

CORPORATION

FOR NATIONAL

 SERVICE

OFFICE OF THE INSPECTOR GENERAL

Audit of

Greater Miami Service Corps

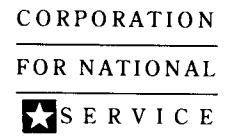
Commission on National and Community Service

Grant Number 92COLOFL0032

This report was issued to CNS Management on July 9, 1996. According to OMB Circular A-50, *Audit Followup*, the Corporation must make a final management decision no later than January 5, 1997. 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.

Office of the Inspector General
Audit of Greater Miami Service Corps
CNS Grant # 92COLOFL0032



Tichenor and Associates, under contract to the Office of Inspector General, performed a close-out audit of Grant No. 92COLOFL0032, awarded to the Greater Miami Service Corps (GMSC) by the Commission on National and Community Service under the National and Community Service Act of 1990 (Public Law 101-610). The audit included an examination to determine whether GMSC complied with the award and that all claimed costs were allowable and allocable consistent with the objectives of the grant, the Public Law 101-610, Commission regulations, and Federal regulations. The audit included testing compliance with such criteria from September 21, 1992 through March 30, 1995, the performance period of the grant. We have reviewed the report and workpapers supporting its conclusions and agree with the findings and recommendations presented.

Based on their audit, we have determined that GMSC did not comply with the award in the performance of the Disaster Grant program, and that GMSC's system of internal controls did not ensure compliance with Federal regulations or ensure the safeguarding of Federal funds. Tichenor and Associates also noted that:

- GMSC enrolled and paid stipends to participants who did not meet the citizenship or residency requirements under the grant;
- GMSC charged to the grant amounts for post-service benefits paid to individuals who were not enrolled in the grant funded program, and paid post-service benefits for purposes that violated Public Law 101-610; and
- GMSC incorrectly charged participant costs to the grant for performance of projects associated with the another Commission grant.

These and other matters are discussed in detail in this report. Due to the severity of these issues we have questioned all costs claimed for this grant totaling \$625,000.

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EXECUTIVE SUMMARY

The Corporation for National and Community Service (CNS), Office of Inspector General (OIG) tasked Tichenor & Associates to perform a close-out audit of Grant No. 92COLOFL0032, awarded to the Greater Miami Service Corps (GMSC) by the Commission on National and Community Service under the National and Community Service Act of 1990¹ (Public Law 101-610). The audit included an examination to determine whether GMSC complied with the award and that all claimed costs were allowable and allocable consistent with the objectives of the grant, the Public Law 101-610, Commission regulations, and Federal regulations. The audit included testing compliance with such criteria from September 21, 1992 through March 30, 1995, the performance period of the grant.

Results in Brief

Based on our audit, we have determined that GMSC did not comply with the award in the performance of the Disaster Grant program, and that GMSC's system of internal controls did not ensure compliance with Federal regulations or ensure the safeguarding of Federal funds. As a result, we have questioned all costs claimed for this grant, \$625,000. We noted the following deficiencies:

- GMSC does not have support for matching costs;
- GMSC enrolled and paid stipends to participants who did not meet the citizenship or residency requirements under the grant;
- GMSC charged to the grant amounts for post-service benefits paid to individuals who were not enrolled in the grant funded program, and paid post-service benefits for purposes that violated Public Law 101-610;
- GMSC incorrectly charged participant costs to the grant for performance of projects associated with the another Commission grant;
- GMSC misreported program results, including the overall success of the program. Of 168 participants paid under the grant, only 18 completed the program using GMSC criteria (i.e., 12 months in the program constitutes a successful term of service) and only 22 completed the program utilizing the criteria accepted by the Commission of 9 months constituting an

¹On December 14, 1993, the Corporation for National and Community Service established in the Corporation Office of Inspector General audit responsibility for all programs administered by the Corporation as well as grants awarded by the former Commission on National and Community Service.

acceptable program duration. GMSC reported that the program was extremely successful and that 62 percent of its participants completed its programs during the first grant year;

- GMSC based the participants' biweekly stipend (living allowance) solely on work hours performed. Public Law 101-610 provides that payment of stipends depends only on enrollment in a grant funded program;
- GMSC placed participants in internship programs where they worked as full-time lifeguards, cafeteria workers, school maintenance and janitorial workers, and Dade County trade workers. The activities performed by the interns were not allowable activities for the Disaster Grant because the services provided by the interns were for county positions in on-going operations such as schools and swimming pools, and not in response to, or related to recovery from the disaster. These placements violated Disaster Grant General Provision 2, Section 10 (c), *Nondisplacement*, which, in part, prohibits the use of Federal grant funds for service activities that would supplant potential full or part-time employees. In addition, GMSC was reimbursed at least \$4,657 for the lifeguards' work that it did not credit back to the grant as program income. Additional program income may have been received; however, because of conflicting labor hour data and inaccurate general ledger information from GMSC, we could not determine if any additional income was received; and
- GMSC charged living allowances of \$1,472 to the grant for 18 uncashed checks and 3 voided checks. GMSC could not provide any record or explanation for why these checks were not credited back to the grant.

These and other matters are discussed in detail in the Findings and Recommendations Section of this report. We have discussed all of these issues with management of GMSC and afforded them additional time to rectify any discrepancies that they believed were in error. None of the issues have been resolved at the date of this report, January 18, 1996.

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BACKGROUND

The Greater Miami Service Corps (GMSC) was established in July 1990 as a non-profit organization (501(c)(3)). It was designed as a quasi-governmental entity under the umbrella of Metropolitan Dade County, Florida. GMSC maintains its relationship with the County through the Community Action Agency, a department of Dade County. It represents a major collaborative effort involving Dade County Public Schools, Miami Dade Community College, Latin Chamber of Commerce, Metro-Dade Parks and Recreation, South Florida AFL-CIO and the Office of Community Development for the City of Miami and Dade County.

The stated mission of GMSC is to enhance the employability of young adults, ages 18-23, through work assignments that provide tangible community improvements, supervision that reinforces productive habits and education structured to strengthen useful skills.

GMSC applied for the grant in December 1992, some three months after the Hurricane Andrew Disaster struck South Florida. It identified a need to access impacted communities and the corps members who lived in the area in order to deliver assistance and begin the process of community revitalization. Funds from the grant were to be used to establish a satellite location for GMSC operations in the devastated communities of Homestead and Florida City to address what was considered the most destructive natural disaster in United States history. The proposed activities were to:

- establish linkages and develop service/learning work projects for implementation with key municipalities and organizations involved in community restoration and rebuilding efforts in South Dade;
- establish a GMSC South Satellite Center and create four new service teams dedicated to restoration and revitalization of areas impacted by Hurricane Andrew;
- provide comprehensive education, life skills and leadership development opportunities designed to increase participants' independence and self-sufficiency; and
- develop employment, vocational, continuing or advance educational placements, which pairs skills and interest of participants and increases job retention.

For purposes of reporting and identifying related projects, the audited grant was termed the "Disaster Grant." The award was made on July 12, 1993, with the stipulation that costs incurred in performance of the grant from September 21, 1992 would be considered allowable to the same extent as they would have been allowable if incurred under the terms of the award. The grant was awarded pursuant to the authority of the National and Community Service Act of 1990 (Public Law 101-610).

**BUDGETED GRANT COSTS--GREATER MIAMI SERVICE CORPS
CONSERVATION AND YOUTH SERVICE CORPS**

	Commission Award	State/Local/Private Funds
Living Allowance & Benefits	\$ 204,737	\$ -0-
Staff Personnel & Benefits	228,401	32,361
Post-Service Benefits	10,000	-0-
Training & Education	62,500	-0-
Capital Expenditures	26,000	125,000
Administration	29,000	73,889
Other	64,362	-0-
TOTAL	\$ 625,000	\$ 231,250

OBJECTIVES, SCOPE AND METHODOLOGY

We performed this audit at GMSC's offices in Miami, Florida, during the period November 27, 1995 to January 18, 1996. We obtained an understanding of GMSC's accounting and management controls and performed subsequent testing to determine whether GMSC had complied with the award and that all claimed costs were allowable and allocable consistent with the objectives of the grant, the National and Community Service Act of 1990 (Public Law 101-610), Commission regulations and OMB Circulars A-110 (*Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*) and A-122 (*Cost Principles for Non-Profit Organizations*).

We performed the audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States. The procedures were performed to determine if the costs claimed by GMSC were allowable, allocable and reasonable, and accordingly, did not include elements essential to express an opinion on internal controls or compliance with laws and regulations. Accordingly, we do not express such an opinion. However, the procedures provide a reasonable basis for purposes of reporting on GMSC's internal control structure and compliance with Federal regulations (see accompanying reports).

The management of GMSC is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system 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 reports in accordance with generally accepted accounting principles and applicable regulatory requirements.

This report is intended solely for the use of the Corporation for National and Community Service and GMSC. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

This report was issued for comment to GMSC and CNS. GMSC provided comments (see Attachment I) on June 20, 1996. In its response, GMSC offered explanations for the conditions described, but generally agreed with the findings. GMSC disagreed with findings II, III, IV and VI. Its response to the specific issues and our related assessment are included in the findings. CNS did not respond.

FINDINGS AND RECOMMENDATIONS

I. **GMSC Failed to Develop and/or Implement Policies and Procedures to Ensure That Matching Costs, In-Kind Contributions and Budget Modifications Were Adequately Supported, Recorded, and Approved.**

GMSC had no support for \$223,836 claimed as matching costs as required by Federal regulations. Commission regulations state that matching costs must be verifiable from the grantee's records and that grantee financial management systems include accounting records that are supported by source documentation (OMB Circular A-110, paragraphs .21 and .23). GMSC's matching costs were labeled as "indirect expenses" on their Financial Status Reports. However, GMSC does not have an indirect rate agreement nor any allowable method or basis for allocating indirect expenses. Instead, GMSC based third-party matching costs solely on budgeted amounts. This documentation provided no support as to the actual costs incurred directly by GMSC and third parties.

GMSC reprogrammed \$84,608 in funds without an approved budget modification. Commission regulations (Disaster Grant, Special Grant Provisions) state that individual and cumulative changes in any grant budget line item that exceed 10 percent of total budget, and transfer of any amount of a "Training" line item to another budget line must be approved by the Commission. The reprogrammed funds included \$59,132 of training and education funds. GMSC provided support for only \$3,368 in training and education costs while the grant required that a minimum of 10 percent, or \$62,500, be expended in this area.

GMSC also drew down the entire grant budget amount of \$625,000 while its financial reports showed costs incurred of only \$624,691. The difference of \$309 could not be accounted for by GMSC. The following table illustrates these discrepancies:

Budget Category	Per Award	Amount Claimed	Difference	10 percent Threshold	Amount Reprogrammed
Living Allowances & Benefits	\$204,737	\$208,121	\$(3,384)	N/A	\$-0-
Staff Personnel & Benefits	228,401	290,459	(62,058)	N/A	-0-
Post Service Benefits	10,000	29,000	(19,000)	N/A	-0-
Training & Education	62,500	3,368	59,132	-0-	59,132
Capital Expenditures	26,000	20,458	5,542	\$2,600	2,942
Administration	29,000	3,566	25,434	\$2,900	22,534
Other	64,362	69,719	(5,357)	N/A	-0-
Total	\$625,000	\$624,691	\$309		\$84,608

Because GMSC could not demonstrate that they had met their matching requirements mandated by the grant agreement, and because of the matters disclosed in findings two through seven, we are recommending that CNS require GMSC to reimburse all costs claimed for this grant, totaling \$625,000.

II. Many GMSC Participants Did Not Meet Eligibility Requirements of the Grant.

GMSC did not develop and/or implement policies and procedures to effectively determine that participants met the eligibility requirements of the grant and Public Law 101-610. Under Public Law 101-610, grant participants must be citizens, nationals, or lawful permanent residents of the United States. At least 53, or 31.6 percent, of the 168 individuals who GMSC enrolled as participants in the Disaster Grant program were not United States citizens or lawful permanent resident aliens. These participants provided GMSC with Employment Authorization Cards, a type of United States Immigration and Naturalization Service (INS) "Green Card." However, according to INS guidance, this type of Green Card is not evidence of citizenship or lawful permanent residence and is not provided to U.S. citizens, nationals, or lawful permanent residents. As a result, GMSC claimed participant costs totaling \$106,814 for ineligible participants under the grant, and program results reported by the grantee have been misstated due to the inclusion of ineligible participants.

We recommend that CNS require GMSC to reimburse \$106,814.10, the amount of gross wages and FICA costs claimed for ineligible participants under the grant.

Summary of grantee's comments and auditor's assessment

In its response, GMSC stated that it did not receive the grant provisions (which included participant eligibility) until July 1993, the date of grant award. Consequently, the grantee utilized eligibility standards of Dade County. However, the authority to charge costs incurred before the grant award date does not waive the remaining requirement for allowable costs or grant funded activity found in the law, regulations or grant terms. Because GMSC could not drawdown Commission funds until after the award date, it had adequate opportunity to comply with Federal regulations when charging participants costs. In addition, many of the ineligible participants were enrolled after the award date.

III. GMSC Did Not Design and/or Implement Adequate Policies and Procedures to Ensure That Actual Program Results Were Tracked, Compared to Objectives, and Accurately Reported to CNS. As a Result, Performance and Technical Information Reported to CNS was Inaccurate.

GMSC was required to submit quarterly progress and financial reports and a final comprehensive technical and performance report to CNS containing information on each program, function, or activity (OMB Circular A-110 paragraph .51 and Section 4 of the Grant Special Provisions).

GMSC's final report, dated April 26, 1995 to CNS stated the following regarding the completion rate of its participants: "154 corps members participated in the program. Of the graduates, 72 percent

are continuing their education. Of those who successfully completed the program, 94 percent have been gainfully employed." Further, GMSC's 1993 Annual Report identified a 63 percent completion rate for GMSC programs.

However, our audit identified 168 Disaster Grant participants; of the 168:

- 18 participants (10.7 percent) completed the program (GMSC criteria states that 12 months in the program constitutes a successful term of service);
- 7 participants (38.9 percent) continued their education;
- 8 participants (44.4 percent) continued their employment; and
- 22 participants (14.2 percent) were in the program for at least 9 months (which is generally accepted by CNS as an acceptable program duration).

Moreover, GMSC's final report identified 57 projects completed during the program period. GMSC could not provide support for these projects. GMSC did provide a list of projects worked on since GMSC's inception, however, only six of the projects listed on the final Disaster Grant report were on this list.

We recommend that CNS require that GMSC accurately identify and report the results of the Disaster Grant.

Summary of grantee's comments and auditor's assessment

In its response, GMSC acknowledged that inconsistencies existed in its recordkeeping and reporting. However, GMSC stated that it believes its reporting was reflective of the actual program results of the Disaster Grant. We believe that GMSC is confusing the overall GMSC program with the specific objectives and requirements of the Disaster Grant. GMSC's own literature sets the guidelines of its' program being a 12 month process. The intent of both the Commission and GMSC was to enhance the skills of targeted youth, and this included development of life skills as well as marketability for employment. GMSC's reporting was misleading both because of inadequate recordkeeping, and because it did not develop a specific program for the Disaster Grant.

IV. GMSC Charged Unallowable and Unsupported Costs to the Disaster Grant.

As part of our audit, we examined a sample of expenses charged to the grant. The expenses included staff personnel & benefits, post-service benefits, capital improvements, supplies, travel and other miscellaneous and general costs. We found that GMSC was reimbursed \$173,235 for unallowable and unsupported costs as follows:

Summary of Unallowable and Unsupported Costs

Description	Costs Claimed	Accepted	Questioned
Staff Personnel & Benefits (Note 1)	\$ 110,123	\$ -0-	\$ 110,123
Post-Service Benefits (Note 2)	29,000	-0-	29,000
Capital Improvements (Note 3)	20,458	-0-	20,458
Travel (Note 4)	10,000	3,757	6,243
Charges Related to Other GMSC Programs (Note 5)	6,087	-0-	6,087
Supplies (Note 6)	3,566	2,242	1,324
TOTALS	\$ 179,234	\$ 5,999	\$ 173,235

Note 1 -- Staff Personnel & Benefits

GMSC staff were not required to complete time sheets as required by OMB Circular A-122 *Cost Principles for Non-Profit Organizations*. As a result, we could not determine whether labor costs charged to the grant were based on actual work experience.

GMSC claimed \$110,123 in staff personnel and benefit costs for the Director of the South Dade Center, an Education Coordinator, and a Recruitment Counselor. These job categories were identified by GMSC's organizational charts, specific job descriptions, and interviews with the personnel in the positions as being jobs that serviced all GMSC programs, not any one specific program. During the first year of the grant, 100 percent of the Director's salary was charged to the grant. In the second and third year, 50 percent of the Director's salary was charged to the Disaster Grant, and 50 percent of his time was charged to the Commission's Defense Conversion Assistance Program (DCAP) grant that was awarded in September 1993.

The Education Coordinator's and Recruitment Counselor's salaries were charged 100 percent to the Disaster Grant for the first 10 months, after which, none of these individuals salaries were charged to either Commission grant.

GMSC claimed unsupported direct staff labor costs as follows:

Center Director	\$ 47,929
Education Coordinator	26,222
Recruitment Counselor	15,380
Subtotal -- Staff labor costs	89,531
23 percent fringe benefits (per budget)	20,592
Total Charged to Disaster Grant	<u>\$110,123</u>

Note 2 -- Post-Service Benefits

GMSC paid \$29,000 in post-service benefits directly to 28 participants with Disaster Grant funds without ensuring that these benefits were used for educational purposes as required. Of the 28 participants, twenty participants completed nine months

Continued

of service and received a \$500 cash reward. Nine participants continued their education or employment and received additional awards totaling \$8,500. GMSC also paid \$11,500 in post-service benefits to 11 participants who were never charged or performed any service under the Disaster Grant. Under the National and Community Service Act, GMSC could only provide post-service benefits for education and training with the Disaster Grant funds (42 U.S.C., Section 12552). Moreover, the Act required GMSC to provide a plan for ensuring that post-service benefits were only used for these purposes (42 U.S.C., Section 12543). Federal regulations also require that for a cost to be allowable it must not be part of another Federal financial program and it must benefit the grant. Further, any cost allowable to a grant may not be shifted to other grants or awards (OMB Circular A-122, Attachment A, General Principles, section A, paragraphs 2f, 4a and 4b).

Note 3 -- Capital Improvements

GMSC charged the Disaster Grant \$20,458 in costs for capital improvements that were unsupported, unapproved and had no reasonable allocation basis. GMSC bought and installed central air conditioning units for its headquarters offices and charged \$9,200 or 38 percent of the total costs to the Commission grant. The grant proposal indicated that costs to refurbish an existing building in South Dade County for use as a south center could be charged to the grant. However, GMSC did not obtain approval from the Commission or CNS for capital improvements to its headquarters building, which is located in central Dade County. Before the units could be installed, electrical work totaling \$7,600 was performed at the GMSC headquarters building and charged to the Disaster Grant. While documentation was provided in support of \$16,800 incurred for the air conditioning units and associated electrical work, no basis for GMSC's allocation of these costs to the Disaster Grant was provided. The remaining \$3,658 in improvements could not be supported by documentation. Federal regulations state that costs for capital improvements are allocable to a particular cost objective, such as a grant, with the prior approval of the awarding agency and, if it benefits both the award and other programs, the costs can be distributed in reasonable proportions to the benefits received (OMB Circular A-122, Attachment A, sections A and B).

Note 4 -- Travel

GMSC charged \$6,243 in unallowable travel costs. GMSC paid two participants who were not enrolled under the Disaster Grant for travel costs totaling \$1,125 to attend the National Association of Service and Conservation Corps (NASCC) 1992 Annual Conference in San Diego, CA. In addition, \$4,108 in travel costs were charged to the Disaster Grant for all GMSC staff as well as two team leaders to attend the 1993 NASCC Annual Conference in Baltimore, MD. These costs were not part of the Disaster Grant award and were not approved by the Commission or CNS. The remaining \$1,010 in travel costs could not be supported by GMSC. Federal regulations state that all costs charged to a grant must be supported by adequate source documentation (OMB Circular A-110, paragraph .21).

Note 5 -- Charges Related to other GMSC Programs

We found that five participants enrolled in GMSC's Defense Conversion Assistance Program (DCAP) were paid living allowances totaling \$6,087 that were charged to the Disaster Grant. We also noted that at least 55 participants under the Disaster Grant worked on projects associated with the DCAP grant. (Project Activity Logs for these participants identified that they were working on projects associated with the DCAP grant. Corresponding GMSC labor distribution reports charged the living allowance to the Disaster Grant.) Examples of DCAP activities charged to the Disaster Grant were:

- Project # 357 - Homestead Air Force Base (HAFB) Conversion Shrubs;
- Project # 366 - HAFB Soup Kitchen; and
- Project # 368 - HAFB Community Giveaway.

Federal regulations state that for a cost to be allowable it must not be part of another Federal financial program and it must benefit the grant. Further, any cost allowable to a grant may not be shifted to other grants or awards (OMB Circular A-122, Attachment A, General Principles, Section A, paragraphs 2f, 4a, 4b).

Note 6 -- Supplies

GMSC was unable to support \$1,324 charged to the grant for supplies. Federal regulations require that all costs charged to a grant be supported with adequate source documentation (OMB Circular A-110, paragraph .21).

We recommend that CNS require GMSC to reimburse unsupported and unallowable charges totaling \$173,235.

Summary of grantee's comments and auditor's assessment

Note 2

GMSC states that only 25 participants were paid post-service benefits totaling \$25,000. It further states that 17 of these participants were pursuing an education tract. Additionally, GMSC states that \$3,500 of the \$29,000 charged to post-service benefits was actually a payment for nursing services for a Disaster Grant Project. Our audit included detailed review of GMSC records. GMSC literature and management stated that a \$500 award was available for completion of the GMSC program. These \$500 payments were charged to post-service benefits for the Disaster Grant, and were not a condition of, nor related to educational pursuits. If specific post-service benefit costs are being reclassified at this time to nursing services, then these costs should be reviewed with respect to their allowability under the grant.

Note 5

GMSC's response stated that Disaster Grant participants were only utilized on Disaster Grant projects. GMSC management indicated that new participants were assigned a charge code which related to a specific funding source. Regardless of what project the participant worked on, they were charged to their assigned code. Our audit included detailed review of timesheets, along with discussions with GMSC management regarding the nature of projects. Our audit confirmed that projects at the Air Base that were developed for the DCAP Grant were performed by participants who were charged to the Disaster Grant.

V. GMSC Failed to Develop and Implement Adequate Management Controls Including Policies and Procedures to Oversee the Internship Program and Account for Program Income.

During our review of participants' Project Activity Logs (PAL), we found that 20 participants in GMSC's Disaster Grant program worked as interns at nine outside organizations affiliated with the Dade County government structure. The internships included lifeguards at county pools, school cafeteria and maintenance personnel at elementary schools, trade workers for county Parks and Recreation, and mechanics at the county Motor Pool. None of these internship activities were in response to, or related to recovery from the disaster, nor were they listed or approved in the grant or its amendments. Several of the interns were hired to continue in their intern position as permanent full-time county employees. In the case of the lifeguards, GMSC personnel stated that the interns were used because they were less expensive than hiring full-time employees.

These internship activities displaced full and part-time workers who could have otherwise worked at these positions. The use of Federal funds in this manner is a violation of the Disaster Grant general provisions which state that grant funds can not be used for service activities that would supplant the hiring of employed workers (General Provision 2, Section 10 (c), *Nondisplacement*).

In addition, GMSC was reimbursed \$4,657.50 by Dade County Parks & Recreation for the two participants who worked as lifeguards. This program income was credited to GMSC's general fund and not to the Disaster Grant in violation of Federal regulations which state that unless otherwise specified by an agency, program income shall be deducted from total allowable costs to determine net allowable costs (OMB Circular A-110, paragraph .24).

We recommend that:

- CNS request reimbursement for the \$4,657.50 in program income which was not properly recorded as such under the Disaster Grant;
- CNS require that GMSC discontinue the use of interns where displacement of full and part-time workers is possible; and
- GMSC project activities be more closely related to those specified in the Grant Agreement.

VI. GMSC Failed to Develop a System to Ensure That Adequate Source Documentation Is Maintained in Support of Claimed Costs, the Receipt of Paychecks Is Adequately Documented and Claimed Costs Associated with Outstanding or Voided Checks are Credited Back to the Grant in a Timely Manner.

As a result, GMSC claimed participant costs totaling \$1,472.75 (\$1,368.08 in gross living allowances and \$104.67 in FICA costs) that was never incurred and deducted from total claimed costs.

During our audit, we requested that Metropolitan Dade County, the acting payroll agent for GMSC, provide us with copies of 106 paychecks for a total of 79 Disaster Grant participants. The sample checks were selected from Metropolitan Dade County's Labor Distribution Report, which listed the name and Social Security Number of the participant paid under the grant, along with the gross amount paid, FICA costs paid, and the check number. We tested the sample for verification of names, Social Security numbers, signatures and amount. We found that 18, or 17 percent of the checks sampled, were outstanding (i.e., never cashed). The total gross amount of these checks was \$1,023.83. In addition, 3 checks, or 2.8 percent of the sample, were clearly marked "VOID."

Furthermore, the 18 uncashed checks represented 100 percent of claimed living allowances for these participants. Therefore, we were unable to verify the payment of any living allowances to these 18 participants.

We asked GMSC to provide us with team rosters which were signed by participants to indicate receipt of checks. However, GMSC's Fiscal Officer stated that such a procedure was not implemented until December, 1994. Therefore, such records were not available to verify that the participants received the paychecks in question, or that the participants ever existed.

Federal regulations require that grantee accounting records be supported by source documentation, such as cancelled checks (OMB Circular A-110, paragraph .21). We recommend that CNS request reimbursement of \$1,472.75 in claimed costs which was never incurred. We also recommend that CNS require GMSC to provide verification of the status (cashied, outstanding, or voided) of all living allowance checks issued under the grant.

Summary of grantee's comments and auditor's assessment

GMSC's reponse states that it utilized Dade County as its' payroll agent, and that all payroll records were available for review at the Dade County offices. We reviewed all records available at both GMSC and Dade County Offices. Whether GMSC is using a payroll agent or not, it is its' responsibility to account for all costs related to the grant. In this case, GMSC did not have the supporting documentation for the payroll and did not have adequate control over its costs to ensure that costs not actually incurred by GMSC (such as the uncashed paychecks) would not be charged to the grant.

VII. GMSC Based Living Allowances on Hours Worked Rather than Treating the Allowance as a Stipend for Participating in the Disaster Grant Program.

GMSC programs required six work hours a day, 4 days a week, with Fridays used for training. If a participant worked more or less than the standard 48 hours per two week period, living allowances were adjusted up or down accordingly. For example, participants in the intern programs were required to work more than the normal six hour work day and were also required to work on weekends. As a result, internship participants received a substantially higher living allowance than other participants (the normal living allowance was based on a six hour work day). GMSC also paid other participants under the Disaster Grant program living allowances based solely on hours worked. However, Public Law 101-610 and 45 CFR 2503.25 provide that all members enrolled in the Disaster Grant program on a full-time basis are to receive a living allowance of not more than 100 percent of the poverty line for a family of two as annually established by the Secretary of Health and Human Services under the Community Services Block Grant Act. Entitlement to a living allowance is dependent upon enrollment in a program as a full time participant, not the amount of service conducted or the number of hours spent working with the program in a particular accounting period.

We recommend that GMSC pay living allowance based on enrollment in the program as required by Public Law 101-610.

Tichenor & Associates

TICHENOR & ASSOCIATES

Woodbridge, Virginia

January 18, 1996

REPORT ON INTERNAL CONTROLS

We have audited the Commission on National and Community Service's Grant No. 92COLOFL0032, awarded to the Greater Miami Service Corps (GMSC), for the grant period September 21, 1992 through March 30, 1995.

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 about whether GMSC complied with the award in providing the scope of work deliverables, and all claimed costs were allowable and allocable consistent with the objectives of the grant, National and Community Service Act of 1990 (Public Law 101-610), and OMB Circulars A-110 and A-122.

In planning and performing our close-out audit of GMSC's grant, we considered its internal control structure in order to determine our auditing procedures for the purpose of determining the extent of testing necessary to obtain reasonable assurance on the areas discussed above, and not to provide assurance on the internal control structure.

The management of GMSC is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements 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 statements 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.

For the purposes of this report, we have classified the significant internal control structure policies and procedures into the following categories:

- Procedures which assure that claimed costs are allowable, allocable, and reasonable pursuant to OMB Circulars A-110 and A-122;
- Procedures which assure that charges to Federal awards for salaries and wages, whether direct or indirect, are based on documented payrolls and supported by personnel activity reports, as mandated by A-122;

- Procedures which assure that costs which can be identified specifically with a particular final cost objective are charged directly to that cost objective, and that the remaining indirect costs (which are incurred for common or joint objectives and cannot be identified with a particular cost objective) are allocated to all benefitting cost objectives on the basis of relative benefits received;
- Procedures which assure that all participants are eligible for the program consistent with the criteria of the grant and projects performed under the grant are consistent with allowable activities listed under the guidance of Public Law 101-601, Subtitle C, American Conservation and Youth Corps;
- Procedures which assure that expenditures for the grant are consistent with the budget and that any deviations are recorded and approved consistent with Federal regulations; and
- Procedures which assure that the payments for living allowances (stipends) are based on Federal laws and regulations, which state that all members enrolled in the program on a full time basis are to receive a living allowance of not more than 100 percent of the poverty line for a family of two as annually established by the Secretary of Health and Human Services under the Community Services Block Grant Act.

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 had been placed in operation, and we assessed control risk.

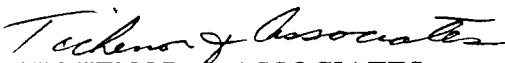
We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. *Reportable conditions* involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management. A *material weakness* is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities that would be material to the grant which 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 material weaknesses as defined above.

However, we noted the following matters involving the internal control structure that we considered to be material weaknesses as defined above:

- GMSC's system of internal controls did not ensure compliance with Federal regulations and did not ensure the safeguarding of Federal funds;
- GMSC has not established adequate policies and procedures to assure that costs used to meet cost sharing or matching requirements are supported;
- GMSC has not established adequate policies and procedures to assure that only costs associated with the completion of grant objectives are charged to the grant;
- GMSC has not established adequate policies and procedures to assure that all participants charged to the grant are eligible per law and Federal regulations;
- GMSC has not established adequate policies and procedures to assure that: journal voucher transactions are clearly documented; the documentation is complete and accurate and will permit the tracing of the transaction and related information throughout its entire accounting cycle; and that the transactions have been properly authorized and executed by persons acting within the scope of their authority;
- GMSC has not established procedures which assure that the payments for living allowances (stipends) are based on Federal laws and regulations (Public Law 101-610 and 45 CFR 2503.25) which state that entitlement to a living allowance is dependent upon enrollment in a program as a full time participant, not the amount of service conducted or the number of hours spent working with the program in a particular accounting period; and
- GMSC has not established adequate policies and procedures to assure that grant program and expenditure data reported to Federal agencies in quarterly and final Financial Status Reports and accompanying narrative reports are properly supported by, and consistent with, its actual program activity reports and general ledger accounts.

This report is intended solely for the use of the Corporation for National and Community Service and GMSC. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


TICHENOR & ASSOCIATES
Woodbridge, Virginia
January 18, 1996

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have audited the Commission on National and Community Service's Grant No. 92COLOFL0032, awarded to the Greater Miami Service Corps (GMSC), for the grant period September 21, 1992 through March 30, 1995.

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 about whether the costs claimed under the grant were allowable, allocable and in compliance with the grant agreement, Public Law 101-610, and OMB Circulars A-110 and A-122.

Compliance with laws and regulations applicable to GMSC is the responsibility of GMSC's management. As part of obtaining reasonable assurance about whether the cost claimed were allowable, we performed tests of GMSC's compliance with certain provisions of laws and regulations. However our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

We considered GMSC's compliance with applicable laws and regulations in forming our opinion on whether GMSC's costs claimed were in conformity with the cost reimbursement principles set forth in OMB Circular A-122.

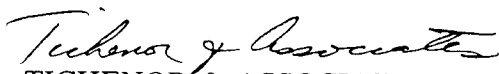
Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes and regulations that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the costs claimed under the grant. The results of our tests of compliance disclosed a number of material instances of noncompliance with the requirements of the grant agreement, Public Law 101-610, and OMB Circular A-122, as follows:

- GMSC does not have support for matching costs;
- GMSC utilized ineligible participants in the performance of the grant objectives;
- GMSC paid post-service benefits to participants not enrolled or charged to the grant, and paid post-service benefits for purposes that violated Federal regulations;
- GMSC charged participant costs to the Disaster Grant for performance of projects associated with another Commission grant;

- GMSC misreported program results including the overall success of the program, including the number of participants completing a term of service;
- GMSC based the participants biweekly living allowances solely on work hours performed rather than on enrollment in a program as a full time participant as required (45 CFR 2503.25 and Public Law 101-610);
- GMSC placed participants in internship programs where they worked as full-time lifeguards, cafeteria workers, school maintenance and janitorial workers, and Dade County trade workers which were unallowable activities for the Disaster Grant. These placements violated General Provisions 2, Section 10 (c), *Nondisplacement*;
- GMSC did not keep accurate records of activities funded by the grant;
- GMSC had no support for supplies, construction, and travel totaling \$7,567 charged directly to the grant;
- GMSC had no basis for the allocation of \$20,458 of capital costs charged directly to the grant;
- GMSC had no support or allocation basis for payroll costs of administrative staff totaling \$110,123 charged directly to the grant;
- GMSC reprogrammed budget line items totaling \$84,608 including \$59,132 in training funds without CNS approval or notification; and
- GMSC charged living allowance costs of \$1,472.75 to the grant for 18 checks that were never cashed, and for 3 checks that were voided.

We considered these material instances of noncompliance in forming our opinion on whether GMSC's costs claimed are allowable, allocable and reasonable, in all material respects, in conformity with the cost principles set forth in OMB Circular A-122.

This report is intended solely for the use of the management of the Corporation for National and Community Service and GMSC. This restriction is not intended to limit the distribution of this report which is a matter of public record.


 TICHENOR & ASSOCIATES
 Woodbridge, Virginia
 January 18, 1996



CHAIRMAN OF THE BOARD
Clark Cook

EXECUTIVE DIRECTOR
Barbara Jordan

June 19, 1996

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

Dear Ms. Jordan:

Greater Miami Service Corps (GMSC) is in receipt of the draft close-out audit report of Commission on National and Community Service (CNCS) grant number 92COLOFL0032, prepared by Tichenor and Associates, under contract to the Office of Inspector General (OIG). It is regrettable that your office would not consider granting GMSC's request for a time extension. This would have given our new administration the time necessary to review the support documentation currently held by Tichenor and Associates. As a result of these time constraints, our response to the audit report will not be as thorough as it would have been after review of that documentation.

GMSC considers the purpose of an audit essential to the effectiveness of the programmatic and administrative-fiscal operations of the organization. We view these reports as management information tools that guide us in improving the overall organization and ensuring its longevity. The findings related to GMSC's administrative policies and procedures have assisted us to strengthen our internal controls, especially as relates to Federal funds.

GMSC understands the magnitude and seriousness of this report. The OIG has recommended to the Corporation for National Service that GMSC repay these funds. GMSC disagrees with this recommendation for a number of reasons. Primarily, GMSC does not agree with all of the findings of the audit. Furthermore, GMSC does not have the funds to repay the grant. GMSC is a grant driven program, and expended these funds in the manner expressed in the grant application. It is the position of GMSC that the use of these funds was consistent with the spirit of the Disaster Grant.

Young People . . . Serving Their Community

GMSC strived to achieve the goals as set forth in the grant, and took great pride in its accomplishments. The benefit to the community brought about by the grant participants was noted locally and by program evaluators employed by the Corporation for National and Community Service. GMSC went to great lengths to provide relief to the community after Hurricane Andrew, and assisted in bringing normality back to everyday life and stabilizing our community. (Attachment F1, relates how volunteers from across the country rallied to assist a devastated Dade County, Florida. Attachment F2, highlights other roles that GMSC played in the aftermath of Hurricane Andrew. Attachment F3, is one of many commendations that the GMSC program received for this effort. Attachment F4, shows that CNCS, in recognition of the urgent situation in Dade County, began the award process informally.)

GMSC has always considered the Corporation for National Service (CNS) a valued partner in serving the community and GMSC participants. We have welcomed all reviews and the technical assistance provided. Contact between CNS and GMSC has been ongoing. When the GMSC program was evaluated by Abt Associates Inc., the evaluators were aware of the presence of immigrant participants (see Attachment F5).

The audit report states that fifty-three (53) of one hundred sixty-eight (168) participants were ineligible due to immigration status, of those twenty-two were enrolled prior to GMSC's receipt of the grant provisions. It should be noted that the balance, one hundred thirty-seven participants, or (82%), could be considered eligible. Throughout the process GMSC has reported who the participants were. In the absence of technical assistance from CNS, GMSC used standards accepted by Metropolitan Dade County to define eligibility. GMSC attempted to follow the rules and regulations in carrying out the activities of this grant. However, in the case of possible shortcomings noted in this report, notification of irregularities did not come in a timely manner.

GMSC is utilizing the draft audit to strengthen its operations and procedures. Insights gained from this report have supplied the direction that will allow the organization to fulfill its potential, achieve its goals, and ensure that funds are used and reported on appropriately.

Sincerely,



Hubert James
Executive Director
Greater Miami Service Corps

GREATER MIAMI SERVICE CORPS

Audit Response

to

Commission on National and Community Service

Grant No. 92C0L0FL0032

Greater Miami Service Corps (GMSC)

Response to Audit of Commission on National and Community Service (CNCS) Grant

Number 92COLOFL0032

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Greater Miami Service Corps (GMSC) Audit Response to Commission on National and Community Service (CNCS) Grant Number 92COLOFL0032

FINDINGS & RECOMMENDATIONS:

I. GMSC Failed to Develop and/or Implement Policies and Procedures to Ensure That Matching Costs, In-Kind Contributions and Budget Modifications Were Adequately Supported, Recorded, and Approved.

GMSC had no support for \$223,836 claimed as matching costs as required by Federal regulations. Commission regulations state that matching costs must be verifiable from the grantee's records and that grantee financial management systems include accounting records that are supported by source documentation. GMSC's matching costs were labeled as "indirect expenses" on their Financial Status Reports. However, GMSC does not have an indirect rate agreement nor any allowable method or basis for allocating indirect expenses. GMSC reprogrammed \$84,608 in funds without an approved budget modification. The reprogrammed funds included \$59,132 of training and education costs while the grant required that a minimum of 10 percent, or \$62,500, be expended in this area. GMSC also drew down the entire grant budget amount of \$625,000 while its financial reports showed costs incurred of only \$624,691. The difference of \$309 could not be accounted for by GMSC.

Responses:

GMSC is developing policies and procedures for matching costs, in-kind contributions, indirect cost, and budget modifications to ensure that they are properly supported, recorded and approved with applicable OMB Circulars A-110 and A-122.

GMSC has reviewed its records and obtained documentation to support the matching cost incurred for the Disaster Grant activities (see Attachments A1 - A6 for supporting documentation and basis for allocation).

Contribution	Contributor	Amount
Building for Satellite Office	Dade Co. Park & Recreation	\$ 50,782
Educational Services	Dade Co. Public Schools	\$190,460
Personnel (Job Developer, Project Manager)	GMSC	\$ 27,192.96
Cash for Disaster Activities	Dade Community Foundation	\$ 5,000
Cash for Youth Rebuild Project	We Will Rebuild	\$ 14,624
Administrative Costs	CAA-GMSC	<u>\$ 90,213.59</u>
(Director, Administrative Officer, Accountant, Word Processor II, Community Planner)		\$378,272.55

On September 20, 1993, GMSC requested a one year extension and authorization to reallocate remaining funds to continue to carry out disaster activities. The Commission approved GMSC's request (see Attachments A7 and A8). GMSC acknowledges the reprogramming of the Training and Education line item of \$62,500 for year two of the grant. GMSC was able to meet the ten (10) percent requirement for Training and Education through the in-kind contribution of educational services from Dade County Public Schools.

GMSC acknowledges that a discrepancy could exist between the amount drawn down and amount expended. Since the Disaster Grant, GMSC has bought an on-line integrated accounting software package which will allow the recording of detailed transactions and assure better tracking of expenditures.

FINDINGS & RECOMMENDATIONS:

II. Many of the GMSC Participants Did Not Meet Eligibility Requirements of the Grant.

GMSC did not develop and/or implement policies and procedures to effectively determine that participants met the eligibility requirements of the grant and Public Law 101-610 which states that grant participants must be citizens, nationals, or lawful permanent resident aliens. At least 53, or 31.6 percent, of the 168 individuals who GMSC enrolled as participants in the Disaster Grant program had Employment Authorization Cards or "Green Cards" which are not issued to U.S. citizens, nationals, or lawful permanent residents.

Response:

The audit report states that fifty-three (53) of the one hundred sixty-eight (168) participants were ineligible due to immigration status. Twenty-two (22) of the participants found ineligible were enrolled prior to GMSC's receipt of the special provisions. Therefore, it should be noted that the balance of one hundred thirty-seven (137) participants, or (82%) should be considered eligible.

GMSC stated on page 2 of the proposal (under Goal 2, Activities) that "GMSC has successfully attracted a large underserved Haitian population in Homestead and Florida City communities. Of the current enrollment, 15 are from those Haitian communities."

The proposal further states: "GMSC will strengthen and refine recruitment activities in the Migrant and other neighborhoods in order to create diversity within the South Dade Satellite Center."

GMSC began enrolling participants in September of 1992. Response from area youth was lacking. Many were already employed in clean-up and construction jobs paying as much as \$15.00 per hour. Response to the program from the Haitian community was positive. The Evaluation of National and Community Service Programs conducted by

Abt Associates Inc. noted the difficulty in enrolling local youth. The report referenced the presence of many recent immigrants on one team of corps members and the receipt of "applications from a large number of Haitian immigrants." This apparent acceptance of these corps members reinforced GMSC's belief that they were eligible for participation in the program.

Because GMSC did not receive any provisions from the Corporation until July of 1993, GMSC proceeded to utilize accepted Dade County standards for enrollment of participants, which allowed Employment Authorization Cards or "Green Cards" as valid documentation.

FINDINGS & RECOMMENDATIONS:

III. GMSC Did Not Design and/or Implement Adequate Policies and Procedures to Ensure That Actual Program Results Were Tracked, Compared to Objectives, and Accurately Reported to CNS. As a Result, Performance and Technical Information Reported to CNS was Inaccurate.

GMSC's final report, dated April 26, 1995 to CNS stated the following regarding the completion rate of its participants: "154 corps members participated in the program. Of the graduates, 72 percent are continuing their education. Of those who successfully completed the program, 94 percent have been gainfully employed." Furthermore, GMSC's 1993 Annual Report identified a 63 percent completion rate for GMSC programs. The audit identified 168 Disaster Grant participants; of the 168:

- . 18 participants (10.7 percent) completed the program (GMSC criteria states that 12 months in the program constitutes a successful term of service);
- . 7 participants (38.9 percent) continued their education;
- . 8 participants (44.4 percent) continued their employment; and
- . 22 participants (14.2 percent) were in the program for at least 9 months (which is generally accepted by CNS as an acceptable program duration).

Moreover, GMSC's final report identified 57 projects completed during the program period.

Responses:

GMSC did have procedures in place to accurately report on program results. All reports were submitted to CNS in a timely manner. However, GMSC acknowledges some inconsistencies in program results (see Attachment B1 for the revised final report).

GMSC acknowledges the fact that fourteen (14) participant files were misplaced. All files in question have been retrieved and are accounted for and available for review.

The audit report states that 7 participants (38.9 percent) continued their education. In fact, 16 of the 18 or 89% registered for school (see Attachment B2). An intended outcome as stated in the proposal was to place at least 30% of program completers in continuing education or vocational training.

The audit report states that 8 participants (44.4 percent) continued their employment. However, GMSC's records indicate that seventeen (17) of the eighteen (18) or 94% were employed after completing one year of service (see Attachment B2). An intended outcome as stated in the proposal was to obtain employment for 70% of program completers.

The audit report states that GMSC's 1993 Annual Report identified a 63% completion rate for GMSC programs. The Disaster Grant represents a small percentage of GMSC's program completers. It is not stated anywhere in the grant proposal that twelve (12) months in the program constitutes a successful term of service. GMSC considers any participant who leaves the program and transitions to full-time employment or education or part-time employment and education to be a positive termination.

The audit report states that only six of the projects listed on the final Disaster Grant report were on the list of Disaster related projects. GMSC records indicate that 57 projects noted in the final report were included in GMSC's project identification list under specific titles rather than descriptions listed in the report (see Attachments B3 and B4).

FINDINGS & RECOMMENDATIONS:

IV. GMSC Charged \$173,235 in Unallowable and Unsupported Costs to the Disaster Grant.

As part of the audit, a sample was examined of expenses charged to the grant. The expenses included staff personnel and benefits, post-service benefits, capital improvements, supplies, travel and other miscellaneous and general costs.

Note 1 - Staff Personnel & Benefits

GMSC claimed \$110,123 in staff personnel and benefit costs for the Director of the South Dade Center, an Education Coordinator, and a Recruitment Counselor. GMSC staff were not required to complete time sheets as required by OMB Circular A-122. During the first year of the grant, 100 percent of the Director's salary was charged to the grant. In the second and third year, 50 percent of the Director's salary was charged to the Disaster Grant, and 50 percent of his time was charged to the Commission's Defense Conversion Assistance Program (DCAP) grant. The Education Coordinator's and Recruitment Counselor's salaries were charged 100 percent to the Disaster Grant for the first 10 months, after which, none of these individuals salaries were charged to either Commission grant.

Response:

GMSC acknowledges staff did not complete time sheets and activity reports as required. GMSC budgeted and assigned a Center Director, Education and Training Coordinator, and Recruiter Counselor to work Disaster for the initial one year period of the grant. The Education & Training Coordinator and the Recruiter Counselor left GMSC's employment after ten (10) months. These positions were vacant for two (2) months. During this period, the Center Director assumed their duties with support from Headquarters' staff. Budget constraints for year two limited the personnel charged to the Disaster Grant. As a result, the Center Director was only charged to the Disaster Grant at 50 percent. The remaining 50 percent was charged to DCAP, the other Commission grant assigned to the South satellite office.

Note 2 - Post-Service Benefits

GMSC paid \$29,000 in post-service benefits directly to 28 participants without ensuring that these benefits were used for educational purposes as required. GMSC also paid \$11,500 in post-service benefits to 11 participants who were never charged or performed any service under the Disaster Grant.

Response:

GMSC records indicate that only twenty-five (25) participants were paid post-service benefits totaling \$25,500. \$17,500 was paid to seventeen (17) Disaster Grant participants who were pursuing an educational tract (see Attachment B2). \$3,500 of the \$29,000 cited as post-service benefits payment was actually payment for nursing services for Youth Corps Rebuild Miami Disaster project (see Attachment C1).

Note 3 - Capital Improvements

GMSC charged the Disaster Grant \$20,248 in costs for capital improvements that were unsupported, unapproved and had no reasonable allocation basis. GMSC bought and installed central air conditioning units for its headquarters offices and charged \$9,200 or 38 percent of the total costs to the Commission grant. While documentation was provided in support of \$16,800 incurred for the air conditioning units and associated electrical work, no basis for GMSC's allocation of these costs to the Disaster Grant was provided. The remaining \$3,658 in improvements could not be supported by documentation.

Response:

GMSC acknowledges that Disaster funds were used to help pay for the installation of air conditioning units in its Headquarters building. GMSC consolidated its weekly Life Skills sessions with both offices attending at the Headquarters building. Life Skills was a required part of GMSC's programming and utilization of the Headquarters building by Disaster participants was necessary for them to achieve total program participation.

GMSC has changed its procedures on the custody of source documentation to ensure that documents are secured and access to documents is limited (see Attachment C2 for documentation for \$2,019 of the \$3,658 cited as unsupported cost).

Note 4 - Travel

GMSC charged \$6,243 in unallowable travel costs. Two participants not enrolled under the Disaster Grant traveled to the National Association of Service and Conservation Corps (NASCC) 1992 Annual Conference. Travel costs totaled \$1,125. In addition, \$4,108 in travel costs were charged to the Disaster Grant for GMSC staff. These costs were not part of the Disaster Grant award and were not approved by the Commission or CNS. The remaining \$1,010 in travel costs could not be supported by GMSC.

Response:

GMSC acknowledges the irregularities in the travel charged to the Disaster Grant. GMSC has developed policies and procedures to ensure that travel charges are pertinent to grant objective(s), supported, and meet the cost principle outlined in OMB Circular A-122.

Note 5 - Charges Related to other GMSC Programs

Five (5) participants enrolled in GMSC's Defense Conversion Assistance Program (DCAP) were paid living allowances totaling \$6,087 that were charged to the Disaster Grant. Fifty-five (55) participants under the Disaster Grant worked on projects associated with the DCAP grant. Federal regulations state that for a cost to be allowable it must benefit the grant.

Response:

GMSC has instituted a procedure wherein, GMSC's Fiscal Officer forwards participant charge codes to Project Management to ensure the assignment of correct participant index codes.

GMSC utilized Disaster Grant participants only on projects directly related to the Disaster Grant. The projects noted in the report were, by nature of their scope, large enough to justify utilization of all available participants.

Note 6 - Supplies

GMSC was unable to support \$1,324 charged to the grant for supplies.

Response:

GMSC acknowledges that source documentation for supplies ordered could not be located. GMSC has changed its policy and procedures regarding supplies to ensure greater control over source documentation.

As a result of this audit, GMSC has become more familiar with policies and procedures for the administration of Federal funds. GMSC's new Executive Director's expertise in Federal regulations and OMB Circular requirements will ensure that GMSC remains in full compliance with Federal guidelines in the future.

FINDINGS & RECOMMENDATIONS:

V. GMSC Failed to Develop and Implement Adequate Internal Controls and Policies and Procedures to Oversee the Internship Program and Account for Program Income.

Twenty (20) participants worked as interns. None of these internship activities were in response to, or related to recovery from the disaster, nor were they listed or approved in the grant or its amendments. These internship activities displaced full and part-time workers. GMSC was reimbursed \$4,657.50 by Dade County Park & Recreation for two (2) participants who worked as lifeguards. This program income was credited to GMSC's general fund and not to the Disaster Grant in violation of Federal regulations.

Response:

The list of internships and their corresponding youth corps activities reflect that all placements were in compliance with the Special Provisions for youth corps service activities (see Attachment D1). Internships are a part of the corps member development process. They are not established where they would displace workers. Metro-Dade Park and Recreation Department requested GMSC interns to fill voids in the lifeguard service (see Attachment D2). GMSC will request written certification from future internship sites stating that the participant will not displace any workers.

GMSC has incorporated specific language from OMB A-110 into its Financial Management policies and procedures regarding the proper reporting and handling of program income. Program income earned from participants serving as lifeguards for Dade County Park & Recreation was paid to GMSC by journal entry through Dade County Financial Management Information System (FAMIS). These funds were applied to GMSC's outstanding payables for Metro-Dade County Community Action Agency (CAA). CAA pays on GMSC's behalf, all expenditures incurred for activity on each grant. GMSC reimburses CAA when grantor reimburses GMSC.

FINDINGS & RECOMMENDATIONS:

VI. GMSC Failed to Develop a System to Ensure That: Adequate Documentation Is Maintained in Support of Claimed Costs; the Receipt of Paychecks Is Adequately Documented; and Claimed Costs Associated with Outstanding or Voided Checks are Credited Back to the Grant in a Timely Manner.

GMSC claimed participant costs totaling \$1,472.75 (\$1,368.08 in gross living allowances and \$104.67 in FICA costs) that was never incurred and deducted from total claimed

costs. The audit found that 18, or 17 percent of the checks sampled from Metropolitan Dade County's Labor Distribution Report (GMSC's acting payroll agent) were never cashed. Three (3) checks or 2.8 percent of the sample were marked "VOID." Records to verify that participants received the paychecks in question were not provided to the auditors.

Response:

As a result of the unique relationship between GMSC and Metropolitan Dade County serving as payroll agent, checks are issued according to Metropolitan Dade County criteria. Consequently, Metropolitan Dade County requires unclaimed checks to be returned. Unclaimed checks are held for one year and then turned over to the State of Florida in accordance with state statutes (see Attachment E).

GMSC records indicate that rosters were on file and available for review which identified participants who received checks during this time frame.

FINDINGS & RECOMMENDATIONS:

VII. GMSC Based Living Allowance on Hours Worked Rather than Treating the Allowance as a Stipend for Participating in the Disaster Program.

GMSC programs required six work hours a day, 4 days a week, with Fridays used for training. If a participant worked more or less than the standard 48 hours per two week period, living allowances were adjusted up or down accordingly. Entitlement to a living allowance is dependent upon enrollment in a program as a full time participant, not the amount of service conducted or the number of hours spent working with the program in a particular accounting period.

Response:

Participants are required to participate in thirty-eight (38) program hours per week, but are paid for twenty-four (24) hours. Program participation is not limited to work hours. Participants must engage in Physical Training (P.T.), Education, and Life Skills. Furthermore, the Project Activity Logs represent ALL programmatic activities while the PAR is a County system used to bill the County for participants' stipends.

It has always been GMSC's policy and intent that participant stipends were based on full participation in the program not an hourly wage. However, to ensure greater compliance, GMSC will establish standards and procedures based on Federal regulations to pay stipends.

STATEMENT OF CERTIFICATIONS:

Internal Controls

GMSC's system of internal controls did not ensure compliance with Federal regulations and did not ensure the safeguarding of Federal funds.

Response:

GMSC will establish a set of policies and procedures that define staff qualifications, duties, lines of authority, separation of functions, and control of access to assets and sensitive documents.

GMSC has not established adequate policies and procedures to assure that costs used to meet cost sharing or matching requirements are supported.

Response:

GMSC will strengthen its policies and procedures to ensure that shared and matching costs are verifiable, necessary and reasonable in meeting grant objectives, allowable under the grant, not from prohibited sources (i.e. other Federal awards), and identifiable in the budget.

GMSC has not established adequate policies and procedures to assure that only costs associated with the completion of grant objectives are charged to the grant.

Response:

GMSC has established a defined set of standards and procedures for determining the reasonableness, allowability, allocability of costs (i.e. direct and indirect) that are consistent with grant objectives and basic Federal regulations (i.e. OMB Circular A-122). Costs are treated consistently for all activities.

GMSC has not established adequate policies and procedures to assure that all participants charged to the grant are eligible per law and Federal regulations.

Response:

GMSC has changed its policies and procedures to only accept participants who have documentation that verifies residency, U.S. citizenship, or U.S. national status. GMSC has not established adequate policies and procedures to assure that: journal voucher transactions are clearly documented; the documentation is complete and accurate

and will permit the tracing of the transaction and related information throughout its entire accounting cycle; and that the transactions have been properly authorized and executed by persons acting within the scope of their authority.

Response:

GMSC has established and maintained an adequate financial accounting system that includes chart of accounts, general ledger, cash receipt and disbursement journals, and payable and receivable ledgers.

GMSC has established procedures that define lines of authority for authorizing and executing accounting transactions. Journal entries are approved, explained, supported, and posted on a regular basis.

GMSC has not established procedures which assure that the payments for living allowances (stipends) are based on Federal laws and regulations (Public Law 101-610 and 45 CFR 2503.25) which state that entitlement to a living allowance is dependent upon enrollment in a program as a full time participant, not the amount of service conducted or the number of hours spent working with the program in a particular accounting period.

Response:

GMSC will assure that payment of living allowances will meet the criteria set forth in Public Law 101-610 and 45 CFR 2503.25.

GMSC has not established adequate policies and procedures to assure that grant program and expenditure data reported to Federal agencies in quarterly and final Financial Status Reports and accompanying narrative reports are properly supported by, and consistent with, its actual program activity reports and general ledger accounts.

Response:

GMSC has established procedures to track accounting transactions by grants, functions, and/or programs by which comparisons can be made to narrative reports to ensure consistencies between program activities and general ledger accounts.

REPORT ON COMPLIANCE:

The Board of Directors and management of GMSC acknowledge the compliance issues stated in the audit report. It is the intent of GMSC to review its current Administration and Operations policies. Following this review, GMSC will implement policies and procedures that are consistent with OMB Circular requirements as well as other pertinent general and special provisions.

Greater Miami Service Corps (GMSC) Audit Response to Commission on National and
Community Service (CNCS) Grant Number 92COLOFL0032

List of Attachments:

Attachment A

- A1 Building Rental Values
- A2 Dade County Public Schools Cost Verification
- A3 Basis on Indirect Cost (Personnel, Program and Administration)
- A4 Detail for Indirect Cost (Personnel, Program and Administration)
- A5 Dade Community Foundation, Donation \$5,000
- A6 We Will Rebuild, Donation \$14,624
- A7 Request for Extension
- A8 Approval of Extension

Greater Miami Service Corps (GMSC) Audit Response to Commission on National and
Community Service (CNCS) Grant Number 92COLOFL0032

List of Attachments (continued):

Attachment B

- B1 Revised Final Report
- B2 Education and Post-Program Employment Verification
- B3 Projects Completed During Grant Period (57 projects)
- B4 Revised List of Disaster Related Projects (144 projects)

Attachment C

- C1 Youth Corps Rebuild Miami (volunteers from other Youth Corps who assisted in recovery from Hurricane Andrew), expense for nurse and award \$3,640.50
- C2 Capital Improvement (drainage \$1,218.67 and blinds \$800.00)

Attachment D

- D1 List of Internships and Corresponding Youth Corps Activities
- D2 Letter from Metro-Dade County Park & Recreation Department regarding lifeguards

Greater Miami Service Corps (GMSC) Audit Response to Commission on National and
Community Service (CNCS) Grant Number 92COLOFL0032

List of Attachments (continued):

Attachment E

E State of Florida Statutes, Disposition of Unclaimed Property

Attachment F

F1 Miami Herald Article

F2 Miami Times Article

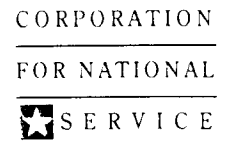
F3 National Association of Counties (NACO) letter

F4 Commission on National and Community Service (CNCS) letter

F5 Abt Associates Report

June 17, 1996

Mr. Hubert James, Executive Director
Greater Miami Service Corps
810 N.W. 28th Street
Miami, Florida 33127



Dear Mr. James:

I am unable to grant your request for an extension of the comment period for OIG Draft Report 96-16: Greater Miami Service Corps (GMSC); Commission on National and Community Service grant number 92COLOFL0032, as you have already been informed by Assistant Inspector General, Bill Anderson. The CNS Office of Inspector General's policy is to follow the requirements of OMB Circular A-50 which provides for a 30 day comment period. More importantly, however, is the fact that GMSC has already been provided additional time to research and rectify matters related to this report as stated in the Executive Summary Section of the draft. GMSC was first made aware of the auditors findings in December, 1995 and January, 1996 and the auditors from Tichenor and Associates have gone so far as to return to Miami to further discuss these matters.

This report contains important findings that should be considered by the Corporation for National Service. Consequently, it will be issued as originally scheduled after June 21, 1996. As stated in our May 22, 1996 transmittal letter, please submit your response to Tichenor and Associates on or before June 21st so that it can be included in the final report. If we do not receive a response from GMSC by that date, we will release the report indicating that we did not receive your response.

After June 21, 1996, however, you can still respond to the report. Under OMB Circular A-50, CNS management has 180 days after the issuance of the final report to make a final decision on the report's findings and recommendations. If you are unable to submit your response within the comment period, you can submit the information to the Corporation for National Service's Acting Chief Financial Officer, Gary Kowalczyk, as part of the audit follow-up and resolution process.

Sincerely,

A handwritten signature in cursive script, appearing to read "Luise S. Jordan", is written over a horizontal line.

Luise S. Jordan
Inspector General

- c: S. Sagawa; CNS Executive Director
G. Kowalczyk, Acting Chief Financial Officer
M. Kenefick; Director, CNS Grants Management
J. Crowder; Partner, Tichenor and Associates
W. Anderson; Assistant Inspector General for Audit

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