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OFFICE OF THE INSPECTOR GENERAL

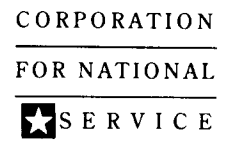
Audit of
Bowie State University
Bowie, Maryland

Award Number 94ASCMD02105

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 March 29, 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 the Inspector General
Audit of Bowie State University
CNS Award Number 94ASCMD02105



Leonard G. Birnbaum and Company, under contract to the Office of Inspector General, performed an audit of the funds awarded by CNS to Bowie State University through the Maryland Commission on Service for the Maryland Students Taking Academic Responsibility for Tomorrow (MSTART). Bowie State University, Anne Arundle Community College, and the University of Maryland at College Park each administer a program at their respective schools. Bowie State University, however, was considered the prime recipient of the grant.

Leonard G. Birnbaum and Company's audit efforts focused primarily on the programs administered by Bowie State University and Anne Arundle Community College. The audit included an examination to determine whether financial reports prepared by the auditees presented fairly the financial condition of the award and the award costs reported to CNS were documented and allowable in accordance with the terms and conditions of the award. We have reviewed the report and workpapers supporting its conclusions and agree with the findings and recommendations presented.

Based on their audit, we are questioning \$6,110 in costs claimed under the award. In addition, Leonard G. Birnbaum and Company found that Bowie State University did not have adequate controls for monitoring subrecipients; lacked an adequate system to monitor participant hours spent in training and education activities; and lacked an adequate system to track cost sharing contributions. These and other matters are discussed in detail in this report.

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Bowie State University

Table of Contents

	<u>Page</u>
REPORT SUMMARY AND HIGHLIGHTS:	
Purpose and Scope of Audit	1
Summary of Audit Results	2
Matter Requiring Resolution	4
Other Matters	4
Background	5
INDEPENDENT AUDITOR'S REPORT	7
FINANCIAL SCHEDULES:	
Exhibit A - Schedule of Award Costs	10
Schedule A-1 - Schedule of Claimed Costs - Bowie State University	11
Schedule A-2 - Schedule of Claimed Costs - Anne Arundel Community College	12
Schedule A-3 - Schedule of Claimed Costs - University of Maryland at College Park	13
Exhibit B - Schedule of Reclassified and Questioned Costs	14
Notes to Financial Schedules	17
INDEPENDENT AUDITOR'S REPORTS ON COMPLIANCE AND INTERNAL CONTROL STRUCTURE:	
Independent Auditor's Report on Compliance	18
Independent Auditor's Report on Internal Control Structure	25
APPENDIX - AUDITEE'S COMMENTS TO REPORT	31

REPORT SUMMARY AND HIGHLIGHTS

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PURPOSE AND SCOPE OF AUDIT

We have performed an audit of the funds awarded by the Corporation for National (CNS) to Bowie State University (BSU) through the Maryland Commission on Service for the Maryland Students Taking Academic Responsibility for Tomorrow (MSTART) program as follows. Bowie State University, Anne Arundel Community College (AACC), and University of Maryland at College Park (UMCP) each administer a program at their respective schools. BSU, however, was considered the prime recipient of the grant. Our audit efforts focused primarily on the programs administered by BSU and AACC.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
94ASCMD02105	August 1, 1994 to December 31, 1995	August 1, 1994 to December 31, 1995

The objectives of our audit were to determine whether:

1. Financial reports prepared by the auditee presented fairly the financial condition of the award;
2. The systems of internal control structure were adequate to safeguard Federal funds;
3. The auditees had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations and award conditions; and
4. The award costs reported to CNS were documented and allowable in accordance with the award terms and conditions.

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Our audit was made in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the grant award as presented in the schedule of award costs (Exhibit A), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibit A. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

SUMMARY OF AUDIT RESULTS

An audit was performed on the financial reports submitted by BSU to CNS. These reports are summarized in Exhibit A as follows:

<u>Award Number</u>	<u>Award Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>
94ASCMD02105	<u>\$283,445</u>	<u>\$262,671</u>	<u>\$ 6,110</u>

As a result of our audit of the aforementioned award, we are questioning costs totaling \$6,110. Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the award or those costs which require additional support by the grantee or which require interpretation of allowability by CNS.

The following summarizes the costs questioned on the above award by reason:

<u>Explanation</u>	<u>Amount</u>
• Supporting documentation not located	\$ 77
• Claimed costs exceed the maximum share ratio for administrative costs	1,461
• Cost matching requirements not met	<u>4,572</u>
Total Questioned Costs	<u>\$6,110</u>

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We used a judgmental sampling method to test the costs claimed by the auditees. Based upon this sampling plan, questioned costs in this report may not represent total costs that may have been questioned had all expenditures been tested. In addition, we have made no attempt to project such costs to total expenditures claimed, based on the relationship of costs tested to total costs.

The following is a brief description of the various findings which resulted from our audit. For a complete discussion of each finding, refer to the appropriate Independent Auditor's Report on Compliance or Independent Auditor's Report on Internal Control Structure.

COMPLIANCE FINDINGS

Our audit disclosed the following instances of noncompliance:

- Participant living allowances were paid on an hourly basis at BSU and AACC. (Finding No. 1)
- Administrative costs claimed exceeded the maximum share ratio at BSU and UMCP. (Finding No. 2)
- Matching contributions were not provided at the minimum percentage for member support at either BSU, AACC, or UMCP. (Finding No. 3)
- Written evaluations of each participant's performance were not prepared by BSU and AACC. (Finding No. 4)
- A participant's term of service was not completed within the required time period at AACC. (Finding No. 5)
- Not all quarterly reports were submitted within the specified time period by BSU. (Finding No. 6)

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INTERNAL CONTROL STRUCTURE

Our audit disclosed the following matters which we consider to be reportable conditions in the internal control structure and its operations.

- Lack of adequate controls for monitoring subrecipients. (Finding No. 1)
- Lack of an adequate system to monitor participant hours spent in training and education activities. (Finding No. 2)
- Lack of an adequate system to track cost sharing contributions. (Finding No. 3)

MATTER REQUIRING RESOLUTION

BSU, AACC and UMCP acquired equipment, at a cost of \$10,994, during their performance of the grant. The terms of the grant provide that title to the equipment vests with the grantee, but that CNS has a reversionary interest in the equipment and the right to direct the disposition upon completion of grant performance. As of the date of our audit, BSU had not received any direction from CNS as to the disposition of the equipment. We observed that AACC, a subrecipient of BSU for program year one, has been awarded funds for program year two of this grant by CNS. BSU and UMCP are subrecipients to AACC during program year two.

OTHER MATTERS

During the grant period, Anne Arundel Community College (AACC) had discrimination claims either filed or pending. The Civil Rights Act of 1964 states that no person shall, on the grounds of race, color, national origin, age or handicap, be excluded from participation in or be subjected to discrimination in any program or activity funded, in whole or in part, by Federal funds. Although AACC has a formal policy of nondiscrimination, as a large employer and public educator, it is occasionally the subject of discrimination claims. As of December 31, 1995, AACC did not have any claims pending nor has it had any claims settled not in its favor.

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BACKGROUND

Effective August 1, 1994, CNS entered into cooperative agreement no. 94ASCMD021 with the Maryland Commission on Service to implement and oversee selected AmeriCorps programs. One such selected program was the Maryland Students Taking Academic Responsibility for Tomorrow (MSTART) program which is a consortium of Bowie State University, Anne Arundel Community College, and University of Maryland at College Park. Each of these members of the consortium operate a program from their respective schools. The mission of the MSTART program is to

- Foster community enrichment through higher education--school and community partnerships by contributing to, expanding, and implementing community services and tutorial programs in various school districts;
- Equip college students, especially education majors, with practical skills, and techniques, mentoring, and instructional skills, and relations to affect demonstratable and sustained improvement in the tutoree's standardized test scores and grades in math and reading levels;
- Support the State of Maryland's service mission to create permanent and mutually beneficial linkages between colleges, universities, and local communities;
- Establish a lasting outcome based service module that can be emulated throughout the state; and
- Instill concepts of community team work and help implement state education initiatives which address the 75 hour community service requirement for high school students.

REPORT RELEASE

This report is intended for the information and use of the Corporation for National Service Office of Inspector General and CNS' management and the management of the Maryland Commission on Service and its subrecipients: BSU, AACC and UMCP. However, this report is a matter of public record and its distribution is not limited.

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

We have audited the costs claimed by Bowie State University to the Corporation for National Service on the Financial Status Report - Federal Share of Outlays for the award number listed below. These Financial Status Reports, as presented in the schedule of award costs (Exhibit A), are the responsibility of the Grantee's management. Our responsibility is to express an opinion on Exhibit A based on our audit.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
94ASCMD02105	August 1, 1994 to December 31, 1995	August 1, 1994 to December 31, 1995

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

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The accompanying financial schedules were prepared for the purpose of complying with the requirements of the award agreement as described in Note 1, and are not intended to be a complete presentation of financial position in conformity with generally accepted accounting principles.

In our opinion, except for \$6,110 questioned costs (see Exhibit A), the financial schedules referred to above present fairly, in all material respects, the costs claimed in the Financial Status Report - Federal Share of Outlays as presented in the schedule of award costs (Exhibit A), for the period August 1, 1994 to December 31, 1995, in conformity with the award agreement.

This report is intended for the information and use of the Corporation for National Service Office of Inspector General and CNS' management and the management of the Maryland Commission on Service and its subrecipients: BSU, AACC, and UMCP. However, this report is a matter of public record and its distribution is not limited.

Leonard G. Birnbaum and Company

Alexandria, Virginia
July 12, 1996

FINANCIAL SCHEDULES

Bowie State University
 Corporation for National Service - Award Number 94ASCMD02105
 Schedule of Award Costs
 From August 1, 1994 to December 31, 1995
 Final

<u>Cost Category</u>	Approved <u>Budget</u>	(A) Claimed <u>Costs</u>	Reclassified <u>Costs</u>	Claimed As Reclassified	Questioned <u>Costs</u>	Schedule <u>Reference</u>
Participant Support Costs:						
Training and education	\$ 28,721	\$ 18,039	\$ 9,400	\$ 27,439	\$ -	Exhibit B
Uniforms	1,740	1,026	-	1,026	-	
Other	-	-	-	-	-	
Subtotal	<u>30,461</u>	<u>19,065</u>	<u>9,400</u>	<u>28,465</u>	<u>-</u>	
Staff:						
Salaries	47,625	75,599	-	75,599	-	
Benefits	8,433	12,499	-	12,499	-	
Training	300	900	-	900	-	
Other	<u>7,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal	<u>63,958</u>	<u>88,998</u>	<u>-</u>	<u>88,998</u>	<u>-</u>	
Operational:						
Travel	20,844	17,052	(7,830)	9,222	-	Exhibit B
Transportation	32,500	22,218	-	22,218	-	
Supplies	8,000	15,260	-	15,260	-	
Equipment	12,223	10,994	-	10,994	-	
Other	<u>3,020</u>	<u>3,971</u>	<u>(900)</u>	<u>3,071</u>	<u>77</u>	Exhibit B
Subtotal	<u>76,587</u>	<u>69,495</u>	<u>(8,730)</u>	<u>60,765</u>	<u>77</u>	
Internal Evaluation:	<u>1,100</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	
Administration:	<u>14,056</u>	<u>14,590</u>	<u>-</u>	<u>14,590</u>	<u>1,461</u>	Exhibit B
Other Participant Support:						
Living allowance	84,422	62,078	(670)	61,408	4,572	Exhibit B
FICA & comp	7,710	4,889	-	4,889	-	
Health care	5,151	2,056	-	2,056	-	
Alternate health care	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal	<u>97,283</u>	<u>69,023</u>	<u>(670)</u>	<u>68,353</u>	<u>4,572</u>	
TOTAL CNS FUNDS	283,445	262,671	-	262,671	6,110	
MATCHING FUNDS	<u>151,539</u>	<u>98,228</u>	<u>-</u>	<u>98,228</u>	<u>-</u>	
TOTAL FUNDS	<u>\$ 434,984</u>	<u>\$ 360,899</u>	<u>\$ -</u>	<u>\$ 360,899</u>	<u>\$ 6,110</u>	

(A) The total representing costs claimed agrees with the expenditures reported on the Federal Financial Status - Federal Share of Outlays as of the quarter ended December 31, 1995. Claimed costs reported above are taken directly from the auditee's books of account.

The accompanying notes are an integral part of this financial schedule.

Bowie State University
 Corporation for National Service - Award Number 94ASCMD02105
 Schedule of Claimed Costs
 From August 1, 1994 to December 31, 1995
 Final

<u>Cost Category</u>	<u>Claimed Costs</u>	<u>Reclassified Costs</u>	<u>Claimed As Reclassified</u>	<u>Questioned Costs</u>
Participant Support Costs:				
Training and education	\$ 2,927	\$ 9,400	\$ 12,327	\$ -
Uniforms	-	-	-	-
Other	-	-	-	-
Subtotal	<u>2,927</u>	<u>9,400</u>	<u>12,327</u>	<u>-</u>
Staff:				
Salaries	9,297	-	9,297	-
Benefits	3,277	-	3,277	-
Training	-	-	-	-
Other	-	-	-	-
Subtotal	<u>12,574</u>	<u>-</u>	<u>12,574</u>	<u>-</u>
Operational:				
Travel	10,734	(7,830)	2,904	-
Transportation	-	-	-	-
Supplies	1,525	-	1,525	-
Equipment	2,258	-	2,258	-
Other	984	(900)	84	77
Subtotal	<u>15,501</u>	<u>(8,730)</u>	<u>6,771</u>	<u>77</u>
Internal Evaluation:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Administration:	<u>2,998</u>	<u>-</u>	<u>2,998</u>	<u>579</u>
Other Participant Support:				
Living allowance	12,336	(670)	11,666	2,068
FICA & comp	2,122	-	2,122	-
Health care	-	-	-	-
Alternate health care	-	-	-	-
Subtotal	<u>14,458</u>	<u>(670)</u>	<u>13,788</u>	<u>2,068</u>
TOTAL CNS FUNDS	48,458	-	48,458	2,724
MATCHING FUNDS	<u>16,005</u>	<u>-</u>	<u>16,005</u>	<u>-</u>
TOTAL FUNDS	<u>\$ 64,463</u>	<u>\$ -</u>	<u>\$ 64,463</u>	<u>\$ 2,724</u>

The accompanying notes are an integral part of this financial schedule.

Anne Arundel Community College
 Bowie State University
 Corporation for National Service - Award Number 94ASCMD02105
 Schedule of Claimed Costs
 From August 1, 1994 to December 31, 1995
 Final

<u>Cost Category</u>	<u>Claimed Costs</u>	<u>Reclassified Costs</u>	<u>Claimed As Reclassified</u>	<u>Questioned Costs</u>
Participant Support Costs:				
Training and education	\$ 4,801	\$ -	\$ 4,801	\$ -
Uniforms	1,026	-	1,026	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>5,827</u>	<u>-</u>	<u>5,827</u>	<u>-</u>
Staff:				
Salaries	42,770	-	42,770	-
Benefits	8,205	-	8,205	-
Training	900	-	900	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>51,875</u>	<u>-</u>	<u>51,875</u>	<u>-</u>
Operational:				
Travel	2,718	-	2,718	-
Transportation	10,570	-	10,570	-
Supplies	10,735	-	10,735	-
Equipment	6,618	-	6,618	-
Other	<u>2,987</u>	<u>-</u>	<u>2,987</u>	<u>-</u>
Subtotal	<u>33,628</u>	<u>-</u>	<u>33,628</u>	<u>-</u>
Internal Evaluation:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Administration:	<u>6,587</u>	<u>-</u>	<u>6,587</u>	<u>(331)</u>
Other Participant Support:				
Living allowance	36,169	-	36,169	387
FICA & comp	2,767	-	2,767	-
Health care	1,515	-	1,515	-
Alternate health care	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>40,451</u>	<u>-</u>	<u>40,451</u>	<u>387</u>
TOTAL CNS FUNDS	138,368	-	138,368	56
MATCHING FUNDS	<u>43,272</u>	<u>-</u>	<u>43,272</u>	<u>-</u>
TOTAL FUNDS	<u>\$ 181,640</u>	<u>\$ -</u>	<u>\$ 181,640</u>	<u>\$ 56</u>

The accompanying notes are an integral part of this financial schedule.

University of Maryland - College Park
 Bowie State University
 Corporation for National Service - Award Number 94ASCMD02105
 Schedule of Claimed Costs
 From August 1, 1994 to December 31, 1995
 Final

<u>Cost Category</u>	<u>Claimed Costs</u>	<u>Reclassified Costs</u>	<u>Claimed As Reclassified</u>	<u>Questioned Costs</u>
Participant Support Costs:				
Training and education	\$ 10,311	\$ -	\$ 10,311	\$ -
Uniforms	-	-	-	-
Other	-	-	-	-
Subtotal	<u>10,311</u>	<u>-</u>	<u>10,311</u>	<u>-</u>
Staff:				
Salaries	23,532	-	23,532	-
Benefits	1,017	-	1,017	-
Training	-	-	-	-
Other	-	-	-	-
Subtotal	<u>24,549</u>	<u>-</u>	<u>24,549</u>	<u>-</u>
Operational:				
Travel	3,600	-	3,600	-
Transportation	11,648	-	11,648	-
Supplies	3,000	-	3,000	-
Equipment	2,118	-	2,118	-
Other	-	-	-	-
Subtotal	<u>20,366</u>	<u>-</u>	<u>20,366</u>	<u>-</u>
Internal Evaluation:	<u>1,500</u>	<u>-</u>	<u>1,500</u>	<u>-</u>
Administration:	<u>5,005</u>	<u>-</u>	<u>5,005</u>	<u>1,213</u>
Other Participant Support:				
Living allowance	13,573	-	13,573	2,117
FICA & comp	-	-	-	-
Health care	541	-	541	-
Alternate health care	-	-	-	-
Subtotal	<u>14,114</u>	<u>-</u>	<u>14,114</u>	<u>2,117</u>
TOTAL CNS FUNDS	75,845	-	75,845	3,330
MATCHING FUNDS	<u>38,951</u>	<u>-</u>	<u>38,951</u>	<u>-</u>
TOTAL FUNDS	<u>\$ 114,796</u>	<u>\$ -</u>	<u>\$ 114,796</u>	<u>\$ 3,330</u>

The accompanying notes are an integral part of this financial schedule.

Bowie State University
Corporation for National Service - Award Number 94ASCMD02105
Schedule of Reclassified and Questioned Costs
From August 1, 1994 to December 31, 1995
Final

1. Travel

Based on the supporting documentation from BSU, we have reclassified \$7,830 of the amount claimed for travel to training. The amount was reclassified because it was for the hotel accommodations and meals for the seminar at Ocean City (purchase order number 19283).

2. Other

We have reclassified \$900 of the amount claimed for other to training. Based on the supporting documentation (purchase requisition R502715) from BSU, the amount was for an orientation for participants.

We have questioned \$77 of the amount claimed for operational. The amount was questioned because there was no supporting documentation to validate the amount.

3. Living Allowance

Based on the supporting documentation (purchase requisition number R601135), \$2,020 was claimed for living allowance. Of this amount, we have reclassified \$670 to the cost category of travel since the amount was for a participant's mileage reimbursement.

We have questioned \$4,572 of the amount claimed for living allowances for participants. The amount was questioned because grantees failed to comply with the minimum match requirement for member support as required in the grant award. Per the award, the grantee must match other participants support costs at the minimum of 15 percent. The cost share related to other participants support costs was not met by any of the member of the consortium. The total questioned costs of \$4,572 is detailed below.

	<u>BSU</u>	<u>AACC</u>	<u>UMCP</u>	<u>Total</u>
Total living allowance claimed as reclassified	\$ 13,788	\$ 40,451	\$ 14,114	\$ 68,353
Required match (15%)	2,068	6,068	2,117	10,253
Match claimed	-	<u>5,681</u>	-	<u>5,681</u>
Questioned costs	<u>\$ 2,068</u>	<u>\$ 387</u>	<u>\$ 2,117</u>	<u>\$ 4,572</u>

Bowie State University
Corporation for National Service - Award Number 94ASCMD02105
Schedule of Reclassified and Questioned Costs
From August 1, 1994 to December 31, 1995
Final

4. Administration

We have questioned \$1,461 of the amount claimed for administration. The amount was questioned because the amount claimed exceeded the maximum CNS share amount. Per AmeriCorps Provisions, the maximum CNS share of administrative costs cannot exceed 5 percent of total CNS funds actually expended.

	<u>BSU</u>	<u>AACC</u>	<u>UMCP</u>	<u>TOTAL</u>
Total claimed CNS funds	\$ 48,458	\$ 138,368	\$ 75,845	\$ 262,671
Less: questioned costs				
Operational	77	-	-	77
Total not questioned	48,381	138,368	75,845	262,594
Maximum CNS share (5%)	2,419	6,918	3,792	13,129
Administration cost claimed	<u>2,998</u>	<u>6,587</u>	<u>5,005</u>	<u>14,590</u>
Total questioned cost	<u>\$ 579</u>	<u>\$ (331)</u>	<u>\$ 1,213</u>	<u>\$ 1,461</u>

Bowie State University
Corporation for National Service - Award Number 94ASCMD02105
Notes to Financial Schedules

1. Summary of Significant Accounting Policies

Accounting Basis

The accompanying financial schedules, Exhibits A and B, have been prepared from the reports submitted to CNS. The basis of accounting utilized in preparation of these reports differs from generally accepted accounting principles. The following information summarizes these differences.

A. Equity

Under the terms of the award, all funds not expended according to the award agreement and budget at the end of the award period are to be returned to CNS. Therefore, the auditee does not maintain any equity in the award and any excess of cash received from CNS over final expenditures is due back to CNS.

B. Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the statement of award costs include the cost of equipment purchased during the period rather than a provision for depreciation.

The equipment acquired is owned by Bowie State University while used in the program for which it is purchased or in other future authorized programs. However, CNS has the reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds therefrom, is subject to Federal regulations.

C. Inventory

Minor materials and supplies are charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the financial schedules.

INDEPENDENT AUDITOR'S REPORTS

ON

COMPLIANCE AND INTERNAL CONTROL STRUCTURE

LEONARD G. BIRNBAUM AND COMPANY

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1201 New York Avenue, NW
Washington, DC 20525

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

We have audited the schedule of award costs, as presented in Exhibit A which summarizes the financial reports submitted by Bowie State University (BSU) to the Corporation for National Service (CNS) for the award listed below, and have issued our report thereon dated July 12, 1996.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
94ASCMD02105	August 1, 1994 to December 31, 1995	August 1, 1994 to December 31, 1995

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

Compliance with laws, regulations, and the provisions of the award is the responsibility of BSU's management. As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and the terms and conditions of the award. However, our objective was not to provide an opinion on overall compliance with such provisions.

Inspector General
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Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, and the provisions of the award that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial schedules. The results of our tests of compliance disclosed the following material instances of noncompliance:

Finding No. 1

Both BSU and AACC paid the participants a living allowance which was computed on an hourly rate in relation to the number of hours worked. Although the living allowance was being paid based on an hourly rate, it appears as if the participants received at least the minimum living allowance. Paragraph 12e of the AmeriCorps Provisions states, in part, that "Programs must not pay a living allowance on an hourly basis. It is not a wage and should not fluctuate based on the number of hours Members serve in a given time period. Programs should pay the living allowance in increments, such as weekly or bi-weekly."

Recommendation

We recommend that for program year two the living allowances be paid as they were intended by the AmeriCorps Provisions.

Auditee's Comments

According to BSU and AACC, the living allowances paid to Members are based on a stipend system as opposed to an hourly wage effective February 1996 and April 1996, respectively.

Auditor's Response

Both BSU and AACC concurred with the recommendation and appear to be taking appropriate corrective action.

Finding No. 2

BSU and UMCP claimed excessive administrative costs. According to Paragraph 24b of the AmeriCorps provisions, "the maximum Corporation share of Administrative costs cannot exceed 5% of total Corporation funds actually expended." After consideration of total questioned costs, excluding administration, the claimed amount for administration represents approximately 5.6 percent of the total claimed costs.

Inspector General
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Recommendation

We recommend that the claimed costs for administration be limited to the rate specified by the provisions. We further recommend that the grantees develop and implement policies and procedures to ensure compliance with the administrative cost provision in future program years.

Auditee's Comments

BSU stated that "the University method of charging administrative costs should preclude overcharging of these costs" and "to ensure that administrative costs do not exceed the rate specified by the AmeriCorps Provisions, the BSU division of AmeriCorps will conduct a quarterly review of administrative costs recorded."

According to AACC, it became the primary recipient of the grant at the beginning of Program Year 2 and that the subgrantee agreements with BSU and UMCP "have reporting and reimbursement procedures which will preclude payment for administrative costs in excess of those authorized by the funder's formula."

In the letter, dated September 9, 1996, from BSU containing the comments to the draft report, UMCP stated that "the administrative costs were higher than expected due to the extended grant period" and that "the unplanned costs resulted from a 15 month grant period as opposed to the standard 12 month grant period as budgeted." An internal letter from UMCP's Program Director to the UMCP Office of Comptroller dated September 9, 1996, states that the "administration cost for the UMCP MSTART consortia is \$3,792" for the year and that the "\$5,005 is an error." The letter states that the difference of \$1,213 are for expenses such as telephone, copying charges, and postage which "these costs would appear under 'other' operational."

Auditor's Response

Although BSU and AACC have indicated that they have begun to take corrective action which appear to be appropriate, UMCP has presented conflicting information in that one letter states why the administrative costs claimed were excessive while the internal letter indicates that certain costs were misclassified as administrative when the costs should have been classified as operational other.

Finding No. 3

Neither BSU, AACC or UMCP met the cost match contributions requirement related to other participant support costs. The award states that CNS's statute requires at least a 15 percent minimum match for other participant support costs. Neither BSU or UMCP provided any match

Inspector General
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Washington, DC 20525

for this cost category. Although AACC provided some match, approximately 14.0 percent, it was not sufficient to meet the minimum requirement.

Recommendation

We recommend that the amount claimed for other participant support costs be reduced by the amount of the minimum match that was not obtained. We further recommend that the grantees develop and implement policies and procedures to ensure compliance with the cost match provisions in future program years.

Auditee's Comments

BSU stated that "the University will develop and implement policies and procedures to ensure compliance with cost match provision and will comply with the decision of CNS." BSU further stated that "the policies and procedures will be in place by October 31, 1996."

AACC stated that the Maryland Governor's Commission on Service (MGCOS) was notified of the shortfall in the cost match in June 1996 and that "the MGCOS agreed to a plan that would have AACC make up this shortfall in matching payments to its then current members during June-August 1996." AACC further stated that "in order to prevent this shortfall from occurring again in Program Years 2 and 3 has: (1) set up an internal account within its MSTART accounting system which holds the entire cash match required of AACC. As each member's check is prepared, the appropriate amount for both living allowance, FICA, and health care is taken from the funds provided by AmeriCorps and AACC..... (2) established sub-grantee agreements with both Bowie State University and the UMCP which require them to report their grant expenses monthly and to separately show their required match payments. AACC will not reimburse grant expenses without appropriate documentation."

UMCP stated that "although it was not evident in the documentation initially supplied by UMCP, it should be noted that UMCP provided \$5,180 in State of Maryland funded support" and that "the support is in the miscellaneous categories of costs such as direct labor costs in support of member training, supervision and development, maintenance costs, technology and communications."

Auditor's Response

While BSU and AACC have indicated that they have begun to take corrective action which appear to be appropriate, UMCP did not indicate that corrective action will be taken or that UMCP had provided cost matching for member support as required by the AmeriCorps provisions. Instead UMCP merely stated it has provided support in miscellaneous categories other than member support costs.

Inspector General
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Washington, DC 20525

We considered these material instances of noncompliance in forming our opinion on whether Exhibit A is presented fairly in all material respects, in conformity with Corporation for National Service policies and procedures, and this report does not affect our report dated July 12, 1996, on this financial schedule.

In addition to the above referenced material instances of noncompliance, we noted certain nonmaterial instances of noncompliance as described below.

Finding No. 4

Written evaluations of each participant's performance were not prepared by BSU and AACC. Paragraph 8g of the AmeriCorps Provisions states, in part, that "the grantee must conduct at least a mid-term and end-of-term written evaluation of each Member's performance." Both BSU and AACC stated that no formal evaluations were conducted or documented for the participants' performance.

Recommendation

We recommend that the grantees establish and implement policies and procedures to ensure that the required evaluations are conducted and documented in future program years.

Auditee's Comments

Both BSU and AACC indicated that it concurs with the recommendation. Furthermore, BSU stated that "the first written evaluation will be completed in late October 1996."

Auditor's Response

Since both of the grantees concurred with the recommendation we can infer that appropriate corrective action will be taken.

Finding No. 5

At AACC, a participant's term of service was not completed within the specified time period. According to paragraph 9a of the AmeriCorps Provisions, a full-time participant must serve at least 1700 hours during a period of not less than nine months and not more than one year. One full-time participant at AACC did not complete 1700 hours until approximately 14.5 months after the start of the term.

Inspector General
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Recommendation

We recommend that the grantee establish and implement policies and procedures to ensure that all participants complete the required number of hours within the specified time period for future program years. We further recommend that the grantee ensure that this participant completes a minimum of 3400 hours if this participant is to receive two education awards.

Auditee's Comments

AACC explained that there were several occasions when the participant was unable to work because of illness and vacations taken by the county public schools, therefore, it is AACC view that "the member successfully completed her 1700 hours of service in the 12 months that she could reasonably have been expected to serve." AACC further explained that the member is currently serving a second term and that "there has been no overlap of hours for the member between her service years one and two." In addition, AACC stated that "this finding accurately states a set of facts, but it does not take into consideration the circumstances faced by the director in making what are appropriate personnel decisions." AACC has, therefore, requested that this finding be withdrawn.

Auditor's Response

While we understand that sometimes extenuating circumstances exist, we feel that CNS should have been notified of the possibility that the member would not complete the term of service within the time period specified by the AmeriCorps provisions and the reasons therefor so that CNS could have chosen whether or not to allow a deviation from the provision.

Finding No. 6

Not all quarterly financial reports were submitted within the specified time period by BSU. Amendment No. 1, dated February 17, 1995, amended the grant to change the deadlines for the submission of quarterly reports. This amendment established February 1, 1995; May 1, 1995; August 1, 1995; and November 1, 1995, as the deadlines for submission of the first, second, third, and fourth quarter reports, respectively. The Maryland Commission on Service (Commission) submitted the second quarter report on April 28, 1995, stating that the "aggregate data does not include MSTART information since the MSTART program had difficulty in completing this form. We will forward new aggregate data as soon as we receive it." The MSTART's second quarter report was not submitted to the Commission until May 4, 1995.

Inspector General
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Recommendation

We recommend that the grantee establish and implement policies and procedures to ensure that for future program years, the quarterly reports are submitted on time.

Auditee's Comments

BSU stated that "it is University policy to submit all required reports on a timely basis and the University will continue to make every effort to submit all required data and reports on a timely basis."

AACC stated that the submission of the quarterly report for the period ended March 31, 1995, "was delayed less than a week and was coordinated with and approved by the MGCOS. Additionally we have never been advised of a problem about the timeliness of our quarterly reports by MGCOS." Given this information, AACC requested that the finding be withdrawn.

Auditor's Response

While AACC indicated that the late submission of the quarterly report was approved by the Maryland Governor's Commission on Service (MGCOS), there was no indication that the late submission was approved by CNS which established the deadlines for the submission of the quarterly reports and was officially incorporated into the grant by Amendment No. 1. Furthermore, one should not assume that a problem only exists if they have been notified of it.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, the grantees complied in all material respects, with the provisions referred to in the third paragraph of this report.

This report is intended for the information and use of the Corporation for National Service Office of Inspector General and CNS' management and the management of the Maryland Commission on Service and its subrecipients: BSU, AACC and UMCP. However, this report is a matter of public record and its distribution is not limited.

Leonard G. Birnbaum and Company

Alexandria, Virginia
July 12, 1996

LEONARD G. BIRNBAUM AND COMPANY

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

We have audited the schedule of award costs, as presented in Exhibit A which summarizes the financial reports submitted by Bowie State University (BSU) to the Corporation for National Service (CNS) for the award listed below, and have issued our report thereon dated July 12, 1996.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
94ASCMD02105	August 1, 1994 to December 31, 1995	August 1, 1994 to December 31, 1995

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

In planning and performing our audit of Exhibit A for the period August 1, 1994 to December 31, 1995, we considered the grantee's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal control structure.

The grantee's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs on internal control structure policies and procedures. The objectives of an internal control structure are to provide management with

Inspector General
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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 schedules in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Cash Disbursements
- Cash Receipts
- Payroll/timekeeping
- Recordkeeping

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we have assessed control risk.

We noted the following matters involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure, that, in our judgement, could adversely affect the entity's ability to record, possess, summarize and report financial data consistent with the assertions of management in the financial schedules.

Finding No. 1

BSU and AACC either lack an adequate system to track and monitor the number of hours spent by participants in training and education activities or else such a system did not exist. Paragraph 8e of the AmeriCorps Provisions states that "no more than 20% of the aggregate of all Member AmeriCorps service hours in a Program may be spent in education, training, or other non-direct activities without specific written permission from the Corporation", thus requiring the need for such a system. Our review of the participant files at BSU disclosed that none of the files contained a complete set of timesheets for the respective participant. In addition, the review disclosed that the participants may not have been accurately reporting the total hours worked since most timesheets did not reflect attendance at training and related events while other documents in the participant files indicated that the participant had attended the training and related events. Our review of the timesheets retained by AACC revealed that the participants do not distinguish

Inspector General
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between community service hours worked and hours spent in training or related activities. Furthermore, AACC stated that it has not have a system to track and monitor the hours spent in training and related activities. If the timesheets are not being retained or if the timesheets do not reflect all hours worked by type of service, i.e., community service, training, then it would be possible for the participants to exceed this maximum percentage of hours. While our audit work did not disclose any noncompliance with this provision, we feel that noncompliance could occur in future years if adequate systems are not in place.

Recommendation

We recommend that the grantees develop and implement policies and procedures to ensure that an adequate system is in place to ensure compliance with this provision related to training. We further recommend that the grantee inform the participants that all hours worked should be recorded on the timesheets and that the grantee review the timesheets to verify that such is being done.

Auditee's Comments

According to BSU, "the Program is now maintaining all member timesheets that reflect the total number of hours in which they perform and training, education and other non-direct activities will be specifically identified on the timesheets. The Director will continue to review all timesheets to ensure proper completion. Individual time summary logs maintained for Members are being modified to separately identify training and community service. The time recorded on the log will be monitored to ensure that no more than 20% of the Member service hours is spent on non-direct activities."

AACC did not completely agree with the finding in that it stated that it "does manage the amount of time that members spend in training and educational activities" since "all Member training is centrally planned, organized, and conducted". AACC did, however, agree that the "time sheets do not reflect a separate accounting for service and non service hours". AACC further stated that "in order to make this process more visible, AACC will begin to code non-service hours on member time sheets."

Auditor's Response

While BSU's comments appear to be responsive to the recommendation and AACC has agreed to record the member hours by type of service on the timesheets which was included in our recommendation, we still contend that AACC does not have a formal system to track and monitor the number of hours spent by participants in training and education activities since we were not shown any records which reflected the number of hours spent by the participants in training or other non-direct activities.

Inspector General
Corporation for National Service
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A material weakness is a reportable condition in which the design or operation of the specific internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses as defined above. However, our study and evaluation and our audit disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to the CNS grant may occur and not be detected within a timely period .

Finding No. 2

BSU lacks adequate controls for monitoring subrecipients (AACC and UMCP). Our review of the grantee's records and discussions disclosed that the grantee provided little oversight of a financial nature on the subrecipients. For instance, the grantee did not require that the subrecipients submit invoices in the required format which was to depict the expenses by line item budgeted. Furthermore, the grantee did not ensure that the subrecipients maintained adequate cost matching records or were obtaining their required match contributions. Because of the grantee's lack of controls, the grantee was unaware that the subrecipients had not obtained the required match contributions or that the subrecipients had claimed administrative costs in excess of the maximum Federal share (refer to finding nos. 3 and 2, respectively, in the Independent Auditor's Report on Compliance).

Recommendation

We recommend that the grantee develop and implement policies and procedures to adequately monitor subrecipients.

Auditee's Comments

BSU stated that it "is not the primary recipient of the award in the current program year; however, the University will develop written policies and procedures to ensure adequate monitoring of subrecipients for any future awards of this nature."

AACC stated that at the request of MGCOS and with the authorization of CNS and the concurrence of BSU and UMCP, it has "become the lead fiscal agent for the MSTART project

Inspector General
Corporation for National Service
Washington, DC 20525

for Program Years 2 and 3.” AACC further stated that it has revised the subgrantee agreements which were signed by authorized officials of BSU and UMCP. In addition, AACC stated that “these agreements put in place the appropriate controls to monitor expenditures” and “the MGCOS has reviewed these procedures and found them adequate.”

Auditor's Response

The grantees appear to be taking appropriate corrective action.

Finding No. 3

BSU lacks an adequate system to accumulate and track cost sharing contributions. It was not until requested for audit purposes that BSU obtained any records detailing the cost match contributions for itself or subrecipients. As a result of BSU’s inadequate system, the required match contributions for member support were not met by either BSU or its subrecipients (refer to finding no. 3 in the Independent Auditor’s Report on Compliance).

Recommendation

We recommend that the grantee develop and implement policies and procedures to ensure that an adequate system is in place to track cost sharing contributions.

Auditee's Comments

BSU stated that “the University is developing and will implement written policy an procedures to ensure that an adequate system is in place to track cost sharing contributions.”

AACC stated that it has “become the lead fiscal agent for MSTART for Program Years 2 and 3” and that the subgrantee agreements between AACC and BSU and UMCP “provide for full disclosure of cost sharing contributions.”

Auditor's Response

The grantees’ corrective actions appear to be in compliance with our recommendation.

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Washington, DC 20525**

This report is intended for the information and use of the Corporation for National Service Office of Inspector General and CNS' management and the management of the Maryland Commission on Service and its subrecipients: BSU, AACC and UMCP. However, this report is a matter of public record and its distribution is not limited.

Leonard G. Birnbaum and Company

**Alexandria, Virginia
July 12, 1996**



Bowie State University

September 9, 1996

Mr. Leslie A. Leiper
 Senior Partner
 Leonard G. Birnbaum and Company
 6285 Franconia Road
 Alexandria, VA 22310

Dear Mr. Leiper:

Enclosed are the responses to the audit report on the grant awarded to Bowie State University under Award No. 94ASCMD02105 by the Corporation for National Service.

Please address any comments regarding the audit responses to the representative at the specific institution:

Jim Jackson	(Anne Arundel Community College)	(410) 541-2366
Shirley Morman	(University of Maryland College Park)	(301) 314-7763
Brian Sprei	(Bowie State University)	(301) 464-6113

If I can be any further assistance please feel free to contact me.

Sincerely,

Brian Sprei
 Grants Manager

Enclosure

cc: Dr. Nathanael Pollard, Jr.	Dr. Ida Brandon
Ken Stafford	Keith Gray
Wayne Felder	Gilbert McDonald
Christina Davies	



BOWIE STATE UNIVERSITY

SCHEDULE OF RECLASSIFIED AND QUESTIONED COSTS

Note 1 - Salaries: We have questioned \$420 of the amount claimed by BSU for salaries. The amount was questioned because the hours claimed exceeded the hours recorded on the timesheets. The following schedule provides a summary of the questioned costs.

<u>Object Code</u>	<u>Contact Payroll No.</u>	<u>Hours Claimed</u>	<u>Hours Recorded</u>	<u>Wage Per Hr.</u>	<u>Questioned Amount</u>
2149	10	66.0	32.5	\$8	\$ 152
2149	13	40.0	21.0	8	<u>268</u>
Total Questioned					<u>\$ 420</u>

Documentation and explanation provided by auditee is adequate. The questioned cost is withdrawn.

BSU Comments: Contract Payroll 10 - The questioned amount of \$152 relates to Contractual Payroll 09. Mr. Sandeep Silva (SSN: 027-70-7362) submitted his timesheet late for Contractual Payroll 09 (33.5 hours). As a result, he was paid for Contractual Payroll 09 together with Contractual Payroll 10 (32.5 hours). Please refer to copies of Mr. Silva's timesheet as well as a copy of Special Payments log (EXHIBIT 1).

Contract Payroll 13 - The wrong timesheet for Mr. Silva was presented to the auditors. Please refer to attached correct timesheet which has the correct budget code in the upper right hand corner of the timesheet (EXHIBIT 2).

Based on the supporting documentation provided, we request that this questioned cost be deleted from the report.

Note 2 - Benefits: We questioned \$147 of the amount claimed by BSU for fringe benefits. This questioned amount represents the fringe benefits applicable to the questioned salary amounts referred to in note 1. We computed this amount by applying the effective fringe rate claimed ($\$3,277 / \$9,298 = 35\%$) to the questioned salary amount.

See above.

BSU Comments: BSU requests that comment be omitted since we are able to provide documentation for note 1.

Note 6 - Living Allowance: Based on the supporting documentation (purchase requisition number R601135), \$2020 was claimed for living allowance. Of this amount, we have reclassified \$670 to the cost category of travel since the amount was for a participant's mileage reimbursement.

We have questioned \$6,272 of the amount claimed for living allowances for participants. The amount was questioned because either we were unable to locate supporting

BOWIE STATE UNIVERSITY

documentation to validate the expenditure (object code 2602, reference number R601648; \$1,700) or the grantee failed to comply with the minimum match requirement for member support as required in the grant award. Per the award, the grantee must match other participant support costs at the minimum 15 percent. The cost share related to other participants support costs was not met by any of the members of the consortium, The total questioned costs of \$6,272 is detailed below.

Documentation provided by the auditee is adequate. The questioned cost is withdrawn.

BSU Comments: Attached is the documentation supporting the questioned cost of \$1,700 (Exhibit 3). Based on the documentation provided, we request that this questioned cost be deleted.

AACC Comments: See Attachment A

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Finding No. 1

Recommendation: We recommend that the for program year two the living allowances be paid as they were intended by the AmeriCorps Provisions.

BSU Comments: Effective February 1, 1996, The BSU division of AmeriCorps developed contractual agreements to pay the living allowance to the participants on a bi-weekly basis as required by the AmeriCorps Provisions. Payments are determined by dividing the Members total contract by the number of University pay periods in the contract period. Members have been paid under the provisions of the revised contract since February 21, 1996.

AACC Comments: See Attachment A

Finding No. 2

Recommendation: We recommend that the claimed costs for administration be limited to the rate specified by the provisions. We further recommend that the grantees develop and implement policies and procedures to ensure compliance with the administrative cost provisions in future program years.

BSU Comments: The University method of charging administrative costs should preclude overcharging those costs. To ensure that administrative costs do not exceed the rate specified by the AmeriCorps Provisions, the BSU division of AmeriCorps will conduct a quarterly review of administrative costs recorded.

UMCP Comments: UMCP Educational Talent Search Program has indicated that the administrative costs were higher than expected due to the extended grant period. The unplanned costs resulted from a 15 month grant period as opposed to the standard 12 month grant period as budgeted.

Finding No. 3

Recommendation: We recommend that the amount claimed for other participant support costs be reduced by the amount of the minimum match that was not obtained. We further recommend that the grantees develop and implement policies and procedures to ensure compliance with the cost match provisions in future program years.

BSU Comments: The University will develop and implement policies and procedures to ensure compliance with cost match provisions and will comply with the decision of CNS. The policies and procedures will in place by October 31, 1996.

AACC Comments: See Attachment A

UMCP Comments: The request for information was not clear on the documentation required to support the match requirement. Although it was not evident in the documentation initially supplied by UMCP, it should be noted that UMCP provided \$5,180 in State of Maryland funded support (See EXHIBIT 1). The support is in the miscellaneous categories of costs such as direct labor costs in support of member training, supervision and development, maintenance costs, technology and telecommunications. The Educational Talent Search Program has provided the monthly financial accounting statements produced by the University's Comptroller's Office in support of the material expenditures.

Finding No. 4

Recommendation: We recommend that the grantees establish and implement policies and procedures to ensure that the required evaluations are conducted and documented in future program years.

BSU Comments: In compliance with the AmeriCorps Provisions, the BSU program has developed and will implemented procedures for written performance evaluations of Members to be conducted at mid-semester and at the end of each semester. The evaluation will be in addition to and based on the monthly site evaluations of Members submitted by the site liaisons. The first written evaluation will be completed in late October 1996.

AACC Comments: See Attachment A

Finding No. 5

Recommendation: We recommend that the grantee establish and implement policies and procedures to ensure that all participants complete the required number of hours within the specified time period for future program years. We further recommend that the grantee ensure that this participant competes a minimum of 3400 hours if this participant is to receive two education awards

AACC Comments: See Attachment A

Finding No. 6

Recommendation: We recommend that the grantee establish and implement policies and procedures to ensure that for future program year, the quarterly reports are submitted on time.

BSU Comments: It is University policy to submit all required reports on a timely basis and the University will continue to make every effort to submit all required data and reports on a timely basis.

Finding No. 7

Recommendation: We recommend that the grantees develop a written policy regarding fines for minor disciplinary actions for future program years.

BSU Comments: The BSU MSTART program has opted not to impose fines for minor disciplinary actions and therefore assumed that written policy on fines was not required. However, based on the language in the Provisions, the University will develop a written policy to state that fines will not be imposed for minor disciplinary actions. This policy procedures will be in place by October 1, 1996.

AACC Comments: See Attachment A

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL STRUCTURE

Finding No. 1

Recommendation: We recommend that the grantees develop and implement policies and procedures to ensure that an adequate system is in place to ensure compliance with this provision related to training. We further recommend that the grantee inform the participants that all hours worked should be recorded on the timesheets and that the grantee review the timesheets to verify that such is being done.

BSU Comments: The BSU division of AmeriCorps had maintained administrative records of all training programs, however, training was not specifically identified on timesheets. The Program is now maintaining all member timesheets that reflect the total number of hours in which they perform and training, education, and other non-direct activities will be specifically identified on the timesheets. The Director will continue to review all timesheets to ensure proper completion. Individual time summary logs maintained for Members are being modified to separately identify training and community service. The time recorded on the log will be monitored to ensure that no more than 20% of the of Member service hours is spent on non-direct activities.

AACC Comments: See Attachment A

Finding No. 2

Recommendation: We recommend that the grantee develop and implement policies and procedures to adequately monitor subrecipients.

BSU Comments: The University is not the primary recipient of the award in the current program year; however, the University will develop written policies and procedures to ensure adequate monitoring of subrecipients for any future awards of this nature.

Finding No. 3

Recommendation: We recommend that the grantee develop and implement policies and procedures to ensure that an adequate system is in place to track cost sharing contributions.

BSU Comments: The University is developing and will implement written policy and procedures to ensure an adequate system is in place to track cost sharing contributions for all contracts.

ANNE ARUNDEL COMMUNITY COLLEGE

INDEPENDENT AUDITOR'S REPORT ON RECLASSIFIED AND QUESTIONED COSTS

Item 4 (Page 15) Supplies:

AACC Comment: This is an appropriate allocable expense. Since the auditors' visit we have been able to reconstruct the history of the purchase of these hand held calculators.

In May and June 1995, several of the AACC AmeriCorps members tutoring in the county high schools identified a need for some hand held calculators capable of graphing geometric functions. They explained that students in some of their high schools had classes that required them. They also said these calculators were approved and recommended for students taking the new SAT. The AmeriCorps members were not able to assist these students because they were not familiar with the calculators and the students were using some available only in their classroom.

Explanation provided by auditee is adequate. The questioned cost is withdrawn.

In late June 1995, I verified the need for these hand held calculators with Ms Anita Morris, the Mathematics Curriculum Coordinator in the Anne Arundel County Public School System, who confirmed the need for them and their limited availability in the schools. She said parents were asked to provide them for their children and identified the TI-80 as meeting their needs. Because not all parents were able to provide the calculators, the few the school system had were not available for after-hours signout. Based on this, I ordered 5 of the TI-80 calculators for each of the four high schools in the county with AmeriCorps tutoring programs that appeared capable of using them. The calculators were distributed to the appropriate members for use during the 1996 school year.

We request this be determined to be an appropriate expense properly allocated.

ANNE ARUNDEL COMMUNITY COLLEGE

INDEPENDENT AUDITOR'S REPORTS ON COMPLIANCE

Finding 1 (Page 21) Living Allowance:

AACC Comment: AmeriCorps Members at AACC were converted to a "living allowance" stipend system in April 1996. Members' living allowance is being distributed using a formula which took the total annual living allowance authorized in the approved grant for Program Year 2 per part or full time member and dividing that by the number of college pay periods which would occur during the member's period of service. As a result each AACC full time member receives \$330 bi-weekly and each AACC part-time member receives \$160 bi-weekly.

Finding 2(Page 21) Excessive administrative costs:

AACC Comment: AACC became the primary recipient of this grant at the beginning of Program Year 2. We have established sub-grantee agreements with both Bowie State University and the UMCP which have reporting and reimbursement procedures which will preclude payment for administrative costs in excess of those authorized by the funder's formula.

Finding 3(Page 22) Cost Match Requirements:

AACC Comments:

(a) AACC provided 93% of its required match during the period September 1994 to December, 1995. The \$387 shortfall in the AACC match was identified by the college and notification made to the Maryland Governor's Commission on Service in June 1996. Since the AmeriCorps grant has a continuous funds expenditure reporting cycle through a continuing series of quarterly reports, the MGCOS agreed to a plan that would have AACC make up this shortfall in matching payments to its then current members during June-August 1996. During this period, AACC member living allowance was recalculated on an adjusted basis using additional matching funds. As a result, each member received an average of an additional \$283 in living allowance from the college. Total additional matching payment was \$ 2553.

(b) In order to prevent this shortfall from occurring again in Program Years 2 and 3, AACC has:

(1) set up an internal account within its MSTART accounting system which holds the entire cash match required of AACC. As each member's check is prepared, the appropriate amount for both living allowance, FICA, and health care is taken from the funds provided by AmeriCorps and AACC. The financial computer system provides a daily up-to-date status of the match. As of the 22 August payroll, total AACC member "living allowance & FICA" paid was \$26,341. Of this amount \$4001 (15.2%) was cash match in accordance with the new AACC automated Program Year 2 matching procedures.

ANNE ARUNDEL COMMUNITY COLLEGE

(2) Established sub-grantee agreements with both Bowie State University and the UMCP which require them to report their grant expenses monthly and to separately show their required match payments. AACC will not reimburse grant expenses without appropriate documentation.

Finding 4 (Page 23) Written Evaluations:

AACC Comment: Concur with recommendation.

Finding 5 (Page 23) Term of Service:

AACC Comment: The full time participant in question did not actually begin her Service Period until 30 January 1995, therefore, I as program director did not consider that as a month to be counted for service. Additionally, because of Christmas and New Years Vacations in the county public schools, there was no opportunity for service the last two weeks of December and the first week of January 1996. Additionally, the member was not well the latter part of January. I therefore did not count these times against the member. The member therefore had the following time periods available for her service: February 1995-mid December 1995 (10.5 months) and February 1996 - mid March 1996 (1.5 months). My judgment was and is that the member successfully completed her 1700 hours of service in the 12 months that she could reasonably have been expected to serve. This member volunteered and was chosen to serve a second term which began in mid-March 1996. There has been no overlap of hours for the member between her service years one and two.

There is and has been a system in place at AACC since the beginning of this AmeriCorps grant to keep track of member service hours. Each AACC member is required to submit a bi-weekly time sheet which serves to document hours of service.

This finding accurately states a set of facts, but it does not take into consideration the circumstances faced by the director in making what are appropriate personnel decisions.

We request this finding be withdrawn.

ANNE ARUNDEL COMMUNITY COLLEGE

Finding 6 (Page 24) Timely Quarterly Reports

AACC Comment:

(a) Quarterly Reports for Program Years 1 and 2 were submitted in accordance with the following:

Report	Reporting Period	Required Submit Date	Submit Date
1st Qtr	Oct 1- Dec 31, 94	Feb 1, 1995	Dec 20, 1994
2nd Qtr	Jan 1- March 31, 95	May 1, 1995	* May 4, 1995
3rd Qtr	Apr 1-Jun 30, 95	July 11, 1995	July 11, 1995
4th Qtr	July1-Sept 30, 95	Nov 1, 1995	Oct 17, 1995
5th Qtr	Oct 1-Dec 31, 95	Feb 21, 1996	Feb 21, 1996
6th Qtr	Jan 1- Mar 31, 96	May 1, 1996	April 9, 1996
7th Qtr	Apr 1-June 30, 96	July 18, 1996	* July 23, 1996

The above information shows somewhat different required reporting dates than determined by the audit team. This difference was caused by changes from the Maryland Governor's Commission on Service (MGCOS). From the data presented, it can be seen that 2 of the 7 required reports were submitted after the established date. In both cases the submission was delayed less than a week and was coordinated with and approved by the MGCOS. Additionally we have never been advised of a problem about the timeliness of our quarterly reports by the MGCOS.

We request this finding be withdrawn.

Finding 7 (Page 25) Fine Policy

AACC Comment: The language in the AmeriCorps Provisions (enc.) gives programs authority to temporarily suspend or fine a member for minor violations as per the terms of the member's contract. The requirement for a written policy is contingent on the Grantee's decision to have such a policy at all. If the Grantee does not plan on using fines, there is no apparent requirement for a fine policy.

AmeriCorps members at AACC are considered temporary employees of the college for all administrative matters concerning compliance, discipline, etc. As a result, they are accountable for their conduct under both their AmeriCorps member contract and the college's discipline policy (enc.). There are no provisions for additional sanctions such as fines in the college's disciplinary policy. The provisions in the policy are sufficient for our needs..

Explanation provided by auditee is adequate. The questioned cost is withdrawn.

We request this finding be withdrawn.

ANNE ARUNDEL COMMUNITY COLLEGE

INDEPENDENT AUDITORS FINDINGS ON INTERNAL CONTROL STRUCTURE

Finding 1 (Page 27) System to track Training & Education Hours

AACC Comment: AACC does manage the amount of time that members spend in training and educational activities. The finding notes that AACC retains time sheets for its members. It also notes that these time sheets do not reflect a separate accounting for service and non service hours, leading to the conclusion that there is no structure in place to ensure compliance with the 20% rule. The statement that AACC “stated that it does not have a system to track and monitor the hours spent in training and related activities” is not accurate. All member training is centrally planned, organized, and conducted. All members are expected to attend scheduled training. No member receives or is allowed to take individualized training unless specifically authorized as make up training. No AACC member is used to perform program administrative functions. Therefore, member non-service hours are controlled by the AACC Program Director. He maintains a master spreadsheet which indicates authorized non-service activity and manages that to ensure compliance with Corporation policy.

In order to make this process more visible, AACC will begin to code non-service hours on member time sheets.

Finding 2 (Page 29) Prime Grantee Oversight

AACC Comment: At the request of the MGCOS and with the authorization of the Corporation, AACC agreed, with the concurrence of the other consortia members, to become the lead fiscal agent for the MSTART project for Program Years 2 and 3. Subsequent to that decision, revised subgrantee agreements (copy enclosed) were signed by authorized officials of Bowie State University and UMCP. These agreements put in place the appropriate controls to monitor expenditures. The MGCOS has reviewed these procedures and found them adequate.

Finding 3 (Page 29) Cost Sharing

AACC Comment: As stated in the previous finding, AACC has become the lead fiscal agent for MSTART for Program Years 2 and 3. The previously referred to subgrantee agreement between AACC and Bowie State and UMCP provide for full disclosure of cost sharing contributions and provides Corporation funds, after one quarterly startup disbursement, only on a reimbursement basis. Refer to AACC comment on finding 3 in Compliance section.