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**OFFICE OF THE INSPECTOR GENERAL**

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE**

Review of

Oneida Indian Nation of New York

Oneida, New York

Grant Number 94ASTRNY01

**This report is issued to CNS Management. According to OMB Circular A-50, *Audit Follow Up*, the Corporation must make final management decisions on the report's findings and recommendations no later than February 5, 1997. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented or the amount of disallowed costs.**

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

Office of Inspector General  
Review of the Oneida Indian Nation of New York  
CNS Grant # 94ASTRNY01

Tichenor and Associates, under contract to the Office of Inspector General, performed a limited review of the Oneida Indian Nation of New York's (the Nation) 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 finding and recommendations presented.

Based on their review, Tichenor and Associates found that the Nation claimed costs in excess of the share ratio stipulated in the grant. As a result, we are questioning costs charged to the grant totaling \$11,946.

In its response to a draft, the Nation agreed with the finding and are taking corrective action.

In addition to the funds covered by this review, the Corporation has awarded the Nation a grant for year two of the program totaling \$402,811 (including carryovers) covering the period October 1, 1995 through December 31, 1996. We recommend that CNS grants management consider the impact of these deficiencies in its oversight and monitoring activities and determine that the Nation has corrected the condition noted above before awarding any future grants to the Nation.

# TICHENOR & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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The Oneida Indian Nation of New York (the Nation) was awarded AmeriCorps Grant No. 94ASTRNY01, by the Corporation for National Service (CNS) effective October 1, 1994, for use in accordance with the National and Community Service Act of 1990, as amended. We performed a limited scope review, as described in the Scope and Methodology Section of this report, of the Nation's financial management system to determine its adequacy in providing effective control over this grant in accordance with criteria contained in applicable Federal regulations, and included within the terms of the grant. Our review included applying agreed-upon procedures to test compliance with such criteria during the period October 1, 1994 through September 30, 1995. Our review did not constitute an audit of any financial statements prepared by the Nation.

## Results in Brief

We found that the Nation claimed costs in excess of the share ratio stipulated in the grant. As a result, we are questioning costs charged to the grant totaling \$11,946. This issue is discussed in detail in the Finding and Recommendations section of this report. We have discussed the issue with the management of the Nation, they agree and are taking corrective action.

## Background

The Oneida Indian Nation of New York is a sovereign government recognized by the United States government through the 1794 Treaty of Canandaigua. The Nation is on a 32 acre tract which is within the counties of Madison, Oneida, Onondaga, Herkimer, Chenango and Cortland in the State of New York.

The purpose of its AmeriCorps grant was to conduct a program involving Nation and area youth in programs that address critical community needs, impact a sense of civic responsibility and public service, foster inter-generational and community partnership, and provide Nation youth

with valuable experiences which will translate into higher educational and vocational opportunities. The CNS grant for \$557,098 was the Nation's first AmeriCorps grant and covered the period October 1, 1994 through September 30, 1995.

The grant provided support for the program as follows:

		<u>Cost Category</u>
National Headquarters:		
	Support costs	\$ 2,500
	Staff	166,563
	Operational	37,965
	Monitoring	0
	Other Support Costs	295,070
	Child Care	45,000
	Administration	<u>10,000</u>
TOTAL		<u>\$ 557,098</u>

\*Under the grant, the Nation agreed to provide an additional \$121,611 in matching funds for the program.

The Nation was provided \$402,811 (including a carryover from year one of \$44,260) by CNS to fund a second year. In year two, the Nation agreed to provide an additional \$128,363 in matching funds.

#### Scope and Methodology

We performed this review at the Nation's offices during the period February 26, 1996 to February 28, 1996. We obtained an understanding of the Nation's accounting and management controls and performed limited testing to determine whether they were operating as intended by the Nation's management and whether they were adequate for administration of CNS grants. The management of the Nation is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial reports in accordance with generally accepted accounting principles and applicable regulatory requirements.

Our review included:

- interviewing key management, accounting, and program personnel;

- reviewing the Nation's organization chart, policy and procedures manuals, and its chart of accounts;
- reviewing prior single audit reports on the Nation's financial statements and management controls;
- testing a judgmental sample of financial transactions related to the grant.

We performed our review in accordance with Government Auditing Standards issued by the Comptroller General of the United States. However, our procedures were substantially less in scope than an audit, and accordingly, did not include elements essential to express an opinion on management controls. Accordingly, we do not express such an opinion. Further, if additional audit procedures had been performed, other matters might have come to our attention that would have been reported. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that the internal control structure may become inadequate because the degree of compliance with the policies or procedures may deteriorate.

The CNS Office of Inspector General issued the draft report to the Oneida Indian Nation and CNS for comment. The Nation's comments are included as Attachment A. The Nation generally agreed with the finding. It stated that it felt that the guidance from CNS regarding matching requirements was misleading. The Nation believes that it should be allowed to make-up the under-match from year one in year two. This determination should be made by appropriate CNS personnel. CNS did not comment.

This report is intended for the information and use of CNS and the Oneida Indian Nation of New York's management. However, this report is a matter of public record and its distribution is not limited.

### **Finding and Recommendations**

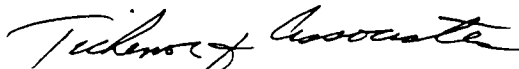
#### **I. The Nation Did Not Meet Grant Mandated Matching Requirements.**

The Nation did not ensure that it was meeting its grant required match for program operating costs (Grant Sections A-E) per the approved budget. Under the terms of the award, the Nation was required to provide a 25 percent match for these costs (grant provision 21). During the first year of the grant (October 1, 1994 - September 30, 1995), program operating costs totaled \$255,796. Based on grant matching requirements, the Nation should have contributed \$63,949 and CNS \$191,847. However, the Nation was reimbursed for claimed costs of \$203,793 under the grant, as follows:

Cost of Community Services	\$ 255,796
Federal Share Factor	<u>.75</u>
Total Allowable Costs	\$ 191,847
Total Federal Share Claimed	<u>203,793</u>
Total Questioned	<u>\$ 11,946</u>

The Nation's accounting department tracked monthly budgeted to actual dollar expenditures but did not have established internal controls to ensure that matching requirements were met.

We recommend that the Nation, in conjunction with CNS, establish adequate internal controls to ensure their matching requirements are being met. We further recommend that the Nation refund \$11,946 of costs claimed in excess of the share ratio stipulated in the grant.

  
TICHENOR & ASSOCIATES  
March 1, 1996

Attachments

# ONEIDA INDIAN NATION



Attachment A  
Page 1 of 4

ONEIDA NATION TERRITORY, VIA ONEIDA, NEW YORK

August 2, 1996

Jonathan D. Crowder  
Tichenor and Associates  
12531 Clipper Drive Suite 202  
Woodbridge, VA 22192

Re: Oneida Indian Nation Response to Draft Audit Report for Grant No. 94ASTRNY01

Dear Mr. Crowder:

The Corporation for National Service's Office of Inspector General requested that we submit our response to the referenced report of Tichenor and Associates prior to August 8, 1996. On the attached pages we will first summarize your report and then provide a detailed response.

Thank you for this opportunity to address the issues that have been raised. Should you have any questions, please do not hesitate to contact me at (315) 361-6300 Ext. 107.

Sincerely,

A handwritten signature in black ink, appearing to read "Wanda Wood".

Wanda Wood  
Administrator  
Office of Government Programs & Services

Attachment

cc: CNS Office of Inspector General  
OIN Financial Services Office  
Americorps Program  
Department of Recreation & Youth Development

**Business Address**  
223 Genesee Street • Oneida, New York 13421  
(315) 361-6300 • Fax (315) 361-6333

### TICHENOR & ASSOCIATES FINDINGS

In general, the only finding that would potentially be negative for the Nation is the Nation's interpretation and implementation of the share ratio. This led to your two recommendations that:

- "... the Nation establish adequate internal controls to ensure their matching requirements are being met."
- "... the Nation refund \$11,946 of costs claimed in excess of the share ratio stipulated in the grant."

### ONEIDA INDIAN NATION RESPONSE

The Oneida Indian Nation agrees with the first recommendation, but not the second. The Nation implemented internal controls through instructions provided to the Senior Bookkeeper in October of 1995 to ensure that the matching requirements are met. The Financial Report forms submitted subsequent to the review period have contained the proper percentages. During the time period covered by the review, the Nation's interpretation of how the rate should be applied differed from that of your firm and the Corporation's.

There were a number of extenuating circumstances that led to our conclusions.

- First, the term "program costs" was never adequately defined. The Grant Application Instructions state, "the Corporation's share of the funds may not exceed 75% of the program operating cost. The grantee's share of the program cost is not less than 25%". Please refer to Attachment A which is copy of Application Instructions Page No. 27.

The Grant Provisions Item No. 21 referenced in the Findings is not even that specific. It states that "the Grantee must prove and account for the matching funds agreed upon in the approved application".

One must research the "fine print" of the regulations at 45 CFR 2521.30(g) before a more definitive explanation of term matching costs is shown. Please refer to Attachment B.



- Second, the approved application should be reviewed. At Page 5 Section VII(B)(1) it states: “The Grantee is responsible for meeting the matching amounts in the approved and attached aggregate budget and budget submitted in support of the aggregate. The Corporation’s statute requires at a minimum, the following matches:

<u>Percentage</u>	<u>of Base Costs</u>
25%	Program Operating Costs (budget line items A-E)
15%	Other Participant Support Costs (budget line item F)”

- Third, the “approved and attached budget”, Page 7 of the award, shows approval of the Program Operating Costs that are the total of Lines A-E. The Corporation created confusion by approving these totals (see percentages shown in bold print) that were not in compliance with their own stated statutes, provisions, and regulations. Rather than approve that budget, the Corporation should have provided an explanation of the problem and required correction by the Nation.

Corporation	\$217,028 ( <b>75.7% is over 75% Maximum CNS Share</b> )
<u>Nation</u>	<u>\$ 69,551 (<b>24.3% is under 25% Minimum Match</b>)</u>
Total	\$286,579 (100%)

Based upon the points discussed, we believe that the instructions and other documents related to the matching costs issue are misleading. This leads to our question addressed to the Corporation - have other Tribes or Grantees experienced similar problems in interpreting and complying with the requirement?

Our specific suggestions to the Corporation on the issue of the matching costs are provided below:

1. In the Grant Application Instructions and other issuances such as the Grant Provisions document or the Award document, provide one definition of the Matching Costs requirements and associated definitions. The term “program costs” should be defined as the total of all operating costs (as listed in Line Items A - E) related to the implementation of the Americorps Project regardless of their source. Then relate that to the statutory language which states that the Corporation’s share of the funds may not exceed 75% of the program operating cost. Therefore the minimum Grantee share of the total of all operating costs (or what has termed the Match) is 25%.

2. Other Federal agencies, such as the Administration for Native Americans and the Department of Housing and Urban Development, provide example calculations in their Grant Application Instructions Manuals, Federal Register Notices, etc. One example using the total operating cost as a base would be as follows. The total of all Line Item A - E operating costs for a three month period were \$100,000 and the grantee wishes to request reimbursement. Therefore the proper calculations would be  $\$100,000 \times 75\% = \$75,000$  Maximum CNS reimbursement and  $\$100,000 \times 25\% = \$25,000$  Minimum Grantee costs.

Another example for calculating 25% Grant Matching against 75% Federal expenditures at any point in time would be that of dividing the Federal Expenditure by three (3). If at a point in time the Grantee expended \$75,000 in CNS funds, then the minimum Grantee Match should be  $\$75,000/3 = \$25,000$ . Then the total of these two figures would be the total operating costs of \$100,000.

As noted earlier, the Oneida Indian Nation does not agree with the second recommendation that the questioned \$11,946 should be refunded to the Corporation. If Grant No. 94ASTRNY01 had ended on September 30, 1995 the refund might have been warranted. But, the Corporation chose to fund a second year of the Oneida Indian Nation Americorps Project by amending that Grant with additional funds and changing the end date to December 31, 1996. This provides the Nation with the opportunity to ensure that the 75% CNS funds/25% Grantee funds ratio is maintained until the new grant expiration date.