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OFFICE OF THE INSPECTOR GENERAL

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Initial Year Review

Public Education Fund Network

Washington, D.C.

Grant Number 94ADNDC039

This report is issued to CNS Management. According to OMB Circular A-50, *Audit Followup*, the Corporation must make a final management decision within 180 days of the report. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

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

Corporation for National Service  
Office of Inspector General  
Initial Year Review  
Grant Agreement #94ADNDC039  
Awarded to  
Awarded to Public Education Fund Network

We reviewed the Public Education Fund Network's ("PEFNet") financial reporting and accounting systems to assess their ability to comply with Federal fiscal accounting and reporting requirements applicable to its National AmeriCorps grant and to safeguard related funds.

### Results

With certain exceptions, our review revealed that PEFNet's accounting system and systems of internal control appear to be adequate to report grant expenditures in accordance with Federal requirements and to safeguard Federal funds. First, PEFNet's policies and procedures manual does not include written accounting procedures for determining the reasonableness, allocability, and allowability of costs related to its CNS grant. Although we found no purchases of unallowable or unallocable goods or services, this condition could result in inappropriate or incorrect charges to PEFNet's CNS grant. Also, Local Education Funds participating in the AmeriCorps program are not maintaining required supporting documentation for salaries, wages, and living allowances charged to the grant. These matters are discussed further in the findings and recommendations section of this report.

### Background

PEFNet is a national non-profit association headquartered in Washington, D.C. It is comprised of 55 "Local Education Funds" whose goals include achieving high-quality public education for all American children, with an emphasis on helping the disadvantaged. PEFNet's mission is to link and unite these Local Education Funds and mobilize the resources of their communities to build effective and successful public schools. Its major source of funding, about 77 percent, is from private educational grants made by various foundations and trusts. PEFNet also receives Federal funds from CNS for its AmeriCorps program and from the Center for Disease Control for a comprehensive school health program.

The primary objective of PEFNet's AmeriCorps program is to improve the educational achievement of children who lack the academic and technological skills necessary to ensure their productive future. AmeriCorps members provide school-based technology planning and help schools better

use the technology they already have. PEFNet's approved grant budget provides for \$1,141,034 (\$701,167 from CNS and \$439,867 in matching funds) for the period July 1, 1994 through September 30, 1995. The program's budget supports 40 full-time and five part-time AmeriCorps members as follows:

<b>Location</b>	<b>CNS Funding</b>	<b>AmeriCorps Participants</b>
Washington, D.C.	\$ 82,498	0
Charlotte, NC	152,856	11
Atlanta, GA	147,952	11
New York, NY	<u>317,861</u>	<u>23</u>
Total	<u>\$701,167</u>	45

In addition to the funds provided to operate the program the Corporation has authorized post service education benefits of \$200,815 for the AmeriCorps members.

To implement its program PEFNet established subawards with three of its Local Education Funds: Apple Corps, Inc. (Atlanta, GA); Fund for New York City Public Education (New York, NY); and Charlotte-Mecklenburg Education Foundation (Charlotte, NC). Each Local Education Fund administers the program in their community and accounts for program costs. Information on these costs are reported to PEFNet on an internal financial report. PEFNet then prepares a consolidated Financial Status Report for CNS. PEFNet maintains responsibility for the overall management of the grant and for ensuring that Local Education Funds carry out the program under the terms and conditions of the grant award.

Scope and Methodology

We performed our review at PEFNet's headquarters in Washington, D.C., and at PEFNet's Local Education Funds in New York, NY, and Atlanta, GA, during the period May 1 through May 18, 1995. At each location, we obtained an understanding of the accounting system and management controls and performed limited testing to determine whether they were operating as intended.

Our procedures included:

- interviewing key accounting and program personnel;
- documenting and nominally testing key management controls over PEFNet's and the subrecipient's accounting and reporting systems;
- reviewing prior audit reports on PEFNet's financial statements and management controls;
- testing a judgmental sample of financial transactions related to the grant; and

- reviewing PEFNet’s procedures for monitoring member organizations participating in the AmeriCorps program.

We performed our review in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. However, our procedures were substantially less in scope than an audit, and accordingly, did not include elements essential to the expression of an opinion on management controls. Accordingly, we do not express such an opinion.

We provided a draft of this report to CNS and PEFNet officials. CNS did not respond. PEFNet’s response is presented as Exhibit A.

This report is intended for the information and use of the Corporation’s and PEFNet’s management. However, this report is a matter of public record and its distribution is not limited.

### Findings and Recommendations

- I. PEFNet’s policies and procedures manual does not include written accounting procedures for the review and approval of grant costs.

Federal grant administrative requirements state that a grantee’s financial management system will include “Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.” (OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Subpart C, 21(b)(6)). While PEFNet had unwritten procedures for reporting and allocating CNS grant costs, unwritten procedures do not provide assurance that all requirements of the grant award are addressed. During our limited review we found no purchases of unallocable or unallowable goods or services.

We recommend that PEFNet incorporate into its policies and procedures manual written accounting procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of its CNS grant award, and distribute those procedures to its subrecipients.

- II. Local Education Funds participating in the AmeriCorps program are not maintaining required supporting documentation for salaries, wages, and living allowances charged to the grant.

Under the terms and conditions of the grant award, salaries, wages, and living allowances charged directly to the grant or charged to matching funds by PEFNet “. . . must be supported by signed time and attendance records for each individual employee and participant, regardless of position, and by documented payrolls approved by a responsible official of the grantee.” Further, “Salaries and

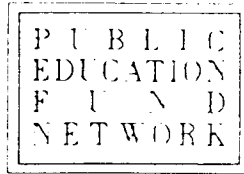
wages chargeable between this grant and other programs or functions of the grantee organization must be supported by individual time distribution records” (AmeriCorps\*USA-Direct Grant Provisions, Section 18c). The reports must be signed by the individual employee or a supervisor with firsthand knowledge of the activities performed (OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, Attachment B, 6(1)(2)(c)).

During our review, we noted that PEFNet headquarters staff in Washington, D.C., properly prepared and signed personnel activity reports for allocating hours and prepared and signed time and attendance sheets. However, we found that:

- Local Education Fund staff in Atlanta prepared, but did not sign personnel activity reports and time and attendance sheets. In addition, AmeriCorps members maintained a daily activity log that included hours spent on service, but they did not sign the log. Supervisory staff did review and sign these logs.
- Local Education Fund staff in New York did not prepare personnel activity reports or time and attendance sheets. New York did maintain an unsigned daily activity log for staff members to note absences. AmeriCorps members maintained a daily activity log that included hours spent on service, but they did not sign the log. Supervisory staff did review and sign these logs.

Although PEFNet is not in compliance with the terms of the grant award, nothing came to our attention to indicate that staff or AmeriCorps members are improperly charging hours to the grant.

We recommend that PEFNet require all staff whose compensation is supported by two or more funding sources prepare and sign personnel activity reports for allocating hours and that all staff and AmeriCorps members prepare and sign individual time sheets.



August 28, 1995

Mr. Luise Jordan  
Inspector General  
Corporation for National Service  
1201 New York Avenue, NW  
Washington, DC 20525

Dear Mr. Jordan:


The Public Education Fund Network (PEFNet) is in receipt of your report of the financial review of Project FIRST, Grant Agreement # 94ADNDC039. PEFNet staff have reviewed the document and understand both the procedures undertaken and the conclusions reached.

Because we were previously made aware of the first recommendation, we have already begun the process of documenting our accounting procedures for inclusion in PEFNet's policies and procedures manual.

In regard to the second recommendation about time and attendance, we will examine the issue with the New York and Atlanta local education funds and prepare a written advisement. Further, we will develop and issue a set of clearly delineated procedures for future use at all Project FIRST sites.

Generally, we concur with the findings as presented and are moving to respond to the recommendations as quickly as possible.

Sincerely,

  
Wendy D. Puriefoy  
President

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