

Office of Inspector General Corporation for National and Community Service

AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO MID-WILLAMETTE VALLEY FOSTER GRANDPARENTS PROGRAM

OIG REPORT NUMBER 06-11
FEBRUARY 10, 2006



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

CONRAD and ASSOCIATES, LLP
2301 Dupont Drive, Suite 200
Irvine, California 92612

This report was issued to Corporation management on February 10, 2006. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than August 10, 2006, and complete its corrective actions by February 10, 2007. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

**Audit of Corporation for National and Community Service
Grants Awarded to
Mid-Willamette Valley Foster Grandparents Program
State of Oregon/Department of Human Services
Salem, Oregon**

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**Audit of Corporation for National and Community Service
Grants Awarded to
Mid-Willamette Valley Foster Grandparents Program
State of Oregon/Department of Human Services
Salem, Oregon**

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REPORT SUMMARY AND HIGHLIGHTS

Office of Inspector General
Corporation for National and Community Service

This report is issued under an Office of Inspector General (OIG) engagement with Conrad and Associates, L.L.P. to audit the costs claimed by Mid-Willamette Valley Foster Grandparents Program, State of Oregon/Department of Human Services (Mid-Willamette) from July 1, 2003, through June 30, 2005, under grants awarded by the Corporation for National and Community Service (Corporation). This report focuses on the audit of claimed costs, instances of noncompliance with Federal laws, applicable regulations or award conditions, and internal control weaknesses disclosed during the audit of Mid-Willamette.

Executive Summary

We are questioning costs totaling \$7,557. In addition, we are questioning some match costs claimed; however, the questioned match costs were claimed in excess of the minimum match required or the grant was not yet completed. The grant costs questioned are approximately 1.5 percent of the total \$501,896 in costs claimed. A questioned cost is (1) an alleged violation or provision of law, regulation, contract, grant, or cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost was not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable. Costs questioned include salaries and fringe benefits due to overstated costs and stipends and volunteer travel for inaccurate calculations and missing documentation. Details of questioned costs appear in the Independent Auditors' Report.

Background

The Corporation, under the authority of the National Community Service Trust Act of 1993, as amended, awards grants and cooperative agreements to grantees such as Mid-Willamette and other entities to assist in the creation of full-time and part-time national and community service programs.

Mid-Willamette is an agency of the State of Oregon/Department of Human Services, located in Salem, Oregon. The agency's purpose is to provide funds to enable low-income citizens, aged 60 and over, to offer health, education and welfare services to alleviate the physical, mental, or emotional problems of children with special needs.

Mid-Willamette received \$558,548 in Foster Grandparent grant funds and exercised \$501,896 in drawdowns during the period audited. Authorized funding, grantee claimed expenditures and drawdowns by grant are as follows:

	<u>Funding Authorized</u>	<u>Claimed within Audit Period</u>	<u>Drawdowns In Audit Period</u>
01SFPOR031 – Foster Grandparents	\$ 248,015	\$ 248,015	\$ 248,015
04SFPOR003 – Foster Grandparents	<u>310,533</u>	<u>253,881</u>	<u>253,881</u>
Total Foster Grandparents Funds Administered by Mid-Willamette	<u>\$ 558,548</u>	<u>\$ 501,896</u>	<u>\$ 501,896</u>

Purpose and Scope of Audit

Our audit covered the costs claimed under Corporation Grant Nos. 01SFPOR031 and 04SFPOR003 for the grant periods detailed on page 3.

The objectives of our audit were to determine whether:

- financial reports prepared by Mid-Willamette presented fairly the financial results of the awards;
- internal controls were adequate to safeguard Federal funds;
- Mid-Willamette had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, award conditions, and that volunteer services were appropriate to the programs;
- award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions; and
- Mid-Willamette established adequate oversight of the program.

We performed the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 awards, as presented in the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A and B), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibits A and B. 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. Our audit included reviews of audit reports prepared by the independent public accountants for Mid-Willamette in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. We believe our audit provides a reasonable basis for our opinion.

We performed our audit during the period September 2005 through November 2005. The contents of this report were disclosed to and discussed with Mid-Willamette management at an exit conference on December 21, 2005. In addition, we provided a draft of this report to the grantee and to the Corporation for comment. The grantee's response is included in its entirety at Appendix A. The Corporation did not provide a response.

Grant Programs Audited

Our audit of Mid-Willamette covered financial transaction, compliance and internal controls testing of the following program awards funded by the Corporation:

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
Foster Grandparents	01SFPOR031	07/01/01 to 06/30/04	07/01/03 to 06/30/04
Foster Grandparents	04SFPOR003	07/01/04 to 09/30/05	07/01/04 to 06/30/05

Our audit of the costs claimed by Mid-Willamette under these awards disclosed the following:

	<u>Amount</u>	<u>Percentage of Budget/Claimed</u>
Award Budget	\$558,548	-
Claimed Costs	501,896	89.9 percent
Questioned Grant Costs	7,557	1.5 percent

Costs Questioned

Duplicate payroll costs	\$ 6,552
Costs inaccurately calculated	223
Costs with missing documentation	<u>782</u>
 Total costs questioned	 <u>\$ 7,557</u>

We used judgmental sampling to test the costs claimed. 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. We made no attempt to project such costs to total expenditures incurred, 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

Our audit disclosed no instances of noncompliance with Federal laws, applicable regulations and award conditions that were considered to be reportable conditions.

Internal Controls

Our audit disclosed the following instances that were considered to be reportable internal control weaknesses.

1. Correcting entries for payroll were made twice which resulted in an overstatement of costs.
2. Numerous undetected errors and missing documentation for stipend and travel reimbursements.
3. The amounts for lunches claimed as in-kind match provided by the volunteer stations were not adequately supported.

Report Release

This report is intended for the information and use of the Office of Inspector General, management of the Corporation for National and Community Service, Mid-Willamette Valley Foster Grandparents Program, State of Oregon/Department of Human Services, and the U.S. Congress.

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT

We audited the costs incurred by Mid-Willamette Valley Foster Grandparents Program, State of Oregon/Department of Human Services (Mid-Willamette) for the award numbers listed below. These costs, as presented in the Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A and B) are the responsibility of Mid-Willamette's management. Our responsibility is to express an opinion on the Consolidated Schedule of Award Costs and Exhibits A and B based on our audit.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
Foster Grandparents	01SFPOR031	07/01/01 to 06/30/04	07/01/03 to 06/30/04
Foster Grandparents	04SFPOR003	07/01/04 to 09/30/05	07/01/04 to 06/30/05

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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. 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 management estimates, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, except for the issues related to the \$7,557 in questioned grant costs discussed above, the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A and B) referred to above present fairly, in all material respects, the costs claimed for the period July 1, 2003, to June 30, 2005, in conformity with generally accepted accounting standards in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2005, on our consideration of Mid-Willamette's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended for the information and use of the Office of Inspector General, management of the Corporation for National and Community Service, Mid-Willamette Valley Foster Grandparents Program, State of Oregon/Department of Human Services, and the U.S. Congress.

Conrad and Associates, L.L.P.

Conrad and Associates, L.L.P.
Irvine, California
November 4, 2005

**Corporation for National and Community Service
Mid-Willamette Valley Foster Grandparents Program
State of Oregon/Department of Human Services**

Consolidated Schedule of Award Costs

July 1, 2003, to June 30, 2005

<u>Award Number</u>	<u>Program</u>	<u>Approved Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Reference</u>
01SFPOR031	Foster Grandparents	\$ 248,015	\$ 248,015	\$ 530	Exhibit A
04SFPOR003	Foster Grandparents	<u>310,533</u>	<u>253,881</u>	<u>7,027</u>	Exhibit B
Totals		<u>\$ 558,548</u>	<u>\$ 501,896</u>	<u>\$ 7,557</u>	

Notes to Consolidated Schedule of Award Costs

Reporting Entity

The accompanying Consolidated Schedule of Award Costs includes amounts budgeted, claimed, and questioned under Foster Grandparents Program grants awarded to Mid-Willamette by the Corporation for the period from July 1, 2003, to June 30, 2005.

Basis of Accounting

The accompanying Consolidated Schedule has been prepared to comply with the provisions of the grant agreements between the Corporation and Mid-Willamette. The information presented in the Schedule was prepared from the reports submitted by Mid-Willamette to the Corporation. The basis of accounting used in preparing these reports differs slightly from accounting principles generally accepted in the United States of America as follows:

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 Consolidated Schedule of Award Costs include the cost of equipment purchased during the period rather than a provision for depreciation. The equipment acquired is owned by Mid-Willamette while used in the program for which it was purchased or in other future authorized programs. However, the Corporation has a reversionary interest in the equipment. Its disposition, as well as

the ownership of any proceeds therefrom, is subject to Federal regulations.

Inventory

Minor materials and supplies are charged to expense during the period of purchase.

Corporation for National and Community Service
Mid-Willamette Valley Foster Grandparents Program
State of Oregon/Department of Human Services

Schedule of Award and Questioned Costs
Award Number 01SFPOR031

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$248,015</u>	
Claimed Costs	<u>\$ 248,015</u>	
Questioned Costs		
Stipends	652	Note 1
Volunteer Travel	<u>(122)</u>	Note 1
Total Questioned Costs	<u>\$ 530</u>	
Questioned Match Costs	<u>\$ 3,873</u>	Note 2

Notes

- Errors were made in calculating the stipend and volunteer travel payments for the test month of October 2003 as follows:

<u>Exception</u>	<u>Number of Occurrences</u>	<u>Amount</u>
Stipend payroll hours did not match time sheet	5	\$ (5)
Missing time sheets	3	657
Transportation documentation (bus pass) missing	4	47
Inaccurate mileage calculation	<u>10</u>	<u>(169)</u>
Total	<u>22</u>	<u>\$ 530</u>

See Internal Control Finding No. 2 for further details.

**Corporation for National and Community Service
Mid-Willamette Valley Foster Grandparents Program
State of Oregon/Department of Human Services**

**Schedule of Award and Questioned Costs
Award Number 01SFPOR031**

2. Mid-Willamette inadvertently made a correcting journal entry for payroll and fringe benefits twice, which resulted in overstated match costs of \$3,506. See Internal Control Finding No. 1 for further details.

In addition, Mid-Willamette did not have adequate support for lunches provided by the volunteer stations that were claimed as in-kind match costs. This resulted in questioned match costs of \$367 for fiscal year 2004. See Internal Control Finding No. 3 for further details.

The questioned match costs are summarized as follows:

Overstated match costs due to duplicate correcting entry	\$ 3,506
Inadequate support for lunches claimed as in-kind match	<u>367</u>
Total questioned match costs	<u>\$ 3,873</u>

**Corporation for National and Community Service
Mid-Willamette Valley Foster Grandparents Program
State of Oregon/Department of Human Services**

**Schedule of Award and Questioned Costs
Award Number 04SFPOR003**

		<u>Reference</u>
Approved Budget (Federal Funds)	\$ <u>310,533</u>	
Claimed Costs	\$ <u>253,881</u>	
Questioned Costs		
Salaries	\$ 4,613	Note 1
Fringe Benefits	1,939	Note 1
Stipends	374	Note 2
Volunteer Travel	<u>101</u>	Note 2
Total Questioned Costs	\$ <u>7,027</u>	
Questioned Match Costs	\$ <u>138</u>	Note 3

Notes

1. Mid-Willamette inadvertently made a correcting journal entry twice which resulted in overstated costs for payroll and fringe benefits. See Internal Control Finding No. 1 for further details.

2. Errors were made in calculating the stipend and volunteer travel payments for the test month of April 2005 as follows:

<u>Exception</u>	<u>Number of Occurrences</u>	<u>Amount</u>
Stipend payroll hours did not match time sheet	19	\$ 374
Transportation documentation (bus pass) missing	7	77
Inaccurate mileage calculation	<u>8</u>	<u>24</u>
Total	<u>34</u>	<u>\$ 475</u>

See Internal Control Finding No. 2 for further details.

3. Mid-Willamette did not have adequate support for lunches provided to volunteers by the volunteer stations that were claimed as in-kind match. As a result, we questioned match costs of \$138 for fiscal year 2005. See Internal Control Finding No. 3 for further details.

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDIT STANDARDS**

We audited the Schedules of Award Costs, as presented in Exhibits A and B, that summarize the claimed costs of Mid-Willamette Valley Foster Grandparents Program, State of Oregon/Department of Human Services (Mid-Willamette) under the Corporation awards listed below, and issued our report thereon, dated November 4, 2005.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
Foster Grandparents	01SFPOR031	07/01/01 to 06/30/04	07/01/03 to 06/30/04
Foster Grandparents	04SFPOR003	07/01/04 to 09/30/05	07/01/04 to 06/30/05

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid-Willamette's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mid-Willamette's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Mid-Willamette's ability to record, process, summarize and report financial data consistent with the assertions of management in

the financial statements. Reportable conditions are described below as Findings No. 1 through 3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe that none of the reportable conditions described below is a material weakness.

Finding No. 1 – Overstated Costs

Condition:

In reconciling the grantee staff payrolls to the cost recorded in the general ledger, we noted two instances in which an adjusting entry had been made twice. This resulted in an overstatement of costs as follows:

<u>Grant Year</u>	<u>Total Questioned Costs</u>	<u>Federal Share</u>	<u>Grantee Share</u>
<u>2004-2005</u>			
Salaries	\$ 4,613	\$ 4,613	\$ -
Benefits	1,939	1,939	-
<u>2003-2004</u>			
Salaries	2,180	-	2,180
Benefits	<u>1,326</u>	<u>-</u>	<u>1,326</u>
Total	<u>\$ 10,058</u>	<u>\$ 6,552</u> (A)	<u>\$ 3,506</u> (B)

(A) – Also see Exhibit B, Note 1

(B) – Also see Exhibit A, Note 2

Criteria:

45CFR2541.200, *Standards for financial management systems*, (b) states, “The financial management systems of other grantees and subgrantees must meet the following standards: (1) *Financial reporting*. Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.”

Cause:

The grantee had recently instituted a new accounting system and mistakenly duplicated adjusting entries that had already been made.

Effect:

The overstatement of costs caused by the duplicate adjusting entries results in questioned Federal costs of \$6,552 and questioned match costs of \$3,506. The questioned match costs do not result in questioned Federal share because the grant is ongoing and Mid-Willamette still has an opportunity to reach the required match total.

Recommendations:

We recommend that the Corporation instruct Mid-Willamette to review its internal controls and ensure policies and procedures are developed so that adjustments made to the accounting system are accurate and appropriate. In addition, we recommend the Corporation recoup \$6,552, the Federal costs that were overstated.

Mid-Willamette Response

Mid-Willamette responded that it has corrected the overstated costs, the program is fully spent, and the final Financial Status Report has been filed.

Auditor's Comment

Mid-Willamette's comments appear to be responsive to the finding. We recommend that the Corporation verify that the overstated costs were properly recouped.

Finding No. 2 – Errors in Processing Stipend and Travel Reimbursement Payments

Condition:

Our review of 130 time sheets for volunteer stipends and travel reimbursements disclosed the following exceptions:

<u>Exception</u>	<u>Number of Exceptions</u>	<u>Costs Questioned</u>		<u>Total</u>
		<u>FY 2003-2004 (A)</u>	<u>FY 2004-2005 (B)</u>	
Payroll hours do not match time sheet	26	\$ (5)	\$ 373	\$ 368
Missing time sheets	3	658	-	658
Transportation support (bus pass) missing	10	47	77	124
Inaccurate mileage calculation	17	(170)	25	(145)
	Total	<u>\$ 530</u>	<u>\$ 475</u>	<u>\$ 1,005</u>

(A) – Also see Exhibit A, Note 1

(B) – Also see Exhibit B, Note 2

Criteria:

45 CFR 2541.200, *Standards for financial management systems*, (b) states, “The financial management systems of other grantees and subgrantees must meet the following standards: (1) *Financial reporting*. Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.... (6) *Source documentation*. Accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.”

Cause:

The grantee did not have sufficient review procedures to detect the errors and missing documentation.

Effect:

Unsupported stipends and transportation reimbursements were paid and charged to the Corporation that may have violated applicable regulations.

Recommendation:

We recommend that the Corporation instruct Mid-Willamette to review its internal controls and ensure policies and procedures are developed so that costs charged to the program are accurate, appropriate, and properly documented. We also recommend the Corporation instruct the grantee to repay the costs that were not accurately computed or documented.

Mid-Willamette Response

Mid-Willamette responded that the FY 2004-2005 costs were corrected before the final report was filed and the FY 2003-2004 costs will be adjusted on a corrected final report.

Auditor’s Comment

Mid-Willamette’s comments appear to be responsive to the finding. We recommend that the Corporation verify that the disallowed costs were properly reimbursed.

Finding No. 3 – Lunches Claimed as In-Kind Match Not Adequately Supported

Condition:

Lunches provided to volunteers by the volunteer stations were claimed as in-kind match; however, using the available documentation, we were unable to reconcile the lunches claimed per month. We selected two test months, October 2003 and April 2005, to trace to supporting documentation. By using the lunch cost stated in Memorandums of Understanding (MOU's) between Mid-Willamette and the volunteer stations, and the lunches consumed as shown on time sheets, we were able to compute lunch costs for October 2003 and April 2005 that were \$367 and \$138, respectively, less than the amounts claimed. Also see Exhibit A, Note 2, and Exhibit B, Note 3.

Criteria:

45 CFR 2541.240, *Matching or cost sharing*. (b) (6) *Records*, states, “Costs and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantees or cost-type contractors.”

Cause:

The grantee did not have adequate procedures for obtaining and maintaining documentation used for reporting lunches provided by the volunteer stations.

Effect:

Mid-Willamette was unable to support the amount of lunches claimed as match that resulted in questioned match costs of \$367 for FY 2004, and \$138 for FY 2005. The questioned match costs did not result in questioned Federal costs because Mid-Willamette still met the match requirement after deducting the questioned match for FY 2004. The FY 2005 grant is ongoing and the grantee still has an opportunity to reach the required match total.

Recommendation:

We recommend that the Corporation instruct the grantee to develop policies and procedures to obtain and retain documentation to support the amount claimed as in-kind match for lunches provided to volunteers.

Mid-Willamette Response

Mid-Willamette responded that the recommendation is noted and no further action is necessary since they are no longer the grantee.

Auditor's Comment

We recommend that the Corporation ensure that the current grantee is aware of grant cost documentation requirements, and that its systems are designed accordingly.

This report is intended for the information and use of the Office of Inspector General, management of the Corporation for National and Community Service, Mid-Willamette Valley Foster Grandparents Program, State of Oregon/Department of Human Services, and the U.S. Congress.

Conrad And Associates, L.L.P.

Conrad and Associates, L.L.P.
Irvine, California
November 4, 2005

Appendix A

**Response of Mid-Willamette Valley Foster Grandparents Program
State of Oregon/Department of Human Services**



Oregon

Theodore R. Kulongoski, Governor

Department of Human Services

Office of the Director

500 Summer St. NE, E-15

Salem, OR 97301-1097

503-945-5944

Fax: 503-378-2897

TTY: 503-947-5330

January 19, 2006

Ms. Carol Bates
Assistant Inspector General for Audit
Office of Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW, Suite 830
Washington, DC 20525



Subject: Response to OIG Audit Report of the Mid-Willamette Valley
Foster Grandparents Program

Dear Ms. Bates:

The following is our response to the draft Office of Inspector General (OIG) audit report of the Mid-Willamette Valley Foster Grandparents Program. We concur with the recommendations and have already taken action to address the issues and close this program. As you know, as of October 1, 2005, the Oregon Department of Human Services no longer manages this program. We took action to address the questioned costs and ensure our closing report for the program year 2005 accurately reflected the recommendations included in this report. The following details our actions for each of the three recommendations:

1. **Overstated Costs**

Recommendation: We recommend that the Corporation instruct Mid-Willamette to review its internal controls and ensure policies and procedures are developed so that adjustments made to the system are accurate and appropriate. In addition, we recommend the Corporation recoup \$6,552 of the federal costs that were overstated.

Response: DHS corrected the overstated costs. The Foster Grandparents Program is fully spent and we filed the 2004-2005 final report on December 27, 2005. No further action is necessary.

2. **Errors in Processing Stipend and Travel Reimbursement Payments**

Recommendation: We recommend that the Corporation instruct Mid-Willamette to review its internal controls and ensure policies and procedures

"Assisting People to Become Independent, Healthy and Safe"
An Equal Opportunity Employer



Ms. Carol Bates
January 19, 2006
Page 2 of 2

are developed so that costs charged to the program are accurate, appropriate, and properly documented. We also recommend the Corporation instruct the grantee to repay the costs that were not accurately computed or documented.

Response: The 2004-2005 costs were corrected before the final report was filed. The 2003-2004 costs of \$530 will be adjusted on the annual report. The department overmatched the payroll expenses for the 2003-2004 program year, so we will adjust the amount from federal funds to grantee matching funds. We will file a corrected final report by February 28, 2006. Due to the overmatching, the department does not need to return any funds.

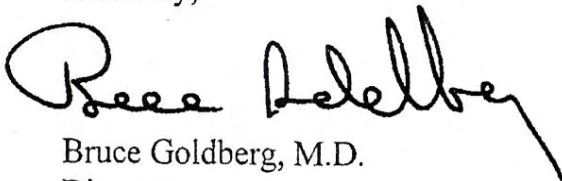
3. Lunches Claimed as In-Kind Match Not Adequately Supported

Recommendation: We recommend that the Corporation instruct the grantee to develop policies and procedures to obtain and retain documentation to support the amount claimed as in-kind match for lunches provided to volunteers.

Response: This recommendation is noted. DHS is no longer the grantee so no further action is necessary.

Thank you for the opportunity to comment on the draft report. Please contact Cynthia Scheick, Chief Audit Officer at 503-945-6700 if you have additional questions.

Sincerely,



Bruce Goldberg, M.D.
Director

c: Rob Cameron, Chief Financial Officer
Cynthia Scheick, Chief Audit Officer
Jeanette Burket, SDA 3 Manager