Office of the Inspector General
Corporation for National and Community Service

Audit of Corporation for National and Community Service Cooperative Agreement No. 96CA000001 with Walker & Company, LLP

OIG Audit Report Number 00-03
September 13, 1999

Prepared by:
Cotton & Company, LLP
333 North Fairfax Street, Suite 401
Alexandria, Virginia 22314

Under Department of State OIG
Contract # S-OPRAQ-99D-0021-CNS-04

This report was issued to Corporation management on November 30, 1999. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than May 29, 2000, and complete its corrective actions by November 30, 2000. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of the Inspector General
Corporation for National and Community Service

CORPORATION FOR NATIONAL SERVICE

Corporation for National and Community Service
Cooperative Agreement No. 96CA000001 with
Walker & Company, LLP
(OIG Audit Report Number 00-03)

Cotton & Company, LLP under contract to the Office of the Inspector General, audited the amounts claimed by Walker & Company, LLP under Cooperative Agreement No. 96CA000001. The audit covered the costs claimed during the period from May 28, 1996 to April 30, 1998, the period of the agreement. The audit included tests to determine whether costs reported to the Corporation were documented and allowable in accordance with the terms and conditions of the agreement. We reviewed the report and work papers supporting its conclusions and agree with the findings and recommendations presented.

The auditors questioned $276 per diem amounts claimed under the cooperative agreement that were above the allowable Federal Travel Regulation limits. The auditors also found that Walker & Company, LLP did not limit requests for cash advances to its immediate cash needs.

The auditors cited two material weaknesses in Walker & Company, LLP's internal control structure. First, Walker & Company, LLP does not have adequate timekeeping procedures. In their review of 140 employee time sheets, the auditors noted that nine did not contain supervisory approval; seven were not signed by the employees; and corrections on 26 of the reports were not initialed by the employee or supervisor. Second, Walker & Company, LLP does not have adequate procedures related to travel expense reports. In their review of 32 employee travel expense reports, the auditors noted that six did not contain supervisory approval, corrections on four of the reports were not initialed by the employee or supervisor; and one was not signed by the employee.

Additional information on the questioned cost as well as the compliance and internal control findings are discussed in detail in this report.

We provided a draft of this report to Walker & Company, LLP and the Corporation. In its response, Walker & Company, LLP disagreed with the findings. Walker & Company, LLP's response is included as Appendix A and included after each finding as appropriate. In its response, the Corporation stated that it had reviewed the draft but did not have specific comments at this time. The Corporation's response to a draft of this report is included as Appendix B.

Inspector General
1201 New York Avenue, NW
Washington, DC 20525

OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AUDIT REPORT NO. 00-03

AUDIT OF
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
COOPERATIVE AGREEMENT NO. 96CA000001 WITH
WALKER & COMPANY, LLP

CONTENTS

COTTON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, LLP
333 NORTH FAIRFAX STREET • SUITE 401 • ALEXANDRIA, VIRGINIA 22314
DAVID L. COTTON, CPA, CFE, CGFM
CHARLES HAYWARD, CPA, CFE, CGFM MICHAEL W. GILLESPIE, CPA, CFE CATHERINE L. NOCERA, CPA MATTHEW H. JOHNSON, CPA, CGFM

September 13, 1999

Inspector General
Corporation for National and Community Service

We audited costs claimed by Walker & Company, LLP to the Corporation for National and Community Service under Cooperative Agreement No. 96CA000001 for the period May 28, 1996, through April 30, 1998, the period of the award. Under this time-and-materials agreement, Walker & Company, LLP assumed primary responsibility for financial management training and technical assistance for the AmeriCorps State Commissions and National Directs, Learn and Serve America Grantees, and National Senior Service Corps Grantees.

The audit objectives were to determine if: (1) costs claimed were allowable and were incurred for actual contract effort, adequately supported, and charged in accordance with Walker & Company, LLP's cost accounting system, contract terms, applicable laws and regulations including the *Federal Acquisition Regulation*, and applicable cost accounting standards; (2) Walker & Company, LLP complied with contract terms and conditions; and (3) Walker & Company, LLP's accounting system and system of internal accounting control were adequate for purposes of this contract.

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 against the cooperative agreement, as presented in the Schedule of Cooperative Agreement Costs, are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. 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.

RESULTS IN BRIEF

Costs Claimed

We questioned $276 of the $233,422 claimed under the Cooperative Agreement. As described in the Schedule of Cooperative Agreement Costs, claimed costs of Walker & Company, LLP included per diem amounts above the allowable Federal Travel Regulation limits.

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The Schedule of Cooperative Agreement Costs provides additional information on these questioned costs based on the results of our audit.

Compliance

The results of our tests of compliance regarding claimed costs disclosed two material instances of noncompliance for which we are recommending corrective action. Walker & Company, LLP did not limit requests for cash advances to its immediate cash needs and claimed per diem expenses in excess of amounts allowed per the Federal Travel Regulations.

Internal Control

We noted two matters involving Walker & Company, LLP's internal control structure and its operations that we consider material weaknesses under standards established by the American Institute of Certified Public Accountants. First, Walker & Company, LLP does not have adequate timekeeping procedures. In our review of 140 employee timesheets, we noted that nine did not contain supervisory approval; seven were not signed by the employees; and corrections on 26 of the reports were not initialed by the employee or supervisor. In addition, Walker & Company, LLP does not have adequate procedures related to travel expense reports. In our review of 32 employee travel expense reports, we noted that six did not contain supervisory approval; corrections on four of the reports were not initialed by the employee or supervisor; and one was not signed by the employee.

Response to Draft Report

In its response, Walker & Company, LLP disagreed with all of the findings. Walker & Company, LLP's response is included as Appendix A. Walker & Company, LLP responses to specific findings are included after each finding, as appropriate. The Corporation's response to the draft report is included as Appendix B. In its response, the Corporation stated that it reviewed the draft report, but did not have specific comments at this time.

COTTON & COMPANY, LLP

By: ______________________
Michael W. Gillespie, CPA

COTTON & COMPANY
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September 13, 1999

Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' OPINION

We audited the costs claimed by Walker & Company, LLP to the Corporation for National and Community Service under Cooperative Agreement No. 96CA000001 for the period May 28, 1996, through April 30, 1998, the period of the award. Costs claimed are summarized in the Schedule of Cooperative Agreement Costs. Costs claimed as summarized in the Schedule are the responsibility of the management of Walker & Company, LLP. Our responsibility is to express an opinion on costs shown in the Schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial schedules. It also includes assessing 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 on costs claimed.

This Schedule is intended to present allowable costs incurred under the contract in accordance with the *Federal Acquisition Regulation* and contract terms and conditions. Therefore, it is not intended to be a complete presentation of the revenues and expenses of Walker & Company, LLP.

In our opinion, except for questioned costs in the schedule, the Schedule of Cooperative Agreement Costs, referred to above presents fairly, in all material respects, costs claimed by Walker & Company, LLP as these costs relate to the Cooperative Agreement for the audit period May 28, 1996, through April 30, 1998, in conformity with the *Federal Acquisition Regulation* and agreement terms and conditions.

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In accordance with *Government Auditing Standards*, we have also issued reports dated September 13, 1999, on our consideration of the internal control structure of Walker & Company, LLP and on its compliance with laws and regulations.

This report is intended solely for the use of the Office of the Inspector General, the Corporation for National and Community Service, and Walker & Company, LLP.

COTTON & COMPANY, LLP

By: M. W. G.
Michael W. Gillespie, CPA

FINANCIAL SCHEDULE

SCHEDULE OF COOPERATIVE AGREEMENT COSTS

Corporation for National and Community Service
Cooperative Agreement With Walker & Company, LLP
Cooperative Agreement No. 96CA000001
May 28, 1996, through April 30, 1998

Category	Claimed Costs	Questioned Costs	Notes
Direct Labor	$219,063		
Travel and Other Direct Costs	16,670	$276	1
Costs Incurred In Excess of Costs Claimed	$ (2,311)	___	2
Total	$233,422[a]	$276	

[a] Total claimed costs agree with total expenditures reported on the Federal Cash Transactions Report (FCTR) for the quarter ended June 30, 1998, and the net payments to Walker & Company, LLP. Claimed Direct Labor and Travel and Other Direct Costs reported above are taken directly from the books of account of Walker & Company, LLP.

NOTES TO THE SCHEDULE OF COOPERATIVE AGREEMENT COSTS

1. Claimed costs of Walker & Company, LLP included $276 of per diem expenses in excess of amounts allowed per the Federal Travel Regulations. FAR 31.205-46, Travel Costs, states that costs for lodging, meals, and incidental expenses are allowable if they do not exceed on a daily basis the maximum per diem rates in effect at the time of travel as set forth in the Federal Travel Regulations.

2. Net disbursements reported on the June 30, 1998, Federal Cash Transactions Report were $2,311 less than costs recorded on the books of account of Walker & Company, LLP. Costs incurred differed from expenditures reported, because incorrect billing rates were used. Incorrect rates were initially used for some employees, and one employee was promoted from a senior to a manager position. The billing rates were not corrected in the accounting records until after the agreement's final expenditure reports were submitted.

INDEPENDENT AUDITORS' REPORTS ON COMPLIANCE AND INTERNAL CONTROL STRUCTURE

COTTON & COMPANY
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September 13, 1999

Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

We audited costs claimed by Walker & Company, LLP to the Corporation for National and Community Service under Cooperative Agreement No. 96CA000001 for the period May 28, 1996, through April 30, 1998, the period of the award, and have issued our report thereon dated September 13, 1999.

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

Compliance with applicable laws and regulations related to the contracts is the responsibility of the management of Walker & Company, LLP. As part of obtaining reasonable assurance that costs are free of material misstatements, we performed tests of compliance with certain provisions of laws and regulations related to the contracts. Our objective was not, however, to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests of compliance regarding claimed costs disclosed two material instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

1. Walker & Company, LLP did not limit requests for cash advances to its immediate cash needs. Cumulative advances received exceeded expenditures of Walker & Company, LLP in 11 of the 23 months of the agreement period. In addition, Walker & Company, LLP requested and received an $8,000 payment in June 1998, although the agreement expired April 30, 1998. Further, advances exceeded expenditures at that time by over $2,000. On August 26, 1998, Walker & Company, LLP returned $12,645 of excess cash received to the Government. Article 6.b. of the General Provisions, of the Cooperative Agreement, states that advances must be based on immediate cash needs to minimize Federal cash on hand in accordance with policies established by the Treasury Department in 31 CFR Part 205.

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We recommend that the Corporation direct Walker & Company, LLP to limit requests for advances to immediate cash needs.

Walker & Company, LLP Comments. In its response to the draft report, Walker & Company, LLP stated that it's original cooperative agreement with the Corporation, scheduled to expire in 1997, was extended through May 31, 1998. Walker & Company, LLP continued to provide training and technical assistance to the Corporation's grantees during negotiation of the extension and drew funds to cover expenditures through May 31, 1998. Walker & Company, LLP further stated that in August 1998, it entered into a new cooperative agreement with the Corporation, but the Corporation decided that the new agreement would be retroactive to May 1, 1998 Walker & Company, LLP also stated the funds drawn from the Department of Health and Human Services Payment Management System during June covered expenditures incurred through May 31, 1998, and estimated for June 1998.

Auditors' Additional Comments. Amendment No. 2 to the Cooperative Agreement only extended the period of performance to April 30, 1998. Accordingly, Walker & Company, LLP had no authority to request advances after that date under the old agreement. Advances after May 1, 1999, should have been drawn against the new cooperative agreement and were not. In addition, Walker & Company, LLP's response does not explain why cash advances were not limited to immediate cash needs in other periods or explain whether corrective action was taken to prevent this from happening on any current or future agreements.

2. Claimed costs of Walker & Company, LLP included per diem expenses in excess of amounts allowed per the Federal Travel Regulations.

We recommend that the Corporation direct Walker & Company, LLP to limit claimed costs to those allowable under applicable cost principles and agreement provisions.

Walker & Company, LLP Comments. In its response to the draft report, Walker & Company, LLP stated that although the audit indicated that there were per diem expenses in excess of amounts allowed per Federal Travel Regulations, the occurrences were outside of its control. Walker & Company, LLP further stated that the timing and location of training provided to the Corporation's grantees is based primarily on grantee's request and are typically held in central locations, often a hotel. In the instances noted in the audit, Walker & Company, LLP stated that it opted to have its employees stay in the training location to effectively serve the training needs of the grantee.

Auditors' Additional Comments. FAR 31.205-46 limits allowable costs that a contractor can claim to the maximum per diem rates set forth in the Federal Travel Regulations. If Walker & Company, LLP opted to incur per diem costs in excess of allowable amounts it did so at its own risk and should not claim those costs without the advance written approval of the contracting officer.

We considered the above material instances of noncompliance in forming our opinion on whether costs claimed by Walker & Company, LLP under the Cooperative Agreement for the period May 28, 1996, through April 30, 1998, are presented fairly, in all material respects, pursuant to contract terms and conditions and the *Federal Acquisition Regulation*. Because of the material instances of noncompliance and matters described in the Schedule of Cooperative Agreement Costs, our opinion on the Schedule is qualified.

This report is intended solely for the use of the Office of the Inspector General, the Corporation for National and Community Service, and Walker & Company, LLP.

COTTON & COMPANY, LLP

By: ______________________
Michael W. Gillespie, CPA

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September 13, 1999

Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE

We audited costs claimed by Walker & Company, LLP to the Corporation for National and Community Service under Cooperative Agreement No. 96CA000001 for the period from May 28, 1996, through April 30, 1998, the period of the award, and have issued our report thereon dated September 13, 1999.

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

The management of Walker & Company, LLP is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess 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 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.

In planning and performing our audit, we obtained an understanding of the internal control structure of Walker & Company, LLP. We obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation; we assessed control risk to determine our auditing procedures for the purpose of expressing an opinion on claimed costs and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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We noted two matters involving the internal control structure and its operations that we consider reportable conditions 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 an organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules. The reportable conditions follow.

1. Walker & Company, LLP does not have adequate timekeeping procedures. In our review of 140 employee timesheets, we noted that nine did not contain supervisory approval, seven were not signed by employees, and corrections on 26 were not initialed by the employee or supervisor. Article 4.c. of the General Provisions, of the Cooperative Agreement states that salaries and wages charged directly to the agreement must be supported by timesheets signed by the employee. Sound internal controls dictate that, at a minimum, employees and supervisors initial all timesheet changes.

   We recommend that the Corporation direct Walker & Company, LLP to require employees and supervisors to sign all timesheets and initial all timesheet changes.

   Walker & Company, LLP Comments. In its response to the draft report, Walker & Company, LLP stated that its policies and procedures require employees and supervisors sign and initial all timesheets and any changes thereto. Walker & Company, LLP further stated that during the preparation of its quarterly Financial Status Reports, it reconciled the timesheets to the time reporting system and to the detail activities performed during the period to ensure that all time charged per the Cooperative Agreement was proper. Walker & Company, LLP also stated that because it has an established policy and procedure for timesheet preparation, approval and review for billing, the exceptions noted, though reportable conditions, are not, in its opinion, material weaknesses.

   Auditors' Additional Comments. Walker & Company, LLP's response did not explain why timesheets were not signed or approved and did not indicate that any corrective action has been taken. The failure to ensure that employees and supervisors sign and initial all timesheets and any changes is a material internal control weakness because errors or irregularities could occur and not be detected.

2. Walker & Company, LLP does not have adequate procedures related to travel expense reports. In our review of 32 employee travel expense reports, we noted that six did not contain supervisory approval, corrections on four were not initialed by the employee or supervisor, and one was not signed by the employee. Sound internal controls dictate that, at a minimum, employees and supervisors sign all travel expense reports and initial all changes.

   We recommend that the Corporation direct Walker & Company, LLP to require employees and supervisors to sign all expense vouchers and initial all changes.

Walker & Company, LLP Comments. In its response to the draft report, Walker & Company, LLP stated that its policies and procedures require employees and supervisors to sign all expense vouchers and initial all changes. Walker & Company, LLP further stated that the exceptions identified, although a reportable condition, did not result in material misstatement of charges of travel expenses under the Cooperative Agreement and that it has instituted a final review process by a member of senior management under which expense vouchers will be scrutinized for proper signatures and support.

Auditors' Additional Comments. Walker & Company, LLP stated that exceptions identified did not result in material misstatement of charges of travel expenses under the Cooperative Agreement. The finding in the report did not state that charges were misstated, only that the failure to ensure that employees and supervisors sign and initial all expense vouchers and any changes is a material internal control weakness.

We believe the matters described above are material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more 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 statements 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 material weaknesses under standards established by the American Institute of Certified Public Accountants.

This report is intended solely for the use of the Office of the Inspector General, the Corporation for National and Community Service, and Walker & Company, LLP.

COTTON & COMPANY, LLP

By: ________________

Michael W. Gillespie, CPA

APPENDIX A

WALKER & COMPANY, LLP'S RESPONSE

W&Co.
WALKER & COMPANY, LLP

Certified Public Accountants
& Management Consultants
Ronald P. Walker, CPA
Jacqueline L. Gosby, CPA
Charles E. Countee, CMC

November 12, 1999

Mr. Michael Gillespie, CPA
Cotton & Company
Certified Public Accountants, LLP
333 North Fairfax Street, Suite 401
Alexandria, Virginia 22314

Subject: Audit of Corporation for National Service Cooperative Agreement No. 96CA000001

Dear Mr. Gillespie:

Enclosed are our comments to the findings in the draft report of the subject audit. Please call if you have any questions.

Sincerely,

RWalker

Ronald P. Walker, CPA

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Walker & Company, LLP
Response to Draft Audit Report
Corporation for National Service
Cooperative Agreement No. 96CA000001

Material instances of noncompliance

1. Walker & Company, LLP, did not limit requests for cash advances to its immediate cash needs. Cumulative advances received exceeded expenditures of Walker & Company, LLP, in 11 of 23 months of the agreement period. In addition, Walker & Company, LLP, requested and received an $8,000 payment in June 1998, although the agreement expired April 30, 1998. Further, advances exceeded expenditures at that time by over $2,000. On August 26, 1998, Walker & Company, LLP, returned $12,645 of excess cash received to the Government. Article 6.b. of the General Provisions, of the Cooperative Agreement, states that advances must be based on immediate cash needs to minimize Federal cash on hand in accordance with policies established by the Treasury Department in 31 CFR Part 205.

Walker & Company, LLP Response

Our original cooperative agreement with the Corporation for National Service (CNS) that was scheduled to expire in 1997 was extended through May 31, 1998. The Firm continued to provide training and technical assistance to the Corporation's grantees during negotiation of the extension. We drew funds to cover our expenditures through May 31, 1998. In August 1998, the Firm entered into a new cooperative agreement with the Corporation, but the Corporation decided that the new agreement would be retroactive to May 1, 1998. Therefore, the funds drawn from the Department of Health and Human Services Payment Management System during June covered proper expenditures incurred through May 31, 1998 and estimated for June, 1998. Such draw-downs exceeded the costs incurred through April 30, 1998.

2. Claimed Costs of Walker & Company, LLP, included per diem expenses in excess of amounts allowed per the Federal Travel Regulations.

Walker & Company, LLP Response

Although the audit indicated that there were per diem expenses in excess of amounts allowed per Federal Travel Regulations, the occurrences were outside of the Firm's control. The timing and location of training provided to the Corporation's grantees, is based primarily on grantee's request. These training sessions are typically held in a central location, often a hotel. We respond to both CNS's and the grantee's hotel assignment and must incur whatever governmental or non-governmental rate is applicable. In the instances noted we opted to stay in the training location rather than at an off-site facility to effectively serve the training needs of the grantee.

Walker & Company, LLP
Response to Draft Audit Report
Corporation for National Service
Cooperative Agreement No. 96CA000001

Reportable Conditions Involving the Internal Control Structure

1. Walker & Company, LLP does not have adequate timekeeping procedures In our review of 140 employee timesheets, we noted that nine did not contain supervisory approval, seven were not signed by employees, and corrections on 26 were not initialed by the employee or supervisor. Article 4.c. of the General Provisions, of the Cooperative Agreement states that salaries and wages charged directly to the agreement must be supported by timesheets signed by the employee. Sound internal controls dictate that, at a minimum, employees and supervisors initial all timesheet changes.

Walker & Company, LLP Response

Walker & Company, LLP's policies and procedures require employees and supervisors sign and initial all timesheets and any changes thereto. Although there were instances when these procedures were not adhered to, noncompliance did not cause material errors. During the preparation of our quarterly Financial Status Reports, we reconciled the timesheets to the time reporting system and to the detail activities performed during the period to ensure that all time charged per the Cooperative Agreement was proper. This process ensures that all time is properly charged to the project. Because we have an established policy and procedure for timesheet preparation, approval and review for billing, the exceptions noted, though reportable conditions, are not material weaknesses in our opinion. The exceptions noted did not result in erroneous charges or billings under the Cooperative Agreement.

2. Walker & Company, LLP does not have adequate procedures related to travel expense reports. In our review of 32 employee travel expense reports, we noted that six did not contain supervisory approval, corrections on four were not initialed by the employee or supervisor, and one was not signed by the employee. Sound internal controls dictate that, at a minimum, employees and supervisors sign all travel expense reports and initial all changes.

Walker & Company, LLP Response

Walker & Company, LLP's policies and procedures require employees and supervisors to sign all expense vouchers and initial all changes. Although there were instances when these procedures were not adhered to, existence of the procedures reduces risk to a level that precludes material weaknesses from occurring. Employees travel expenses are reimbursed on a bi-weekly basis. Before the expense reimbursement is made, the project manager reviews the expenses and compares them to the activities performed to ensure that they relate to the project to which they were charged. This compensatory control ensures that all expenses reimbursed under the Cooperative Agreement are reasonable and supported. The exceptions identified, although a reportable condition, did not result in material misstatement or charges of travel expenses under the Cooperative Agreement. We have instituted a final review process by a member of senior management where expense vouchers will be scrutinized for proper signatures and support.

APPENDIX B

THE CORPORATION'S RESPONSE

CORPORATION

FOR NATIONAL

SERVICE

MEMORANDUM

DATE: November 12, 1999

TO: Luise Jordan, OIG

Mary Caldwell for

FROM: Simon G. Woodard, Director, Procurement Services

cc: Wendy Zenker, COO
Wilsie Minor, Assistant General Counsel

SUBJECT: Request for comments on Draft Report 00-03, Audit of Corporation for National Service Cooperative Agreement with Walker and Company, LLP

We have reviewed the draft report pertaining to the performance of Walker International under cooperative agreement 96CA000001. Our review was limited to information contained in the report and we have not yet conducted a comprehensive review nor obtained comments from Walker personnel. We will do so during the audit resolution process and will address the findings and recommendations in the final management decision. Therefore, we are not providing detailed comments at this time.