
CORPORATION

FOR NATIONAL



S E R V I C E

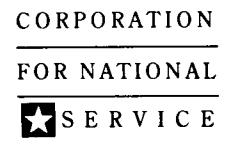
OFFICE OF THE INSPECTOR GENERAL

**Audit of
The Council of State Governments/March of Dimes
Award Number 95ADNKY008**

This report is issued to the Corporation's 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 30, 1998. 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
The Council of State Governments/March of Dimes
Award Number 95ADNKY008



Foxx & Company, under contract to the Office of the Inspector General, performed an audit of the funds awarded by the Corporation for National Service to The Council of State Governments/March of Dimes. The audit covered the costs claimed during the period August 1, 1995 through December 31, 1996.

The audit included an examination to determine whether financial reports prepared by the auditee presented fairly the financial condition of the award and the award costs reported to the Corporation were documented and allowable in accordance with the terms and conditions of the award. We have reviewed the report and work papers supporting its conclusions and agree with the findings and recommendations presented.

The firm found that

- An operating site paid AmeriCorps Member support costs for a two month period in which the project was not operating.
- Operating sites did not meet the cost-matching requirements of the cooperative agreement because of unsupported costs and inadequate documentation, and duplicate entries for cost-matching were posted to accounting records.
- The grantee charged unreasonable and unsupported costs to the grant.

Based on the audit, we are questioning \$80,287 in costs claimed under the award. These and other matters are discussed in greater detail in the report.

The Corporation's response to a draft of this report is included as Appendix A. The Council of State Governments/March of Dimes' response is presented as Appendix B and summarized in the report with the auditor's comments, as appropriate.

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**CORPORATION FOR NATIONAL SERVICE
OFFICE OF THE INSPECTOR GENERAL**

**THE COUNCIL OF STATE
GOVERNMENTS/MARCH OF DIMES
3650 IRON WORKS PIKE
LEXINGTON, KY 40578-1191**

**CORPORATION FOR NATIONAL SERVICE
COOPERATIVE AGREEMENT NO.
95ADNKY008**

**FINANCIAL SCHEDULES AND
INDEPENDENT AUDITORS' REPORT**

**for the period
August 1, 1995 to December 31, 1996**

Foxx & Company
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REPORT SUMMARY AND HIGHLIGHTS



Corporation for National Service
 Office of the Inspector General

We have performed an audit of the funds awarded by the Corporation for National Service to The Council of State Governments/March of Dimes under Cooperative Agreement No. 95ADNKY008. Our audit covered the costs incurred during the period August 1, 1995 through December 31, 1996. These costs are summarized in Exhibit A and as follows:

Cooperative Agreement Number	Award Budget	Claimed Costs	Questioned Costs
95ADNKY008	<u>\$659,925</u>	<u>\$604,139</u>	<u>\$80,287</u>

SUMMARY OF AUDIT RESULTS

As a result of our audit of the aforementioned award, we are questioning costs totaling \$80,287 which are summarized below and detailed in Exhibit A to the Independent Auditors' Report. 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 auditee or which require interpretation of allowability by the Corporation for National Service.

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

Description	Amount
Unreasonable AmeriCorps Member support costs	\$ 9,406
Unreasonable staff costs	3,720
Unsupported supplies	294
Unsupported travel costs	2,418
Unsupported cost-matching	<u>64,449</u>
Total	<u>\$80,287</u>

We used a judgmental sampling method to test the costs claimed by the auditee to the Corporation for National Service. 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 costs claimed, based on the relationship of costs tested to total costs. For a complete discussion of these questioned costs, refer to the Independent Auditors' Report.

Compliance Findings

The results of our testing disclosed the following instances of noncompliance:

- The Council of State Governments and the March of Dimes' operating sites did not meet the cost-matching requirements of the cooperative agreement because of unsupported costs and inadequate documentation (Independent Auditors' Report on Compliance, Finding 1).
- The Charleston, South Carolina operating site paid AmeriCorps Member support costs for a two month period in which the project was not operating (Independent Auditors' Report on Compliance, Finding 2).
- A bonus was paid to the project director and was charged in its entirety to the project even though the project director was working on other grants (Independent Auditors' Report on Compliance, Finding 3).
- The Dallas, Texas operating site did not enter into contracts with two AmeriCorps Members prior to the start of the project (Independent Auditors' Report on Compliance, Finding 4).

Internal Control Structure Findings

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

- Duplicate entries for cost-matching were posted to the Council of State Governments' accounting records (Independent Auditors' Report on Internal Control Structure, Finding 1).
- The AmeriCorps Member time sheets are not always approved by a supervisor at the Brownsville, Texas operating site (Independent Auditors' Report on Internal Control Structure, Finding 2).

PURPOSE AND SCOPE OF AUDIT

Our audit covered the costs incurred during the period August 1, 1995 through December 31, 1996, under Cooperative Agreement No. 95ADNKY008 which was the award period.

The objectives of our audit were to determine whether:

1. Financial reports prepared by The Council of State Governments/March of Dimes presented fairly the financial condition of the award;

2. The systems of internal control structure were adequate to safeguard Federal funds;
3. The Council of State Governments/March of Dimes had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations and award conditions; and
4. The award costs reported to the Corporation for National Service were documented and allowable in accordance with the award terms and conditions.

We performed the audit in accordance with generally accepted auditing standards and *Government Auditing Standards* 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 to the Corporation for National Service as presented in the Schedule of Award Costs (Exhibit A), is 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.

We provided a draft of this report to the Corporation for National Service and The Council of State Governments/March of Dimes for their comments. In its response, the Corporation's Office of Grants Management stated that it had not conducted a comprehensive review and analysis of the findings and was unable to provide detailed comments or specifically concur with the findings as of September 23, 1997. The Corporation's response is presented as Appendix A.

The Council of State Governments and the March of Dimes responded to the report separately. Their responses are included as Appendix B and summarized after each finding. In its response, The Council of State Governments concurred with several findings (questioned cost findings 2 and 3 and internal control finding 1) and stated that it would follow up on all other issues. The Council of State Governments also stated that it will provide information to the Corporation's Office of the Inspector General at a later date. The March of Dimes stated that it is following up on the findings and would provide the information to The Council of State Governments.

However, as of the issuance date of this report, September 30, 1997, the Corporation's Office of the Inspector General has not received any additional information on these findings. Because this is the final report on this audit, we recommend that the promised follow up information be sent to the Corporation's Office of Grants Management for their use in the audit resolution process.

This report is intended for the information and use of the Corporation for National Service's management, the Office of the Inspector General and The Council of State Governments/March of Dimes' management. However, this report is a matter of public record and its distribution is not limited.

BACKGROUND

The Council of State Governments is a not-for-profit organization involved in state government issues and promoting cooperation among state-government sponsored agencies. The March of Dimes is a not-for-profit organization that works toward improving the health of babies by preventing birth defects and infant mortality. The Council of State Government and the March of Dimes entered into an agreement to jointly administer the AmeriCorps program, "Hand-in-Hand: Communities Investing in the Health of Women and Their Families." The mission of the program was to mobilize community involvement and forge community partnerships to improve the health of women and their families in the South through community based prenatal services and education.

The Council of State Governments/March of Dimes followed the cost principles specified by OMB Circular A-122, *Cost Principles for Nonprofit Organizations*. The costs claimed under the project were incurred at the Washington, D.C. office of The Council of State Governments and the following operating sites of the March of Dimes:

- Brownsville, Texas
- Charleston, South Carolina
- Dallas, Texas
- Robeson County, North Carolina

The project under the direction of The Council of State Governments/March of Dimes was completed on December 31, 1996 and was not renewed. The project is described as follows:

Cooperative Agreement Number	Type of Award	Award Description
95ADNKY008	Grant	Hand-in-Hand: Communities Investing in the Health of Women and their Families

FOLLOW-UP OF PRIOR AUDIT FINDINGS

The Council of State Governments had an audit performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of Institutions of Higher Education and Other Nonprofit Organizations* (A-133), for the year ended June 30, 1996. The June 30, 1996 audit reports did not contain compliance or internal control structure deficiencies related to the Corporation for National Service cooperative agreement.

The March of Dimes' operating sites in Dallas, Texas and Charleston, South Carolina had an audit performed in accordance with A-133 for the year ended December 31, 1995 as part of the March of Dimes Birth Defects Foundation. The report did not contain compliance or internal control structure deficiencies related to the Corporation for National Service cooperative agreement. The A-133

reports for the year ended December 31, 1996 are not available for these operating sites. The operating site in Robeson County, North Carolina had an A-133 audit performed for the year ended July 31, 1996. The report did not contain compliance or internal control structure deficiencies related to the Corporation for National Service cooperative agreement. The operating site in Brownsville, Texas did not have an A-133 audit performed.



Corporation for National Service
Office of the Inspector General

INDEPENDENT AUDITORS' REPORT

We have audited the costs claimed by The Council of State Governments/March of Dimes to the Corporation for National Service on the AmeriCorps Financial Status Report for the cooperative agreement listed below. These Financial Status Reports, as presented in the Schedule of Award Costs (Exhibit A), are the responsibility of The Council of State Governments/March of Dimes' management. Our responsibility is to express an opinion on Exhibit A based on our audit.

Cooperative Agreement Number	Award Period	Audit Period
95ADNKY008	August 1, 1995 to December 31, 1996	August 1, 1995 to December 31, 1996

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 that our audit provides a reasonable basis for our opinion.

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, 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, 1995 to December 31, 1996, in conformity with the award agreement.

In accordance with *Government Auditing Standards*, we have also issued reports on our consideration of The Council of State Governments/March of Dimes' internal control structure and on its compliance with laws and regulations which are included herein.

This report is intended for the information and use of the Corporation for National Service's management and its Office of Inspector General, and The Council of State Governments/March of Dimes' management. However, this report is a matter of public record and its distribution is not limited.

Fox & Company

Cincinnati, Ohio
July 11, 1997

FINANCIAL SCHEDULES

**The Council of State Governments/March of Dimes
Corporation for National Service Cooperative Agreement No. 95ADNKY008
Schedule of Award Costs
for the period August 1, 1995 to December 31, 1996**

Cost Category	Approved Budget	(A) Claimed Costs	Reclassifications	Claimed Costs After Reclassifications	Questioned Costs	Exhibit B Reference
Member support costs						
Living allowance	\$266,146	\$292,874	\$ -	\$292,874	\$ 8,738	
FICA	20,361	19,385	-	19,385	668	
AmeriCorps health care	32,640	-	-	-	-	
Subtotal Member support costs	319,147	312,259	-	312,259	9,406	1
Other Member costs						
Training and education	7,960	2,623	-	2,623	-	
Other	63,776	30,726	-	30,726	294	
Subtotal other Member costs	71,736	33,349	-	33,349	294	2
Staff						
Salaries	132,668	140,609	(3,750)(B)	136,859	3,720	
Benefits	21,085	12,057	-	12,057	-	
Subtotal staff	153,753	152,666	(3,750)	148,916	3,720	3
Operating costs						
Travel	30,472	65,544	-	65,544	2,418	
Corporation sponsored meeting	5,000	-	-	-	-	
Transportation	810	-	-	-	-	
Supplies	9,700	3,595	-	3,595	-	
Equipment	2,700	567	-	567	-	
Other	23,270	27,872	-	27,872	-	
Subtotal operating costs	71,952	97,578	-	97,578	2,418	4
Internal evaluation	33,140	22,865	3,750(B)	26,615	-	
Administration	10,197	10,197	-	10,197	-	
Costs incurred in excess of costs claimed	-	(24,775)	-	(24,775)	-	
Total	<u>\$659,925</u>	<u>\$604,139</u>	<u>\$ -</u>	<u>\$604,139</u>	<u>\$15,838</u>	
Matching share	<u>\$447,780</u>	<u>\$551,872</u>	<u>\$ -</u>	<u>\$551,872</u>	<u>\$64,449</u>	5

(A) The total representing costs claimed agrees with the expenditures reported on the Financial Status Report dated February 19, 1997 as of the quarter ended December 31, 1996. Claimed costs reported above are taken directly from the Auditee's books of account.

(B) The \$3,750 in reclassified costs represents internal evaluation costs that were included as staff salaries.

**The Council of State Governments/March of Dimes
Washington, D.C.
Schedule of Claimed Costs
for the period August 1, 1995 to December 31, 1996**

Cost Category	Approved Budget	Claimed Costs	Reclassifications	Claimed Costs After Reclassifications	Questioned Costs
Member support costs					
Living allowance	\$ -	\$ -	\$ -	\$ -	\$ -
FICA	-	-	-	-	-
AmeriCorps health care	-	-	-	-	-
Subtotal Member support costs	-	-	-	-	-
Other Member costs					
Training and Education	4,200	-	-	-	-
Other	48,080	2,058	-	2,058	-
Subtotal other Member costs	52,280	2,058	-	2,058	-
Staff					
Salaries	65,000	74,872	-	74,872	3,720
Benefits	13,000	12,057	-	12,057	-
Subtotal staff	78,000	86,929	-	86,929	3,720
Operating costs					
Travel	30,372	65,135	-	65,135	2,418
Corporation sponsored meeting	2,000	-	-	-	-
Transportation	-	-	-	-	-
Supplies	1,200	3,595	-	3,595	-
Equipment	1,000	567	-	567	-
Other	8,870	27,872	-	27,872	-
Subtotal operating costs	43,442	97,169	-	97,169	2,418
Internal evaluation	20,140	22,865	-	22,865	-
Administration	10,197	10,197	-	10,197	-
Total	<u>\$204,059</u>	<u>\$219,218</u>	<u>\$ -</u>	<u>\$219,218</u>	<u>\$6,138</u>
Matching share	<u>\$118,007</u>	<u>\$109,483</u>	<u>\$ -</u>	<u>\$109,483</u>	<u>\$ -</u>

**The Council of State Governments/March of Dimes
Brownsville, Texas
Schedule of Claimed Costs
for the period August 1, 1995 to December 31, 1996**

Cost Category	Approved Budget	Claimed Costs	Reclassifications	Claimed Costs After Reclassifications	Questioned Costs
Member support costs					
Living allowance	\$ 61,968	\$ 73,447	\$ -	\$ 73,447	\$ -
FICA	4,741	5,311	-	5,311	-
AmeriCorps health care	6,120	-	-	-	-
Subtotal Member support costs	72,829	78,758	-	78,758	-
Other Member costs					
Training and education	250	849	-	849	-
Other	-	5,427	-	5,427	-
Subtotal other Member costs	250	6,276	-	6,276	-
Staff					
Salaries	27,304	23,023	-	23,023	-
Benefits	5,000	-	-	-	-
Subtotal staff	32,304	23,023	-	23,023	-
Operating costs					
Travel	-	-	-	-	-
Corporation sponsored meeting	750	-	-	-	-
Transportation	-	-	-	-	-
Supplies	1,000	-	-	-	-
Equipment	-	-	-	-	-
Other	1,500	-	-	-	-
Subtotal operating costs	3,250	-	-	-	-
Internal evaluation	500	-	-	-	-
Administration	-	-	-	-	-
Costs incurred in excess of costs claimed	-	(7,415)	-	(7,415)	-
Total	\$109,133	\$100,642	\$ -	\$100,642	\$ -
Matching share	\$ 45,015	\$ 64,763	\$ -	\$ 64,763	\$ -

**The Council of State Governments/March of Dimes
Charleston, South Carolina
Schedule of Claimed Costs
for the period August 1, 1995 to December 31, 1996**

Cost Category	Approved Budget	Claimed Costs	Reclassifications	Claimed Costs After Reclassifications	Questioned Costs
Member support costs					
Living allowance	\$ 74,680	\$ 81,827	\$ -	\$81,827	\$8,738
FICA	5,713	5,498	-	5,498	668
AmeriCorps health care	10,200	-	-	-	-
Subtotal Member support costs	90,593	87,325	-	87,325	9,406
Other Member costs					
Training and education	2,610	633	-	633	-
Other	3,600	15,505	-	15,505	294
Subtotal other Member costs	6,210	16,138	-	16,138	294
Staff					
Salaries	8,640	20,219	(3,750)	16,469	-
Benefits	-	-	-	-	-
Subtotal staff	8,640	20,219	(3,750)	16,469	-
Operating costs					
Travel	-	-	-	-	-
Corporation sponsored meeting	750	-	-	-	-
Transportation	-	-	-	-	-
Supplies	6,000	-	-	-	-
Equipment	1,700	-	-	-	-
Other	1,600	-	-	-	-
Subtotal operating costs	10,050	-	-	-	-
Internal evaluation	7,000	-	3,750	3,750	-
Administration	-	-	-	-	-
Costs incurred in excess of costs claimed	-	(6,281)	-	(6,281)	-
Total	<u>\$122,493</u>	<u>\$117,401</u>	<u>\$ -</u>	<u>\$117,401</u>	<u>\$9,700</u>
Matching share	<u>\$100,834</u>	<u>\$247,367</u>	<u>\$ -</u>	<u>\$247,367</u>	<u>\$ -</u>

**The Council of State Governments/March of Dimes
Dallas, Texas
Schedule of Claimed Costs
for the period August 1, 1995 to December 31, 1996**

Cost Category	Approved Budget	Claimed Costs	Reclassifications	Claimed Costs After Reclassifications	Questioned Costs
Member support costs					
Living allowance	\$ 61,174	\$58,285	\$ -	\$ 58,285	\$ -
FICA	4,680	3,755	-	3,755	-
AmeriCorps health care	8,160	-	-	-	-
Subtotal Member support costs	74,014	62,040	-	62,040	-
Other Member costs					
Training and education	900	1,141	-	1,141	-
Other	10,800	1,091	-	1,091	-
Subtotal other Member costs	11,700	2,232	-	2,232	-
Staff					
Salaries	23,441	14,236	-	14,236	-
Benefits	1,428	-	-	-	-
Subtotal staff	24,869	14,236	-	14,236	-
Operating costs					
Travel	-	211	-	211	-
Corporation sponsored meeting	750	-	-	-	-
Transportation	810	-	-	-	-
Supplies	-	-	-	-	-
Equipment	-	-	-	-	-
Other	-	-	-	-	-
Subtotal operating costs	1,560	211	-	211	-
Internal evaluation	5,000	-	-	-	-
Administration	-	-	-	-	-
Costs incurred in excess of costs claimed	-	(5,031)	-	(5,031)	-
Total	\$117,143	\$73,688	\$ -	\$73,688	\$ -
Matching share	\$119,864	\$31,408	\$ -	\$31,408	\$ -

**The Council of State Governments/March of Dimes
Robeson County, North Carolina
Schedule of Claimed Costs
for the period August 1, 1995 to December 31, 1996**

Cost Category	Approved Budget	Claimed Costs	Reclassifications	Claimed Costs After Reclassifications	Questioned Costs
Member support costs					
Living allowance	\$ 68,324	\$79,315	\$ -	\$79,315	\$ -
FICA	5,227	4,821	-	4,821	-
AmeriCorps health care	8,160	-	-	-	-
Subtotal Member support costs	81,711	84,136	-	84,136	-
Other Member costs					
Training and education	-	-	-	-	-
Other	1,296	6,645	-	6,645	-
Subtotal other Member costs	1,296	6,645	-	6,645	-
Staff					
Salaries	8,283	8,259	-	8,259	-
Benefits	1,657	-	-	-	-
Subtotal staff	9,940	8,259	-	8,259	-
Operating costs					
Travel	100	198	-	198	-
Corporation sponsored meeting	750	-	-	-	-
Transportation	-	-	-	-	-
Supplies	1,500	-	-	-	-
Equipment	-	-	-	-	-
Other	11,300	-	-	-	-
Subtotal operating costs	13,650	198	-	198	-
Internal evaluation	500	-	-	-	-
Administration	-	-	-	-	-
Costs incurred in excess of costs claimed	-	(6,048)	-	(6,048)	-
Total	<u>\$107,097</u>	<u>\$93,190</u>	<u>\$ -</u>	<u>\$93,190</u>	<u>\$ -</u>
Matching share	<u>\$ 64,060</u>	<u>\$98,851</u>	<u>\$ -</u>	<u>\$98,851</u>	<u>\$ -</u>

**The Council of State Governments/March of Dimes
Corporation for National Service Cooperative Agreement
Number 95ADNKY008
Notes to Financial Schedules
for the period August 1, 1995 to December 31, 1996**

1. Summary of Significant Accounting Policies

Accounting Basis

The accompanying financial schedules, Exhibits A and B, have been prepared from the auditee's books of account. The basis of accounting utilized in preparation of these schedules 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 the Corporation for National Service. Therefore, the auditee does not maintain any equity in the award and any excess of cash received from the Corporation for National Service over final expenditures is due back to the Corporation for National Service.

B. 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.

**The Council of State Governments/March of Dimes
Corporation for National Service Cooperative Agreement
Number 95ADNKY008
Explanation of Questioned Costs
for the period August 1, 1995 to December 31, 1996**

1 - Member Support Costs

The \$9,406 questioned represents unreasonable AmeriCorps Member support costs charged to the award. The National Office of the March of Dimes stopped the AmeriCorps project from November 1995 through December 1995. The delay in the project was to allow revisions to AmeriCorps Member, inter-organization and partnership contracts. The Charleston, South Carolina operating site complied with the orders to stop the project but continued to pay the AmeriCorps Members' living allowances even though the AmeriCorps Members were not participating in the project. Federal regulations require that AmeriCorps Members be participating in the program to receive living allowances (*AmeriCorps Provisions*, Paragraph B.12.b). Four of the twelve AmeriCorps Members worked an additional two months without receiving a living allowance to compensate for this break in service and one AmeriCorps Member completed the required term of service. However, seven of remaining eight AmeriCorps Members did not complete the required term of service.

It is not reasonable to pay living allowances to AmeriCorps Members who were not participating at the time in the AmeriCorps program. Because four AmeriCorps Members worked an additional two months at the conclusion of the project and one AmeriCorps Member completed the project without participating in the program the extra two months, the living allowances for these individuals are not questioned. The AmeriCorps Member support costs of the remaining seven AmeriCorps Members (consisting of living allowances of \$8,738 and FICA of \$668 paid during the break in service), are questioned.

The Council of State Governments/March of Dimes' Comments

The Council of State of Governments stated that it was not notified that the project was stopped and continued to receive verification on member participation. Both The Council of State Governments and the March of Dimes also stated that they are following up on this matter and will respond to the Corporation's Office of the Inspector General at a later date. However, the Corporation's Office of the Inspector General had not received any additional information as of the issuance date of this report, September 30, 1997. We recommend that any follow up information on these matters be sent to the Corporation's Office of Grants Management for their use in the audit resolution process.

Corporation for National Service's Comments

The Corporation for National Service stated that it "was aware of the temporary delay and the payment of the living stipend to Members. Due to the extenuating circumstances of the programmatic delays, these payments may be allowable since the program was unable to provide service opportunities to the Members in that period. We will review and determine the appropriateness of these payments upon issuance of the final audit report."

Auditors' Response

No change has been made to the finding because the Members were paid stipends during a period in which the Members were not participating in the project. This is a matter to be resolved by the Office of Grants Management.

2 - Other Member Costs

The Charleston, South Carolina operating site was reimbursed for supplies in the amount of \$3,000. However, the operating site only provided invoices and receipts in the amount of \$2,706. Federal regulations state that to be allowable under an award, costs must be adequately documented (OMB Circular A-122, Attachment A, Paragraph A.2.). The difference of \$294 is questioned.

The Council of State Governments/March of Dimes' Comments

The Council of State Governments concurred with the finding. The March of Dimes' response did not address this finding.

3 - Staff

The \$3,720 questioned represents an unreasonable charge to the project. The Council of State Governments paid the National Director of the program a bonus of \$3,720 which was charged entirely to the AmeriCorps Program. However, the National Director worked on the other programs as well as its AmeriCorps program. Federal regulations state that to be allowable under an award, costs must be reasonable (OMB Circular A-122, Attachment A, Paragraph A.2.). Because it is not reasonable to charge the entire amount to the award, the \$3,720 is questioned.

The Council of State Governments/March of Dimes' Comments

The Council of State Governments concurred with the finding.

4 - Operating Costs

The \$2,418 questioned represents unsupported travel costs. The Council of State Governments charged airline costs of \$2,418 to the project for travel by the Project Director and an Administrative

Assistant. Documentation that detailed the purpose of the travel was not provided. In addition, some of the flight destinations do not appear reasonable for the performance of the project. The flight destinations included New Orleans, San Diego, and San Juan, Puerto Rico. Federal regulations state that to be allowable under an award, costs must be adequately documented (OMB Circular A-122, Attachment A, Paragraph A.2.).

The Council of State Governments/March of Dimes’ Comments

The Council of State Governments’ response stated that invoices were provided to the auditors for \$1,394 of travel costs to operating sites and/or AmeriCorps meetings. It could not verify a total of \$1,023 in travel costs.

Auditors’ Response

Invoices were provided during the audit that detailed airline travel costs of \$3,042. A total of \$2,418 was charged to the project. However, the invoices did not provide the purpose for any of the travel or identify which costs were charged to the grant. Therefore, the finding remains in the final report.

5 - Cost-Matching

The \$64,449 questioned represents a reduction to the amount of costs claimed because The Council of State Governments/March of Dimes did not meet the required cost-matching of the award. The \$64,449 questioned consists of the following:

	Amount Questioned	Reference
Member support costs	\$23,074	a
Program operating costs	41,375	b
Total	<u>\$64,449</u>	

- a. The \$23,074 questioned represents unsupported AmeriCorps Member support cost-matching. The Council of State Governments/March of Dimes reported cost-matching of \$86,559 for AmeriCorps Member support costs. However, the Council of State Governments/March of Dimes provided documentation supporting AmeriCorps Member support cost-matching of only \$38,632.

The budget in the cooperative agreement included AmeriCorps Member support cost-matching of 18.07 percent. Because The Council of State Governments/March of Dimes incurred allowable AmeriCorps Member support costs of \$341,485, The Council of State Governments/March of Dimes is required to provide cost-matching of \$61,706 (18.07 percent

of total allowable AmeriCorps Member support costs). Therefore, \$23,074 in costs claimed is questioned, calculated as follows:

Member Support Costs	
Costs claimed	\$312,259
Cost-matching	<u>38,632</u>
Total Member support costs	350,891
Less: Member costs questioned (Note 1)	<u>(9,406)</u>
Allowable Member support costs	341,485
Cost-matching percentage	<u>18.07%</u>
Cost-matching required	61,706
Cost-matching provided	<u>38,632</u>
Amount questioned	\$ <u>23,074</u>

The Corporation grant provisions state that AmeriCorps Member cost-matching is to be provided in accordance with the cooperative agreement budget (*AmeriCorps Provisions*, Paragraph B.14.a.). Because The Council of State Governments/March of Dimes did not provide the required cost-matching for AmeriCorps Member support costs, the \$23,074 is questioned.

- b. The \$41,375 questioned represents unsupported matching costs for program operating costs. The Council of State Governments/March of Dimes reported cost-matching of \$465,313. However, this amount includes errors and unsupported costs which, when corrected, reduces the allowable cost-matching to \$228,932.

The budget in the cooperative agreement included cost-matching for program operating costs of 52.55 percent. Therefore, \$41,375 in costs claimed is questioned, calculated as follows:

Program Operating Costs	
Total allowable costs:	
Costs claimed	\$285,448 (A)
Cost-matching	<u>228,932 (B)</u>
Total allowable project costs	514,380
Required cost-matching percentage	<u>52.55%</u>
Costs-matching required	270,307
Allowable cost-matching	<u>228,932</u>
Amount questioned	\$ <u>41,375</u>

The Council of State Governments/March of Dimes is required to provide the required cost-matching in accordance with the cooperative agreement budget (*AmeriCorps Provisions*, Paragraph 14.a.). Because The Council of State Governments/March of Dimes did not provide the required cost-matching for program operating costs, the \$41,375 is questioned.

Calculation of Program Operating Costs

Allowable Costs Claimed

Costs claimed	\$291,880
Amounts questioned:	
Other Member costs (Note 2)	(294)
Staff (Note 3)	(3,720)
Operating costs (Note 4)	<u>(2,418)</u>
Allowable costs claimed	\$ <u>285,448</u> (A)

Allowable Cost-Matching

Cost-matching reported on Financial Status Report	\$465,313
Cost-matching incorrectly included as	
Member cost-matching	<u>47,927</u>
Total cost-matching incurred	513,240
Less:	
Unsupported costs	(115,216) (1)
Unsupported salaries - Charleston, South Carolina	(88,674) (2)
Unsupported salaries - Robeson County, North Carolina	(52,361) (2)
Unsupported salary - Associate Director	(15,000) (2)
Ineligible volunteer community service - Brownsville, Texas	<u>(13,057) (3)</u>
Allowable cost-matching	\$ <u>228,932</u> (B)

Based on allowable project costs of \$514,380, the Council of State Governments/March of Dimes is required to provide cost-matching of \$270,307. However, The Council of State Governments/March of Dimes provided allowable cost-matching of \$228,932. The reasons for disallowing the cost-matching provided by The Council of State Governments/March of Dimes are as follows:

- (1) The Council of State Governments provided a ledger documenting \$307,462 in cost-matching. However, the \$307,462 included ten duplicate entries totalling \$115,216. Therefore, the \$115,216 is excluded from the allowable cost-sharing amount as unsupported (OMB Circular A-122, Attachment A, Paragraph A.2.).
- (2) Included in the cost-matching reported on the Financial Status Report are salaries of individuals that contributed time to the project. The operating sites estimated the amount of time that individuals spent on the project rather than require the individuals to complete personnel activity reports that documented the distribution of time to the project as required by the Federal regulations (OMB Circular A-122, Attachment B, Paragraph 6.1.) . Without some form of labor distribution, a determination cannot be made that the salaries charged to the project in the form of cost-matching were in proportion to the benefits received.

In addition, documentation was not provided to support \$15,000 in salaries for the Associate Director of New Initiatives for the March of Dimes. Therefore, these amounts are excluded from the allowable cost-matching total.

- (3) The Brownsville, Texas operating site estimated that volunteers from Brownsville Community Health Center provided services worth \$13,057. The value of the services were estimates and were for volunteer work in the community. However, direct community service performed by volunteers are not allowable as cost-matching (*AmeriCorps Provisions*, Paragraph B.14.d). Therefore, the \$13,057 is excluded from the allowable cost-matching.

The Council of State Governments/March of Dimes' Comments

Both The Council of State Governments and the March of Dimes stated that they are following up on this matter and will respond to the Corporation's Office of the Inspector General at a later date. However, the Corporation's Office of the Inspector General had not received any additional information as of the issuance date of this report, September 30, 1997. We recommend that any follow up information on these matters be sent to the Corporation's Office of Grants Management for their use in the audit resolution process.

**INDEPENDENT AUDITORS' REPORTS ON COMPLIANCE AND
INTERNAL CONTROL STRUCTURE**



Corporation for National Service
Office of the Inspector General

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

We have audited the Schedule of Award Costs, as presented in Exhibit A, which summarizes the financial reports submitted by The Council of State Governments/March of Dimes to the Corporation for National Service for the cooperative agreement listed below, and have issued our report thereon dated July 11, 1997.

Cooperative Agreement Number	Award Period	Audit Period
95ADNKY008	August 1, 1995 to December 31, 1996	August 1, 1995 to December 31, 1996

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* 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 The Council of State Governments/March of Dimes' 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 provisions of the award. However, our objective was not to provide an opinion on overall compliance with such provisions.

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 misstatement 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 that are required to be reported herein under *Government Auditing Standards*.

- The Council of State Governments and the March of Dimes' operating sites did not meet the cost-matching requirements of the cooperative agreement because of unsupported costs and inadequate documentation.

- The Charleston, South Carolina operating site paid AmeriCorps Member support costs for a two month period in which the project was not operating.
- A bonus was paid to the project director and was charged in its entirety to the project even though the project director was working on other grants.

We have questioned these costs in Exhibit B. In addition, we noted the following immaterial instance of noncompliance:

Member Contracts

The Dallas, Texas operating site did not enter into contracts with AmeriCorps Members before the program started. Two AmeriCorps Members received living allowances without a Member contract. Both individuals left the program before the AmeriCorps Member contracts were completed. Federal regulations require all AmeriCorps Members have signed contracts prior to participation in the program (*AmeriCorps Provisions*, Paragraph B.8.b.).

Recommendation

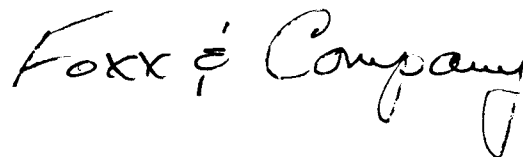
We recommend that for future Federal awards, the operating site follow the requirements of the award.

The Council of State Governments/March of Dimes' Comments

The Council of State Governments stated that they are following up on this matter and will respond to the Office of the Inspector General at a later date. However, the Office of the Inspector General had not received any additional information as of the issuance date of this report, September 30, 1997. We recommend that any follow up information on these matters be sent to the Corporation's Office of Grants Management for their use in the audit resolution process. The March of Dimes did not respond to this finding.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, the Council of State Governments/March of Dimes has 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's management and its Office of Inspector General and the Council of State Governments/March of Dimes' management. However, this report is a matter of public record and its distribution is not limited.



Cincinnati, Ohio
July 11, 1997



Corporation for National Service
Office of the Inspector General

INDEPENDENT AUDITORS' 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 The Council of State Governments/March of Dimes to the Corporation for National Service for the cooperative agreement listed below, and have issued our report thereon dated July 11, 1997.

Cooperative Agreement Number	Award Period	Audit Period
95ADNKY008	August 1, 1995 to December 31, 1996	August 1, 1995 to December 31, 1996

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* 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, 1995 to December 31, 1996, we considered the Council of State Governments/March of Dimes' 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 management of The Council of State Governments/March of Dimes 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 of internal control structure policies and procedures. The objectives of an internal control structure 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 schedules in accordance with accounting principles prescribed by the Corporation for National Service. 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 judgment, could adversely affect the entity's ability to record, process, summarize and report financial data in a manner that is consistent with the assertions of management in the financial schedules.

Member Time Sheets

At the Brownsville, Texas operating site, the AmeriCorps Member time sheets were not always approved by the supervisor. Time sheets are prepared by AmeriCorps Members on a weekly basis and turned in to the supervisor for approval. However, it was noted that three of the fifteen time sheets tested were not approved. Time sheets are to be signed by an individual with oversight responsibilities (*AmeriCorps Provisions*, Paragraph 23, c.ii.).

Recommendation

We recommend that the operating site establish procedures to ensure all timesheets are approved by a supervisor.

Council of State Governments/March of Dimes' Comments

The Council of State Governments stated that they are following up on this matter and will respond to the Office of the Inspector General at a later date. However, the Office of the Inspector General had not received any additional information as of the issuance date of this report, September 30, 1997. We recommend that any follow up information on these matters be sent to the Corporation's

Office of Grants Management for their use in the audit resolution process. The March of Dimes did not respond to this finding.

A material weakness is a reportable condition in which the design or operation of the internal control structure 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 to be a material weakness as defined above. However, we noted the following matter involving the internal control structure and its operation that we consider to be a material weakness as defined above. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial schedules of The Council of State Governments/March of Dimes for the period August 1, 1995 to December 31, 1996.

Duplicate Entries

The Council of State Governments' national office in Lexington, Kentucky was responsible for posting the journal entries for the cost-matching related to the project. We found that The Council of State Governments made a total of \$115,216 in duplicate cost-matching entries during the award period. The duplicate entries were the result of the Washington, D.C. office sending two packages of cost-matching records to the national office in Lexington, Kentucky. Journal entries were posted to the general ledger based on both packages even though some of the same costs were included in both packages.

Federal regulations require that financial management systems shall provide accurate disclosure of the financial results of the award (OMB Circular A-110, Subpart C, Paragraph 21).

Recommendation

We recommend that the Council of State Governments establish procedures to prevent and detect duplicate entries.

The Council of State Governments/March of Dimes' Comments

The Council of State Governments stated that it "does not accept cost-matching without verification from the source. In this matter, verification was received twice in two different formats. Consequently, the expenses were duplicated. All cost matching is approved by the CSG Program Manager and one Accounting Staff Member in an effort to avoid duplication. To prevent duplication

in the future all cost-matching will be verified from the source (by the Program Manager and our Accounting Staff) to ensure that it is not a duplicate.”

Auditors' Response

The Council of State Governments' corrective action appears to be in compliance with our recommendation.

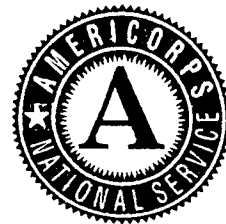
This report is intended for the information and use of the Corporation for National Service's management and its Office of Inspector General and the Council of State Governments/March of Dimes' management. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Fox & Company". The signature is written in black ink and is positioned to the right of the date and location text.

Cincinnati, Ohio
July 11, 1997

APPENDIX A

**CORPORATION FOR NATIONAL SERVICE'S
OFFICE OF GRANTS MANAGEMENT COMMENTS TO REPORT**



AmeriCorps National Service

CORPORATION
FOR NATIONAL
SERVICE

September 23, 1997

Richard A. Daeschner
Audit Manager
Foxx & Company
700 Goodall Complex
324 West North Street
Cincinnati, OH 45202-1908

Dear Mr. Daeschner:


We have received your draft audit report of Cooperative Agreement No. 95ADNKY008 awarded to Council of State Governments/March of Dimes.

Our review was primarily limited to information contained in the report. We have not yet conducted a more comprehensive review and analysis, obtained comments from the awardee, or considered other information, factors or alternatives to the recommendations. Therefore we are unable to provide detailed comments or specifically concur with the report's findings or recommendations at this time.

However, regarding Note 1 to the Schedule of Questioned Costs, it should be noted that the Corporation for National Service was aware of the temporary delay and the payment of the living stipend to Members. Due to the extenuating circumstances of the programmatic delays, these payments may be allowable since the program was unable to provide service opportunities to the Members in that period. We will review and determine the appropriateness of these payments upon issuance of the final audit report.

Please do not hesitate to contact Brigit Beyea, Grants Officer, of my staff at (202) 606-5000 ext. 534 if you have any questions.

Sincerely,


Michael Kenefick
Director of Grants and Contracts

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

Getting Things Done.
AmeriCorps, National Service
Learn and Serve America
National Senior Service Corps

APPENDIX B

**THE COUNCIL OF STATE GOVERNMENTS/MARCH OF DIMES'
COMMENTS TO REPORT**



September 25, 1997

Mr. Rick Daeschner
Foxx & Company
324 West Ninth St.
Cincinnati, OH 45202

Chair
Sen. Jeffrey Wells, CO

President
Gov. George Pataki, NY

Executive Director
Daniel M. Sprague

Dear Rick:

Please find enclosed a preliminary response to the findings in your audit report. As we have indicated, a more thorough response will follow shortly. I have enclosed a letter sent to Shari Hendrickson from the March of Dimes that outlines their immediate actions to respond more fully to the findings.

Per our phone conversation, it would be helpful if you could provide us with the name of an appropriate contact person at the OIG or the Corporation.

Sincerely,

Wade S. Littrell, Controller

enc

cc: Shari Hendrickson, Deputy Executive Director/COO

Headquarters Office
3560 Iron Works Pike
PO. Box 11910
Lexington, KY 40578-1910
(606) 244-8000
FAX (606) 244-8001
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(303) 572-5454

Washington Office
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Suite 401
Washington, DC 20001
(202) 624-5460
Email: dcinfo@csg.org

March of Dimes
Birth Defects Foundation
National Office
1775 Mamaroneck Avenue
White Plains New York 10605
Telephone 914 420 7100



September 24, 1997

Ms. Shari M. Hendrickson
Deputy Executive Director
Chief Operating Officer
The Council of State Governments
3560 Iron Works Pike
Lexington, KY 40578-1910

Dear Ms. Hendrickson:

This letter is to update you in our efforts to provide documentation in response to the findings from audit of our joint project "AmeriCorps Hand-in-Hand".


We are reviewing the files of Mr. William R. Randolph, who had coordinated the project for the March of Dimes Birth Defects Foundation, to assemble documentation that will address the in-kind issues of the auditor's report. Mr. Randolph left the Foundation on December 31, 1996. We will derive these in-kind costs from salaries and travel expenses for Mr. Randolph and other employees at our Chapter and National Offices.

We would however like to comment briefly on each item listed in your letter of September 5, 1997 addressed to our President, Dr. Jennifer Howse.

- \$9,406 member support costs during November and December 1995 to the Charleston, South Carolina office. This finding is being examined.
- \$15,000 in-kind match of William Randolph. We are examining Mr. Randolph's attendance records that would support his letter of December 31, 1996 to Stephanie Harrison in which he certified "a total value of approximately 25% (\$15,000) of his time.
- \$13,057 of volunteer effort used as in-kind match. We hope to address this by substantiating in-kind from other sources.
- \$36,392 additional in-kind support. This will be addressed by the effort to assess in-kind costs from Chapter and National Staff.

Nearly all of the staff to be interviewed to assemble the necessary materials relating to the above matters are away in Washington, DC attending our annual National Office of Volunteers meeting which will end on Sunday September 28, 1997. I will endeavor to provide the needed materials to you by October 10, 1997.

Sincerely,


Francis Kuhlhor
Director of Internal Audit.

CC: Jane Massey, Chief Operating Officer
Kathryn Morrison, Chief Financial Officer

Join Our Campaign for Healthier Babies

COMPLIANCE FINDINGS

The results of our testing disclosed the following instances of noncompliance:

Finding

- The Charleston, South Carolina operating site paid AmeriCorps Member support costs for a two month period in which the project was not operating.

Response

- The Council of State Governments was not notified that the project was stopped and continued to receive verification on member participation. The Council has requested more information from the March of Dimes on this matter and will forward a reply to the OIG in a timely fashion.

Finding

- A bonus was paid to the project director and was charged in its entirety to the project even though the project director was working on other grants.

Response

- The Council concurs with this finding by the auditors.

Findings

- The Charleston, South Carolina operating site did not provide documentation to support supplies in the amount of \$294.00.

Response

- The Council concurs with this finding. The Council has requested the March of Dimes to provide documentation and will forward a reply to the OIG in a timely fashion.

Findings

- The Council of State Governments did not provide supporting documentation for travel costs of \$2,418.00.

Response

- The Council has included invoices for the flight destinations of \$1,394.00 worth of travel costs. These destinations were to operating sites and/or AmeriCorp meetings. \$1,023.00 of travel costs cannot be verified.

Findings

- The Council of State Governments and the March of Dimes' operating sites did not meet the cost-matching requirements of the cooperative agreement because of unsupported costs and inadequate documentation.

Response

- The Council has requested further documentation from the March of Dimes and will forward a reply to the OIG in a timely fashion.

Findings

- The Dallas, Texas operating site did not enter into contracts with two AmeriCorps Members prior to the start of the project.

Response

- The Council has requested further information from the March of Dimes and will forward a reply to the OIG in a timely fashion.

INTERNAL CONTROL STRUCTURE FINDINGS

Our audit disclosed the following matters which we consider to be reportable conditions or material weaknesses in the internal control and its operations:

Findings

- Duplicate entries for cost-matching were posted to the Council of State Governments' accounting records.

Response

- The Council does not accept cost-matching without verification from the source. In this matter verification was received twice in two different formats. Consequently, the expenses were duplicated. All cost matching is approved by the CSG Program Manager and one Accounting Staff Member in an effort to avoid duplication. To prevent duplication in the future all cost-matching will be verified from the source (by the Program Manager and our Accounting Staff) to ensure that it is not a duplicate.

Findings

- The AmeriCorps Member time sheets are not always approved by a supervisor at the Brownsville, Texas operating site.

Response

- The Council has requested a reply to this finding from the March of Dimes and will reply to the OIG in a timely fashion.