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OFFICE OF THE INSPECTOR GENERAL

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Review of

Fort Belknap Community Council

Grant Number 94ASTRMT02

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 Fort Belknap Community Council  
CNS Grant # 94ASTRMT02



M.D. Oppenheim & Company, under contract to the Office of Inspector General, performed a limited review of the Fort Belknap Community Council's (FBCC) 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, FBCC'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:

- FBCC's accounting system does not track its matching share on the same basis as the budget. Consequently, it is not possible to determine whether the grantee had met its matching share requirements, on a major budget line-item basis.
- Bank reconciliations were not performed on a timely basis.
- The Federal Cash Transaction report was not reconciled to the general ledger.

CNS has awarded FBCC a second operating grant of \$400,000 (including carry over funds) covering the period September 1, 1995 through August 31, 1996. We recommend that CNS grants management determine whether FBCC has corrected the conditions noted above.

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We performed a limited review, as described in the **Scope and Methodology** section of this report, of the Fort Belknap Community Council's Grant #94ASTRMT02. As the administration of the grant was performed by the Fort Belknap College, we reviewed the college's financial reporting and accounting systems to assess their ability to comply with Federal fiscal accounting and reporting requirements applicable to the AmeriCorps grant and to safeguard related funds.

## **RESULTS**

The Fort Belknap College's 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 college's accounting system does not track its matching share on the same basis as the budget. Consequently, it is not possible to determine whether the grantee had met its matching share requirements, on a major budget line-item basis.
- Finding 2** Bank reconciliations were not performed on a timely basis.
- Finding 3** The Federal Cash Transactions Report was not reconciled to the general ledger.

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

## **BACKGROUND**

The Fort Belknap Community Council represents two American Indian Tribes (Gros-Ventre and Assiniboine) and is headquartered in Fort Belknap, Montana on the Fort Belknap Indian Reservation. It represents a population of 4,500 tribal members living on the Reservation.

The tribal council designated Fort Belknap College as the administrative agent for the AmeriCorps program on the Reservation.

The purpose of the Fort Belknap Community Council's AmeriCorps program is to offer a means of developing and enhancing the environment and infrastructure system of the Tribal community. The AmeriCorps program will be used to rehabilitate and refurbish existing buildings and recreational areas, and assist in the construction of a public radio station, while promoting public safety, environmental awareness, education and technology.

The Fort Belknap Community Council was awarded Grant Agreement #94ASTRMT02 by the Corporation for National Service (CNS) under the AmeriCorps Program. The total CNS funding of this grant is \$350,000, \$29,709 of which is for child care and the remaining \$320,291 is for direct program expenses. Fort Belknap Community Council's required matching share is \$319,542 (47.73%). The total funding for the grant is \$669,542. The reported costs and matching share (budget and actual) are discussed in FINDING 1. The funds under this agreement are for the period October 1, 1994 to September 30, 1995. The program provides funding for 20 full-time participants.

#### **SCOPE AND METHODOLOGY**

We performed our review at Fort Belknap College's office in Fort Belknap, Montana, during the period November 13 through November 17, 1995. The most recently-submitted Financial Status Report for the quarter ended June 30, 1995 was the focus of our work. We obtained an understanding of Fort Belknap College'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 Fort Belknap College's accounting and reporting systems;
- reviewing prior audit reports on Fort Belknap College's financial statements and management controls; and
- testing a judgmental sample of financial transactions related to the grant.

Although we reviewed Fort Belknap College'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, Fort Belknap Community Council. No comments were received.

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

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

March 16, 1996  
Fairfax, Virginia

## **FINDINGS AND RECOMMENDATIONS**

**Finding 1: The College's accounting system did not record its matching share costs in compliance with the budget.**

The College's accounting system did not allocate specific matching share costs to the budget line-items. Consequently, it was not possible to determine that the College had properly complied with the matching share requirements for each of the major line items:

- Participant support
- Staff
- Operational
- Evaluation
- Administration
- Participant support - stipends

The matching share costs were maintained "off-book" by the program office. This was done on a single sheet of paper with copies of specific invoices or print-outs of other program's general ledger sections attached. Several problems were noted:

1. The sheet totaled \$482,453, not \$513,962 as reported on the June 30, 1995 Financial Status Report. This appeared to be due to addition errors.
2. Four of the programs claimed as matching share were just included as lump-sum totals and were not allocated to the specific line items. These programs were:
  - Fish and Game program
  - John Capture Center program
  - Buffalo Fencing program
  - Planting program
3. The amount claimed for the Fish and Game program was \$14,245. However, the supporting documentation was for \$69,291.

The matching share also included \$48,318 of living allowances. The College actually incurred \$168,872 of living allowances and simply allocated \$120,554 to CNS and \$48,318 as its share. All of the living allowance payments were recorded in the College's general ledger as CNS' costs.

Accurate, current and complete disclosure of the financial results of each Federally-sponsored program is required by Federal regulations. OMB Circular A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations* - Attachment F(2) states:

*(a) Recipients' financial management systems shall provide for:*

*(1) Records that identify adequately the source and application of funds for federally-sponsored activities.*

The schedule on the following page shows the status of the CNS and matching shares.

**RECOMMENDATION:**

We recommend that the Fort Belknap Community Council track and monitor its matching share by the major line-item groupings in the budget.

Table 1

**Fort Belknap Community Council**  
**Budget and Reported Expenses Summary**  
 Grant Agreement #94ASTRMT02  
 (Unaudited)

	<i>Budget</i>			<i>Reported Costs</i>		
	<i>CNS</i>	<i>Ft. Belknap</i>	<i>TOTAL</i>	<i>CNS</i>	<i>Ft. Belknap</i>	<i>TOTAL</i>
<b>A. Participant support</b>						
Training and Education	7,616	2,650	10,266	8,343		8,343
Uniforms	5,500		5,500	5,249		5,249
<i>A. Total participant support</i>	13,116	2,650	15,766	13,592	0	13,592
<b>B. Staff</b>						
Staff salaries	24,960		24,960	17,162	10,977	28,138
Benefits	6,240		6,240	1,856		1,856
Training	914	500	1,414	1,960		1,960
<i>B. Total staff</i>	32,114	500	32,614	20,978	10,977	31,955
<b>C. Operational</b>						
Unallocated Fish and Game program					14,245 (B)	14,245
Unallocated John Capture Center program					105,507 (B)	105,507
Unallocated Buffalo Fencing program					15,317 (B)	15,317
Unallocated Planting program					5,615 (B)	5,615
Travel	3,908		3,908	5,381		5,381
Transportation	14,400		14,400	14,434		14,434
Supplies	77,393	31,176	108,569	74,950	282,474	357,424
Equipment	2,885	200,000	202,885	3,200		3,200
Other	4,926	1,500	6,426	2,662		2,662
<i>C. Total operational</i>	103,512	232,676	336,188	100,627	423,158	523,785
<i>D. Evaluation 5%</i>	1,700	2,200	3,900	0	0	0
<i>E. Administration 10% IDC</i>	13,993	9,912	23,905	14,148	0	14,148
<b>F. Participant Support</b>						
Living allowances	129,880	59,670	189,550	99,370	48,318	147,688
FICA/workers' compensation	25,976	11,934	37,910	21,184		21,184
<i>F. Total participant support</i>	155,856	71,604	227,460	120,554	48,318	168,872
<i>G. Childcare</i>	29,709		29,709	0	0	0
<b>TOTALS</b>	<b>\$350,000</b>	<b>\$319,542</b>	<b>669,542</b>	<b>\$269,899</b>	<b>\$482,453</b>	<b>752,352</b>
				(A)		(C)

## NOTES:

- (A) As documented in "off book" records for matching share. The schedule provided showed a total of \$513,962. However, the individual items totaled \$482,453 as indicated above, a difference of \$31,509.
- (B) The unallocated costs represent other local and Federal programs which were used as matching share. These costs were not allocated to the specific budget line-items.
- (C) Total costs reported on June 30, 1995 FSR were \$783,861. The total in this column represents those costs supported in the general ledger and the "off-book" matching share records, net of the change of \$31,509 in (A).



**Finding 2: Bank reconciliations were not performed on a timely basis.**

Fort Belknap College (as the AmeriCorps program's administrative designee) had not performed cash account bank reconciliations on a timely basis. At the time of our review (November 1995), the latest completed bank reconciliation available was February 1995, nine months earlier.

Accurate, current and complete disclosure of the financial results of each Federally-sponsored program is required by Federal regulations OMB Circular A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations* - Attachment F(2) states:

*(a) Recipients' financial management systems shall provide for:*

*(1) Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.*

Management has failed to establish and maintain adequate control by ensuring that all transactions are accounted for on a timely basis and that assets (cash) are adequately safeguarded. Consequently, the grantee is unaware of the correct cash balance and may draw checks on the account that may inadvertently overdraw the account. Also, untimely reconciliations prevent the grantee from being aware of any errors, misstatements, or unauthorized transactions in the account.

**RECOMMENDATION:**

We recommend Fort Belknap College prepare cash reconciliations on a current, timely basis.

**Finding 3: The Federal Cash Transactions Report was not reconciled to the general ledger.**

The Fort Belknap Community Council Finance Officer prepares the Federal Cash Transactions Report (FCTR). However, the Fort Belknap College Business Manager maintains the AmeriCorps program general ledger and prepares the Financial Status Report (FSR) for the program. There is no reconciliation between the Federal Cash Transactions Report and the AmeriCorps program's general ledger by either of these fiscal officers.

Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program is required. In addition, records are required that adequately identify the source and application of funds for Federally sponsored activities. OMB Circular A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations* - Attachment F(2) states:

*(a) Recipients' financial management systems shall provide for:*

*(1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in paragraph ----51.*

*(2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards.*

Failure to reconcile the bank accounts (FINDING 2) and to reconcile reports to the records can lead to misstated reports and misstatement of the funds available and matching share. We did not attempt such a reconciliation as a part of our work. Therefore, we cannot comment on whether or not the FCTR reconciles to the cash in the general ledger.

**RECOMMENDATION:**

We recommend Fort Belknap Community Council and Fort Belknap College reconcile their respective financial records to ensure the accuracy of the reports submitted to CNS.