

CORPORATION

FOR NATIONAL

 SERVICE

OFFICE OF THE INSPECTOR GENERAL

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Initial Year Review

Association of Farmworkers Opportunity Programs

Arlington, Virginia

Grant Number 94ADNVA003

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 Number 94ADNVA003
Awarded to
Association of Farmworkers Opportunity Programs

We performed a limited review¹ of the Association of Farmworkers Opportunity Programs' (AFOP) financial reporting and accounting systems to assess AFOP's ability to comply with Federal fiscal accounting and reporting requirements applicable to its AmeriCorps grant and to safeguard related funds.

Results

Our review revealed that AFOP'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. However, we have found that AFOP did not properly report in-kind contributions on its Financial Status Reports. Further, we noted that AFOP is revising its plan for allocating split and indirect costs. The new plan will change AFOP's method of accumulating and reporting grant costs and may result in variances from their approved grant budget. The revised allocation plan is in response to a Department of Labor audit finding that AFOP did not have an adequate system in place to ensure that certain costs were properly allocated. These matters are discussed further in the findings and recommendations section of this report.

Background

AFOP is a national nonprofit organization with 53 member organizations in 49 states and Puerto Rico. AFOP, and its member organizations, are experienced in administering Federal and state grants and have audits performed in accordance with OMB Circular A-133. Twelve of these member organizations are participating in the CNS program and are responsible for the day-to-day supervision of AmeriCorps members.

The primary objective of this AmeriCorps program is to teach farm workers, their families, and local health professionals the safe use of pesticides. AFOP trained AmeriCorps members to be EPA certified instructors in pesticide control. The AmeriCorps members have completed the training phase of the program and began teaching in February 1995.

AFOP's approved grant budget provides for \$1,441,038 (\$1,120,441 from CNS and \$320,693 in matching funds) during the period July 3, 1994, through February 28, 1996, to support 75 AmeriCorps members. Currently, 66 members are on-board, serving in 11 states from Maine to California. All payments made with CNS grant funds are disbursed centrally from AFOP headquarters in Arlington, Virginia. Additionally, the 12 AFOP member organizations raise funds

¹As described in the Scope and Methodology section of this report.

locally and forward the amounts collected to AFOP to cover the 15% non-Federal share of Participant Support Costs (budget category F). In the event a member organization does not raise the full 15%, AFOP will underwrite the difference. The 12 AFOP member organizations will also incur in-kind program costs and apply these as matching funds. These costs, totaling about \$215 thousand, will be supported primarily by funding from other Federal or state programs.

Scope and Methodology

We performed our review at AFOP's headquarters in Arlington, Virginia, during the period April 27, 1995, through May 11, 1995. We obtained an understanding of AFOP's accounting system and management controls and performed limited testing to determine whether they were operating as intended. Although we reviewed AFOP's plans for monitoring the twelve AFOP member organizations operating the programs and supervising AmeriCorps members, our review did not include visits to any program site.

Our procedures included:

- interviewing key accounting and program personnel;
- reviewing AFOP's organization chart, policy and procedures manuals, and chart of accounts;
- reviewing prior audit reports on AFOP's financial statements and management controls;
- testing a judgmental sample of financial transactions related to the grant; and
- reviewing AFOP's plans for site visits to monitor 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. Further, if additional audit procedures had been performed, other matters might have come to our attention that would have been reported. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

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

Findings and Recommendations

- I. AFOP's Financial Status Reports for the periods ended December 31, 1994, and March 31, 1995, did not include any in-kind matching costs incurred by AFOP or its participating member organizations.

AFOP is required to file periodic Financial Status Reports (AmeriCorps*USA-Direct Grant Provisions (Non Profit Organizations) Section 24). One purpose of the Financial Status Report is to show the effect of the current period's transactions on cumulative financial status of the grant, including total program outlays. Total program outlays must include "... the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expense incurred, [and] the value of in-kind contributions [expenses] applied ..." as a matching cost (instructions to SF269, Financial Status Report, line 10a).

AFOP member organizations report in-kind costs incurred to AFOP on a standard form. However, at the time of our review, AFOP had not recorded this information in its accounting system, which is used when preparing the Financial Status Report. As a result of our review, AFOP prepared a schedule of in-kind costs incurred related to this grant and reported them separately to CNS. The Executive Director stated that these costs will be included in future Financial Status Reports.

We recommend that AFOP record in its accounting system in-kind costs incurred that are applied to its AmeriCorps grant and revise its Financial Status Reports to include these costs.

- II. AFOP is revising its plan for allocating split and indirect costs. The revisions are in response to a Department of Labor audit finding that AFOP did not have an adequate system in place to ensure that certain costs were properly allocated.²

The new plan will change AFOP's method of accumulating and reporting grant costs and may result in variances with their approved CNS grant budget. For certain changes in budgeted amounts CNS requires grantees to obtain written approval before reallocating the funds. Changes to the budget requiring prior approval include any reallocation from any of the line items included in the "Other Participant Support Costs" and costs requiring prior approval under OMB Circular A-122, *Cost Principles for Non Profit Organizations* (AmeriCorps*USA-Direct Grant Provisions (Non Profit Organizations) Section 13). If the new cost allocation plan results in revisions to budgeted amounts meeting these criteria, CNS approval would be required.

We recommend the grantee assess the effects of the new allocation plan on its CNS budget. If the new plan results in any changes in the budget meeting the requirements of Section 13 of the AmeriCorps*USA-Direct Grant Provisions, AFOP should request, in writing, that CNS modify its budget.

² Department of Labor IG Report No. 18-95-007-03-365, February 8, 1995.

August 18, 1995

Luise Jordan
Inspector General
Corporation for National Service
1201 New York Avenue, N.W.
Washington, DC 20565



1411 North Kent Street
Suite 101
Arlington, Virginia 22209
Telephone: 703 528-4141
Fax: 703 528-4146

Re: AmeriCorps National Direct Grant 94ADNVA003

Dear Ms. Jordan:

Thank you for your letter of July 21, in which you explained the results of the Corporation's recent initial-year review of AFOP's financial reporting and accounting systems. As you requested, we are providing our response to your findings by the August 21 deadline.

Two issues were raised in the review: 1) AFOP's reporting of in-kind contributions to our AmeriCorps grant; and 2) AFOP's plans to obtain an indirect cost rate proposal. I will respond to both of these issues below.

First, with regard to AFOP's in-kind contributions, I am happy to report that the omission of the in-kind information on our SF-269As has been corrected. AFOP submitted revised SF-269As for the quarters ending 12/31/94 and 3/31/95 to both Kirby McCollum and with our Third Quarter Quarterly Report. Our SF-269A for the quarter ending 6/30/95, which was also submitted with our Third Quarter Quarterly Report, included the in-kind information required. Copies of all three of the SF-269As are attached to this letter. The initial omissions came as a result of turnover we had in our accounting department. Now that we again have our permanent accounting staff on board, there should be no further problems of this type. We therefore feel this concern has been fully addressed.

Second, with regard to AFOP's indirect cost rate, an indirect cost rate proposal will be submitted to the Department of Labor, our cognizant agent, within the next few weeks. When a provisional rate has been negotiated, we will be requesting modifications to both our current AmeriCorps grant budget as well as to the budget that we have proposed for our next year's grant. We are aware of the Corporation's restrictions on changes to certain budget line items, and will be keeping them in mind as we prepare our modifications, so again, this concern will also be fully addressed in the near future.

We appreciate the Corporation's efforts to be proactive in monitoring the accounting systems of its grantees, and would be happy to provide further information about any aspect of AFOP's

The National Federation of
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financial management of Corporation funds. If you have any questions about our accounting systems, please contact Doryne Stanley, AFOP's Finance Manager, at the number above, while programmatic questions can be directed to Lori Rottenberg, Senior Manager of our AmeriCorps program. Please feel free to contact me or my staff if you need any additional information.

Sincerely,



Diane Mull
Executive Director

Attachments