.

Finding 3: The Financial Status Reports were not properly reviewed or documented before submission to CNS.

There were numerous recordation and mathematical errors in the Financial Status Reports filed by the Blackfeet Nation as of June 30, 1995. The reports were not completed correctly nor were they mathematically accurate. Our review of the Financial Status Report at June 30, 1995 disclosed the following errors:

Line (10a) - "Total Outlays" of \$552,496 did not include all of the matching share. Therefore, the correct amount should have been \$561,217.

Line (10b) - "Recipient Share of Outlays," reported as \$122,049, should be \$130,770 according to the Grantee's books.

Line (10h) - "Total Federal Funds Authorized," reported as \$586,744, should be \$568,744 according to grant amendment 1.

Line (10i) - "Unobligated Balance of Federal Funds," reported as \$156,297, should be \$138,297 as a result of the preceding corrections, a net difference of \$18,000.

Note: These revised amounts do not reflect any of the adjustments in Findings 1 or 2.

Accurate, current and complete disclosure of the financial results of each Federally-sponsored grant program is required according to the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*. Subpart C - *Post-Award Requirements* ____ .20 *Standards for financial management systems* which states:

Recipients are to maintain records . . . which clearly identify the source and application of funds for grant supported activities. The records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays and income.

As a result of these errors, the unobligated balance was over-stated by \$18,000 and neither CNS nor the Blackfeet Nation was aware of the true status of the grant.

Recommendation:

We recommend the Blackfeet Nation establish specific report review procedures for report submission to the Government. In addition, the Blackfeet Nation should adjust their final Financial Status Report to correct these errors.

Finding 4: The AmeriCorps members were not advised about prohibited lobbying activities.

Based on our interviews and a review of the AmeriCorps members' handbook, issued by the Blackfeet Nation to its Corps members, there is no mention of the prohibition on lobbying activities for AmeriCorps members. Furthermore, no documentation was provided which supported that the fact that any AmeriCorps member was informed of, or acknowledged, the lobbying prohibitions.

The grant provisions (AmeriCorps USA - Indian Tribes Set Aside Funds Grant Provisions, Section 5, a.- e.) state:

Participants may not engage in activities in the course of their project assignment that would associate the activities with the AmeriCorps program or the Corporation such as influencing legislation, organizing protests, petitions, boycotts, or strikes; assisting, promoting, or deterring union organizing; impairing existing contracts for services or collective bargaining agreements; or engaging in partisan political activities, or other activities designed to influence the outcome of an election to any public office.

The Blackfeet Nation has failed to adequately read and implement the provisions of the AmeriCorps Program. While nothing came to our attention which would indicate the AmeriCorps members engaged in prohibited activities, the Corps members are unaware of the prohibition on lobbying and may inappropriately participate in such activities.

Recommendation:

We recommend that the Blackfeet Nation incorporate the regulations regarding prohibited lobbying activities in their Corps Member Handbook and the Corps member contract. This would ensure that Corps members are adequately informed of the prohibition on lobbying activities.

Finding 5: The Single Audit Report for fiscal year 1994, due September 30, 1995, was not issued as of November 3, 1995

Only a partial draft 1994 Single Audit Report had been issued by the Blackfeet Nation's auditors, as of November 3, 1995. Based on the copy of the draft provided to us, it was not a complete report, because it was missing the independent auditor's report and all of the financial statements (pages 1-9 of the report). The regulations require that the final audit report be issued within one year of the year end. Therefore, the final Single Audit report was due September 30, 1995.

OMB Circular A-128, *Audits of State and Local Governments*, states:

The reports shall be sent within 30 days after the completion of the audit, but no later than one year after the end of the audit period unless a longer period is agreed to with the cognizant agency.

The independent Certified Public Accounting firm failed to complete the report within the required time. We requested the missing pages from the auditors, but they indicated that they were not available, because the work was not yet completed. The Blackfeet Nation has also failed to ensure timely reporting by its auditors.

Recommendation:

We recommend that the Blackfeet Nation, in the future, require its independent auditors to adhere to the timely issuance requirements of OMB Circular A-128. In addition, the Blackfeet Nation should work to obtain a properly completed 1994 Single Audit Report and submit it to CNS, and its cognizant agency, as soon as possible.