
CORPORATION

FOR NATIONAL



S E R V I C E

OFFICE OF THE INSPECTOR GENERAL

**Audit of the
National Council of La Raza
Award Number 95ADNDC012**

This report is issued to the Corporation's Management. According to OMB Circular A-50, *Audit Follow Up*, the Corporation must make final management decisions on the report's findings and recommendations no later than April 27, 1998. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented or the amount of disallowed costs.

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

Office of the Inspector General
Audit of the
National Council of La Raza
Award Number 95ADNDC012



Foxx & Company, under contract to the Office of the Inspector General, performed an audit of the funds awarded by the Corporation for National Service to the National Council of La Raza. The audit covered the costs (\$566,741) claimed during the period August 1, 1995 through December 31, 1996.

The audit included an examination to determine whether financial reports prepared by the auditee presented fairly the financial condition of the award and the award costs reported to the Corporation were documented and allowable in accordance with the terms and conditions of the award. We have reviewed the report and work papers supporting its conclusions and agree with the findings and recommendations presented.

The firm found that

- Costs were claimed in excess of actual costs incurred.
- Unsupported or unallowable costs were charged to the award.
- Two operating sites paid AmeriCorps Members a living allowance based on the number of hours served.

Based on the audit, we are questioning \$44,546 (eight percent) of the costs claimed under the award. These and other matters are discussed in greater detail in the report.

The Corporation's response is included as Appendix A. In its response to a draft of this report, the Corporation's Office of Grants Management stated that it had not conducted a comprehensive review and analysis of the findings and was unable to provide detailed comments or specifically concur with the findings.

The National Council of La Raza's response is presented as Appendix B and summarized in the report with the auditor's comments, as appropriate. In its response, the National Council of La Raza concurred with several findings and provided comments on the remaining findings.

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**CORPORATION FOR NATIONAL SERVICE
OFFICE OF THE INSPECTOR GENERAL**

**NATIONAL COUNCIL OF LA RAZA
1111 19TH STREET, N.W., SUITE 1000
WASHINGTON, D.C. 20036**

**CORPORATION FOR NATIONAL SERVICE
COOPERATIVE AGREEMENT NO.
95ADNDC012**

**FINANCIAL SCHEDULES AND
INDEPENDENT AUDITORS' REPORT**

**for the period
August 1, 1995 to December 31, 1996**

Foxx & Company
700 Goodall Complex
324 West Ninth Street
Cincinnati, Ohio 45202-1908

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REPORT SUMMARY AND HIGHLIGHTS



Corporation for National Service
Office of the Inspector General

We have performed an audit of the funds awarded by the Corporation for National Service to the National Council of La Raza under Cooperative Agreement No. 95ADNDC012. Our audit covered the costs incurred during the period August 1, 1995 through December 31, 1996. These costs are summarized in Exhibit A and as follows:

Cooperative Agreement Number	Award Budget	Claimed Costs	Questioned Costs
95ADNDC012	<u>\$1,065,031</u>	<u>\$566,741</u>	<u>\$44,546</u>

SUMMARY OF AUDIT RESULTS

As a result of our audit of the aforementioned award, we are questioning costs totaling \$44,546, which are summarized below and detailed in Exhibit A to the Independent Auditors' Report. Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of the law, regulations, or specific conditions of the award or those costs which require additional support by the auditee or which require interpretation of allowability by the Corporation for National Service.

The following summarizes the costs questioned on the above award by reason:

Explanation	Amount
Excessive FICA costs	\$ 50
Unsupported AmeriCorps health care costs	5,946
Unsupported training and education costs	1,667
Unreasonable staff salaries and benefits	1,120
Unsupported staff salaries and benefits	10,228
Unreasonable Corporation sponsored meeting costs	2,529
Costs claimed in excess of actual costs incurred	<u>23,006</u>
Total	<u>\$44,546</u>

We used a judgmental sampling method to test the costs claimed by the auditee. Based upon this sampling plan, questioned costs in this report may not represent total costs that may have been questioned had all expenditures been tested. In addition, we have made no attempt to project such costs to total costs claimed, based on the relationship of costs tested to total costs. For a complete discussion of these questioned costs, refer to the Independent Auditors' Report.

Compliance Findings

The results of our testing disclosed the following instances of noncompliance by the National Council of La Raza and its subrecipients:

- Costs were claimed in excess of actual costs incurred in the amount of \$23,006 (Independent Auditors' Report on Compliance, Finding 1).
- The Association for the Advancement of Mexican Americans did not provide documentation to support \$10,228 in salaries and benefits (Independent Auditors' Report on Compliance, Finding 2).
- The Association for the Advancement of Mexican Americans and El Hogar del Nino did not provide documentation to support a total of \$5,946 in AmeriCorps Member health care costs (Independent Auditors' Report on Compliance, Finding 3).
- The Tejano Center for Community Concerns and the Association House of Chicago pay the AmeriCorps Members a living allowance based on the number of hours volunteered (Independent Auditors' Report on Compliance, Finding 4).
- The Association House of Chicago did not enter into contracts with the four AmeriCorps Members who started the project for program year 1995/1996 (Independent Auditors' Report on Compliance, Finding 5).
- The Association House of Chicago and the Tejano Center for Community Concerns did not prepare mid-term and end-of-term written evaluations. The Association for the Advancement of Mexican Americans did not prepare final evaluations for the AmeriCorps Members (Independent Auditors' Report on Compliance, Finding 6).

Internal Control Structure Findings

Our audit disclosed the following matter which we consider to be a reportable condition in the operation of the internal control structure under this award.

The AmeriCorps Member time sheets are not consistently approved by a supervisor at the Association House of Chicago (Independent Auditors' Report on Internal Control Structure).

PURPOSE AND SCOPE OF AUDIT

Our audit covered the costs incurred during the period August 1, 1995 through December 31, 1996, under Cooperative Agreement No. 95ADNDC012.

The objectives of our audit were to determine whether:

1. Financial reports prepared by the National Council of La Raza presented fairly the financial condition of the award;
2. The systems of internal control structure were adequate to safeguard Federal funds;
3. The National Council of La Raza had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations and award conditions; and
4. The award costs reported to the Corporation for National Service were documented and allowable in accordance with the award terms and conditions.

We performed the audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed to the Corporation for National Service as presented in the Schedule of Award Costs (Exhibit A), is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibit A. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

We provided a draft of this report to the Corporation for National Service and the National Council of La Raza officials for their comments. In its response, the Corporation's Office of Grants Management stated that it had not conducted a comprehensive review and analysis of the findings and was unable to provide detailed comments or specifically concur with the findings as of September 22, 1997. The Corporation's response is presented as Appendix A.

The National Council of La Raza's response is included as Exhibit B and summarized after each finding. In its response, the National Council of La Raza concurred with several findings (questioned costs findings 1, 2b, and 3b) and provided comments on the remaining findings.

This report is intended for the information and use of the Corporation for National Service's management, the Office of the Inspector General, and the National Council of La Raza's management. However, this report is a matter of public record and its distribution is not limited.

BACKGROUND

The National Council of La Raza is a private, nonprofit, nonpartisan organization established in 1968 whose mission is to reduce poverty and discrimination, and to improve life opportunities for Hispanics. The National Council of La Raza is the nation's largest constituency-based Hispanic organization, serving a primary and secondary constituency of over two million Hispanics through a grassroots network of over 180 community-based organizations. This network extends across 37 states, Puerto Rico, and the District of Columbia, providing programs and services in education, employment and training, health, housing and community development, immigration, civil-rights enforcement, and poverty.

The purpose of the award is to increase educational and employment levels in poor Hispanic communities and to elevate the sense of self-determination and self-sufficiency within these communities. The costs claimed under the project were incurred at the national office in Washington, D.C. and at the following operating sites:

- El Hogar del Nino (Chicago, Illinois)
- Association House of Chicago (Chicago, Illinois)
- Tejano Center for Community Concerns (Houston, Texas)
- Association for the Advancement of Mexican Americans (Houston, Texas)

The original period for the cooperative agreement was August 1, 1995 to December 31, 1996. This agreement was amended to provide additional funds of \$525,031 and extend the expiration date until December 31, 1997.

OTHER MATTERS

The National Council of La Raza is required to provide cost-matching under the project at 16.76 percent of total AmeriCorps Member costs and 51.22 percent of total program operating costs. As of December 31, 1996, the National Council of La Raza had met the required cost-match for AmeriCorps Member support costs, but was \$42,601 below its required cost-match for operating costs. The National Council of La Raza has until the expiration date of the award to provide the required cost-matching; therefore, these costs are not questioned in this report.

FOLLOW-UP OF PRIOR AUDIT FINDINGS

The National Council of La Raza had audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of Institutions of Higher Education and Other Nonprofit Organizations*, for the years ended September 30, 1996 and 1995. The September 30, 1996 and 1995 audit reports contained the following finding:

The National Council of La Raza charges sick leave directly to the project being worked on at that time rather than allocating the sick leave to all the organization's activities.

Status

This finding has been corrected. The National Council of La Raza currently allocates sick leave to projects.

The September 30, 1996 audit report contained the following finding:

A progress report and a quarterly financial status report were filed late with AmeriCorps.

Status

This finding has been corrected. The National Council of La Raza now files timely reports or requests extensions.

The operating sites also had audits performed under OMB Circular A-133, detailed as follows:

Operating Site	Single Audit Period	Report Findings Related to the Award
El Hogar del Nino Tejano Center for Community Concerns	FYE June 30, 1996	None
Association House of Chicago	FYE September 30, 1995	None
Association for the Advancement of Mexican Americans	FYE June 30, 1996	None
	FYE August 31, 1996	None



Foxx & Company
Certified Public Accountants

Corporation for National Service
Office of the Inspector General

INDEPENDENT AUDITORS' REPORT

We have audited the costs claimed by the National Council of La Raza to the Corporation for National Service on the AmeriCorps Financial Status Report for the cooperative agreement listed below. These Financial Status Reports, as presented in the Schedule of Award Costs (Exhibit A), are the responsibility of the National Council of La Raza's management. Our responsibility is to express an opinion on Exhibit A based on our audit.

Cooperative Agreement Number	Award Period	Audit Period
95ADNDC012	August 1, 1995 to December 31, 1997	August 1, 1995 to December 31, 1996

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial schedules were prepared for the purpose of complying with the requirements of the award agreement as described in Note 1 and are not intended to be a complete presentation of financial position in conformity with generally accepted accounting principles.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the costs claimed in the Financial Status Report - Federal Share of Outlays, as presented in the Schedule of Award Costs (Exhibit A), for the period August 1, 1995 to December 31, 1996, in conformity with the award agreement.

In accordance with *Government Auditing Standards*, we have also issued reports on our consideration of the National Council of La Raza's internal control structure and on its compliance with laws and regulations which are included herein.

This report is intended for the information and use of the Corporation for National Service's management and its Office of Inspector General, and the National Council of La Raza's management. However, this report is a matter of public record and its distribution is not limited.

Foxxy & Company

Cincinnati, Ohio
July 11, 1997

FINANCIAL SCHEDULES

National Council of La Raza
Corporation for National Service Cooperative Agreement No. 95ADNDC012
Schedule of Award Costs
for the interim period August 1, 1995 to December 31, 1996

Cost Category	Approved Budget	(A) Claimed Costs	Reclassifications	Claimed Costs After Reclassifications	Questioned Costs	Exhibit B Reference
Member support costs						
Full time (one year)	\$ 486,221	\$266,541	\$ -	\$ 266,541	\$ -	
FICA	37,929	20,404	-	20,404	50	1
Workers' Compensation	6,740	3,424	-	3,424	-	
Unemployment	-	1,758	-	1,758	-	
AmeriCorps health care	<u>65,277</u>	<u>34,939</u>	<u>-</u>	<u>34,939</u>	<u>5,946</u>	2
Subtotal Member support costs	596,167	327,066	-	327,066	5,996	
Other Member costs						
Training and education	41,945	5,541	-	5,541	1,667	3
Uniforms	3,475	-	-	-	-	
Other	<u>4,325</u>	<u>1,673</u>	<u>-</u>	<u>1,673</u>	<u>-</u>	
Subtotal other Member costs	49,745	7,214	-	7,214	1,667	
Staff						
Salaries	152,000	81,324	-	81,324	8,358	4
Benefits	44,460	21,922	-	21,922	2,990	4
Training	<u>-</u>	<u>1,089</u>	<u>-</u>	<u>1,089</u>	<u>-</u>	
Subtotal staff	196,460	104,335	-	104,335	11,348	
Operating costs						
Travel	82,271	40,705	-	40,705	-	
Corporation sponsored meeting	9,730	13,015	-	13,015	2,529	5
Transportation	3,150	2,041	-	2,041	-	
Supplies	18,905	11,814	-	11,814	-	
Equipment	781	1,131	-	1,131	-	
Other	<u>27,672</u>	<u>11,132</u>	<u>-</u>	<u>11,132</u>	<u>-</u>	
Subtotal operating costs	142,509	79,838	-	79,838	2,529	
Internal evaluation	38,185	15,718	-	15,718	-	
Administration	<u>41,965</u>	<u>9,564</u>	<u>-</u>	<u>9,564</u>	<u>-</u>	
Claimed costs in excess of costs incurred	<u>-</u>	<u>23,006</u>	<u>-</u>	<u>23,006</u>	<u>23,006</u>	6
Total	<u>\$1,065,031</u>	<u>\$566,741</u>	<u>\$ -</u>	<u>\$566,741</u>	<u>\$44,546</u>	
Matching share	<u>\$ 612,347</u>	<u>\$368,247</u>	<u>\$ -</u>	<u>\$368,247</u>	<u>\$ -</u>	

**National Council of La Raza
Corporation for National Service Cooperative Agreement No. 95ADNDC012
Schedule of Award Costs
for the interim period August 1, 1995 to December 31, 1996**

(Continued)

- (A) The Federal share of cumulative costs reported on the Financial Status Report for the quarter ended December 31, 1996 was \$563,332. However, the following five pages of the report documented costs of \$566,741. Because the \$566,741 appears to be the intended reported amount, this amount was used in completing Schedules A-1 to A-5. In addition, the cumulative amount for the recipient share of outlays as reported on the Financial Status Report was \$360,809. However, the following five pages of the report documented cost-matching of \$368,247. Because the \$368,247 appears to be the intended reported amount, this amount was used to complete Schedules A-1 to A-5.

National Council of La Raza
Washington, D.C.
Schedule of Claimed Costs
for the interim period August 1, 1995 to December 31, 1996

Cost Category	Approved Budget	Claimed Costs	Reclassifications	Claimed Costs After Reclassifications	Questioned Costs
Member support costs					
Full time (one year)	\$ -	\$ -	\$ -	\$ -	\$ -
FICA	-	-	-	-	-
Workers' Compensation	-	-	-	-	-
AmeriCorps health care	-	-	-	-	-
Subtotal Member support costs	-	-	-	-	-
Other Member costs					
Training and education	6,250	-	-	-	-
Uniforms	1,925	-	-	-	-
Other	<u>2,625</u>	-	-	-	-
Subtotal other Member costs	10,800	-	-	-	-
Staff					
Salaries	152,000	73,367	-	73,367	779
Benefits	<u>44,460</u>	<u>19,246</u>	-	<u>19,246</u>	<u>341</u>
Subtotal staff	196,460	92,613	-	92,613	1,120
Operating costs					
Travel	67,710	31,666	-	31,666	-
Corporation sponsored meeting	4,000	4,718	-	4,718	-
Transportation	-	1,501	-	1,501	-
Supplies	11,536	4,931	-	4,931	-
Equipment	781	1,131	-	1,131	-
Other	<u>26,672</u>	<u>10,895</u>	-	<u>10,895</u>	-
Subtotal operating costs	110,699	54,842	-	54,842	-
Internal evaluation	15,125	6,750	-	6,750	-
Administration	17,834	7,926	-	7,926	-
Costs claimed in excess of costs incurred	-	<u>2,054</u>	-	<u>2,054</u>	<u>2,054</u>
Total	<u>\$350,918</u>	<u>\$164,185</u>	<u>\$ -</u>	<u>\$164,185</u>	<u>\$ 3,174</u>
Matching share	<u>\$204,447</u>	<u>\$114,073</u>	<u>\$ -</u>	<u>\$114,073</u>	<u>\$ -</u>

**National Council of La Raza
El Hogar del Nino
Schedule of Claimed Costs
for the interim period August 1, 1995 to December 31, 1996**

Cost Category	Approved Budget	Claimed Costs	Reclassifications	Claimed Costs After Reclassifications	Questioned Costs
Member support costs					
Full time (one year)	\$155,322	\$ 92,006	\$ -	\$ 92,006	\$ -
FICA	11,882	7,039	-	7,039	-
Workers' Compensation	3,029	1,794	-	1,794	-
AmeriCorps health care	20,410	14,283	-	14,283	3,711
Subtotal Member support costs	190,643	115,122	-	115,122	3,711
Other Member costs					
Training and education	7,036	1,078	-	1,078	-
Uniforms	800	-	-	-	-
Other	-	1,673	-	1,673	-
Subtotal other Member costs	7,836	2,751	-	2,751	-
Staff					
Salaries	-	-	-	-	-
Benefits	-	-	-	-	-
Subtotal staff	-	-	-	-	-
Operating costs					
Travel	2,600	284	-	284	-
Corporation sponsored meeting	1,500	7,748	-	7,748	2,529
Transportation	2,150	-	-	-	-
Supplies	3,760	5,661	-	5,661	-
Equipment	-	-	-	-	-
Other	250	53	-	53	-
Subtotal operating costs	10,260	13,746	-	13,746	2,529
Internal evaluation	6,000	3,000	-	3,000	-
Administration	11,454	-	-	-	-
Costs claimed in excess of costs incurred	-	20,952	-	20,952	20,952
Total	\$226,193	\$155,571	\$ -	\$155,571	\$27,192
Matching share	\$ 92,955	\$ 72,937	\$ -	\$ 72,937	\$ -

**National Council of La Raza
Tejano Center for Community Concerns
Schedule of Claimed Costs
for the interim period August 1, 1995 to December 31, 1996**

Cost Category	Approved Budget	Claimed Costs	Reclassifications	Claimed Costs After Reclassifications	Questioned Costs
Member support costs					
Full time (one year)	\$121,556	\$70,323	\$ -	\$70,323	\$ -
FICA	9,298	5,429	-	5,429	50
Workers' Compensation	1,360	484	-	484	-
AmeriCorps health care	17,034	6,410	-	6,410	-
Subtotal Member support costs	149,248	82,646	-	82,646	50
Other Member costs					
Training and education	9,100	-	-	-	-
Uniforms	-	-	-	-	-
Other	-	-	-	-	-
Subtotal other Member costs	9,100	-	-	-	-
Staff					
Salaries	-	-	-	-	-
Benefits	-	-	-	-	-
Subtotal staff	-	-	-	-	-
Operating costs					
Travel	6,516	5,887	-	5,887	-
Corporation sponsored meeting	1,230	549	-	549	-
Transportation	-	-	-	-	-
Supplies	1,859	622	-	622	-
Equipment	-	-	-	-	-
Other	250	-	-	-	-
Subtotal operating costs	9,855	7,058	-	7,058	-
Internal evaluation	8,500	4,218	-	4,218	-
Administration	1,800	-	-	-	-
Total	<u>\$178,503</u>	<u>\$93,922</u>	<u>\$ -</u>	<u>\$93,922</u>	<u>\$50</u>
Matching share	<u>\$ 70,053</u>	<u>\$42,230</u>	<u>\$ -</u>	<u>\$42,230</u>	<u>\$ -</u>

**National Council of La Raza
Association House of Chicago
Schedule of Claimed Costs
for the interim period August 1, 1995 to December 31, 1996**

Cost Category	Approved Budget	Claimed Costs	Reclassifications	Claimed Costs After Reclassifications	Questioned Costs
Member support costs					
Full time (one year)	\$ 74,283	\$24,251	\$ -	\$ 24,251	\$ -
FICA	6,417	1,819	-	1,819	-
Workers' Compensation	839	111	-	111	-
Unemployment	-	221	-	221	-
AmeriCorps health care	<u>9,779</u>	<u>2,305</u>	<u>-</u>	<u>2,305</u>	<u>-</u>
Subtotal Member support costs	91,318	28,707	-	28,707	-
Other Member costs					
Training and education	4,259	1,690	-	1,690	292
Uniforms	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal other Member costs	4,259	1,690	-	1,690	292
Staff					
Salaries	-	-	-	-	-
Benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal staff	-	-	-	-	-
Operating costs					
Travel	2,865	192	-	192	-
Corporation sponsored meeting	1,500	-	-	-	-
Transportation	-	-	-	-	-
Supplies	-	-	-	-	-
Equipment	-	-	-	-	-
Other	<u>250</u>	<u>184</u>	<u>-</u>	<u>184</u>	<u>-</u>
Subtotal operating costs	4,615	376	-	376	-
Internal evaluation	4,500	-	-	-	-
Administration	<u>5,605</u>	<u>1,638</u>	<u>-</u>	<u>1,638</u>	<u>-</u>
Total	<u>\$110,297</u>	<u>\$32,411</u>	<u>\$ -</u>	<u>\$32,411</u>	<u>\$292</u>
Matching share	<u>\$170,646</u>	<u>\$92,780</u>	<u>\$ -</u>	<u>\$92,780</u>	<u>\$ -</u>

**National Council of La Raza
Association for the Advancement of Mexican Americans
Schedule of Claimed Costs
for the interim period August 1, 1995 to December 31, 1996**

Cost Category	Approved Budget	Claimed Costs	Reclassifications	Claimed Costs After Reclassifications	Questioned Costs
Member support costs					
Full time (one year)	\$135,060	\$ 79,961	\$ -	\$ 79,961	\$ -
FICA	10,332	6,117	-	6,117	-
Workers' Compensation	1,512	1,035	-	1,035	-
Unemployment	-	1,537	-	1,537	-
AmeriCorps health care	18,054	11,941	-	11,941	2,235
Subtotal Member support costs	164,958	100,591	-	100,591	2,235
Other Member costs					
Training and education	15,300	2,773	-	2,773	1,375
Uniforms	750	-	-	-	-
Other	1,700	-	-	-	-
Subtotal other Member costs	17,750	2,773	-	2,773	1,375
Staff					
Salaries	-	7,957	-	7,957	7,579
Benefits	-	2,676	-	2,676	2,649
Training	-	1,089	-	1,089	-
Subtotal staff	-	11,722	-	11,722	10,228
Operating costs					
Travel	2,580	2,676	-	2,676	-
Corporation sponsored meeting	1,500	-	-	-	-
Transportation	1,000	540	-	540	-
Supplies	1,750	600	-	600	-
Equipment	-	-	-	-	-
Other	250	-	-	-	-
Subtotal operating costs	7,080	3,816	-	3,816	-
Internal evaluation	4,060	1,750	-	1,750	-
Administration	5,272	-	-	-	-
Total	<u>\$199,120</u>	<u>\$120,652</u>	<u>\$ -</u>	<u>\$120,652</u>	<u>\$13,838</u>
Matching share	<u>\$ 74,246</u>	<u>\$ 46,227</u>	<u>\$ -</u>	<u>\$ 46,227</u>	<u>\$ -</u>

**National Council of La Raza
Corporation for National Service Cooperative Agreement
No. 95ADNDC012
Notes to Financial Schedules
for the interim period August 1, 1995 to December 31, 1996**

1. Summary of Significant Accounting Policies

Accounting Basis

The accompanying financial schedules, Exhibits A and B, have been prepared from the auditee's books of account. The basis of accounting used in preparation of these schedules differs from generally accepted accounting principles. The following information summarizes these differences:

A. Equity

Under the terms of the award, all funds not expended according to the award agreement and budget at the end of the award period are to be returned to the Corporation for National Service. Therefore, the auditee does not maintain any equity in the award and any excess of cash received from the Corporation for National Service over final expenditures is due back to the Corporation for National Service.

B. Inventory

Minor materials and supplies are charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the financial schedules.

C. Taxes

The National Council of La Raza is a nonprofit organization and is exempt from Federal income taxes.

**National Council of La Raza
Corporation for National Service Cooperative Agreement
No. 95ADNDC012
Explanation of Questioned Costs
for the interim period August 1, 1995 to December 31, 1996**

1 - FICA

The \$50 questioned represents excessive AmeriCorps Member FICA costs claimed by the Tejano Center for Community Concerns. The operating site claimed AmeriCorps Member FICA costs at a rate of 7.72 percent (\$5,429 ÷ \$70,323). AmeriCorps Member FICA costs are allowable up to a rate of 7.65 percent and must be paid by the operating site (*AmeriCorps Provisions*, Paragraph 12.d.). Because the operating site claimed AmeriCorps Member FICA costs in excess of the allowable rate, the \$50 is questioned.

National Council of La Raza's Comments

The National Council of La Raza stated that the Tejano Center for Community Concerns concurred with the finding.

2 - AmeriCorps Health Care

The \$5,946 in AmeriCorps health care costs questioned consists of the following:

Site	Amount Questioned	Reference
Association for the Advancement of Mexican Americans	\$2,235	a
El Hogar del Nino	3,711	b
Total	\$5,946	

- a. The \$2,235 questioned represents unsupported costs for AmeriCorps Member health care costs at the Association for the Advancement of Mexican Americans. The operating site claimed \$11,941 in Member health care costs; however, the operating site only provided documentation to support \$9,706 in Member health care costs. To be allowable under an award, costs must be adequately documented (OMB Circular A-122, Attachment A, Paragraph A.2.). Because the Association for the Advancement of Mexican Americans did not provide documentation to support the entire health care costs claimed, the \$2,235 is questioned.

- b. The \$3,711 questioned represents unsupported health care costs for AmeriCorps Members at El Hogar del Nino. The operating site claimed \$14,283 in health care costs for AmeriCorps Members. However, El Hogar del Nino could only provide invoices supporting \$10,572. The \$3,711 questioned is calculated as follows:

AmeriCorps Health Care Costs

Amount recorded on general ledger		\$16,804
Percentage claimed		_____ 85%
Amount claimed		14,283
Documented costs	\$12,438	
Percentage claimed	_____ 85%	
Amount supported		10,572
Amount questioned		\$ <u>3,711</u>

This difference is primarily due to El Hogar del Nino charging \$100 a month for each AmeriCorps Member when the actual costs were \$77 and due to the operating site charging the grant health care costs for AmeriCorps Members that were not covered under the plan. Federal regulations state that to be allowable under an award, costs must be adequately documented (OMB Circular A-122, Attachment A, Paragraph A.2.). The difference of \$3,711 is questioned.

National Council of La Raza’s Comments

The National Council of La Raza concurred with the questioned costs at the El Hogar del Nino site. As part of their response, the National Council of La Raza submitted additional documentation to support Member health care costs at the Association for the Advancement of Mexican Americans. We reviewed the documentation submitted and accepted \$9,706 in costs. The finding was revised accordingly.

3 - Training and Education

The \$1,667 in training and education costs questioned consists of the following:

Site	Amount Questioned	Reference
Association for the Advancement of Mexican Americans	\$1,375	a
Association House of Chicago	_____ 292	b
Total	\$1,667	

- a. The \$1,375 questioned represents budgeted copy costs charged to the project by the Association for the Advancement of Mexican Americans. The operating site charged the project \$125 a month for copy costs. The \$125 a month rate is a budgeted amount and is to be adjusted periodically. The operating site had not adjusted the copy costs claimed to actual costs during the period of the project. To be allowable under an award, costs must be adequately documented (OMB Circular A-122, Attachment A, Paragraph A.2.). Because the operating site did not provide documentation to support the actual copy costs, the \$1,375 (12 x \$125) is questioned.
- b. The \$292 questioned represents unsupported training and education costs claimed by the Association House of Chicago. The operating site changed accounting systems and posted journal entries to the new system. The operating site was not able to provide documentation to support \$365 in training and education costs, of which \$292 (80 percent) was claimed. To be allowable under an award, costs must be adequately documented (OMB Circular A-122, Attachment A, Paragraph A.2.). The \$292 questioned consists of the following:

Entry Number	Amount
96060059	\$ 28
96070053	11
96050096	20
96050458	78
96070478	228
Subtotal	365
Percentage claimed	80%
Amount questioned	<u>\$292</u>

Because the operating site did not provide documentation to support the training and education costs claimed, the \$292 is questioned.

National Council of La Raza's Comments

The National Council of La Raza provided schedules that documented the copies made by the Association for the Advancement of Mexican Americans between October 2, 1995 and August 22, 1996.

The National Council of La Raza concurred with the finding related to the Association House of Chicago.

Auditors' Response

Based on our review of the schedules provided, the AmeriCorps related copies appear to be a very small percentage of the total copies. In addition, the Association for the Advancement of Mexican Americans did not provide support for the actual copy costs. Therefore, a determination cannot be made as to the reasonableness of the copy costs claimed. The finding remains in the final report.

4 - Staff Salaries and Benefits

The \$11,348 in staff salaries and benefits questioned consists of the following:

	Amount Questioned	Reference
Unreasonable costs - Washington, D.C.	\$ 1,120	a
Unsupported costs - Association for the Advancement of Mexican Americans	10,228	b
Total	<u>\$11,348</u>	

- a. The \$1,120 questioned represents unreasonable salaries and fringe benefits claimed. The original Program Director and the Administrative Assistant for AmeriCorps each documented 32 hours in which the employees could not get to work due to excessive snow. The salaries for this time off were charged in their entirety to the AmeriCorps project. Because the Federal government was closed, the National Council of La Raza was also closed and charged the salary costs to the project the employees would have worked on. However, to be allowable under an award, costs must be reasonable for the performance of the award (OMB Circular A-122, Attachment A, Paragraph A.2.). Also, fringe benefits in the form of compensation during periods of authorized absences should be absorbed by all organization activities (OMB Circular A-122, Attachment B, Paragraph 6.f.).

The \$1,120 questioned consists of the following:

	Program Director	Administrative Assistant	Total
Salaries	\$646	\$292	\$ 938
Fringe benefits:			
FICA	49	22	71
Health insurance	13	-	13
Employee allowance	13	-	13
Annual leave	39	18	57
Unemployment	19	9	28
Subtotal fringe benefits	133	49	182
Total	<u>\$779</u>	<u>\$341</u>	<u>\$1,120</u>

Because it is not reasonable to charge all the salaries and fringe benefits related to the absences due to snow to the AmeriCorps grant, the \$1,120 is questioned.

- b. The \$10,228 questioned represents unsupported staff salaries and benefits at the Association for the Advancement of Mexican Americans. The operating site claimed \$7,957 in staff salaries and \$2,676 in related benefits. The operating site could only provide documentation to support \$378 in salaries and \$27 in staff benefits. Therefore, \$7,579 (\$7,957 - \$378) in staff salaries and \$2,649 (\$2,676 - \$27) in fringe benefits are questioned. To be allowable under an award, costs must be adequately documented (OMB Circular A-122, Attachment A, Paragraph A.2.). In addition, the distribution of salaries and wages to awards must be supported by personnel activity reports (OMB Circular A-122, Attachment B, Paragraph 6.1(1)). Because the Association for the Advancement of Mexican Americans did not provide documentation to support staff salaries of \$7,579 and related fringe benefits of \$2,649, the \$10,228 (\$7,579 + \$2,649) is questioned.

National Council of La Raza's Comments

The National Council of La Raza stated that they adhere "to the Federal Government's standard operating procedures which govern the granting of administrative leave whenever it closes down offices due to inclement weather conditions. To do otherwise, that is, to require employees paid under a Federal contract to come to work under hazardous conditions, would contravene federal regulations issued in the interest of public safety and security." The National Council of La Raza also provided timesheets that documented the receptionist's attendance at work at the Association for the Advancement of Mexican Americans.

Auditors' Response

When employees do not make it to work under inclement conditions, the salaries and fringe benefits should not be charged to the project because the project is not receiving any benefit. These costs should be included in an indirect cost rate. Therefore, this finding remains in the final report.

We also reviewed the timesheets provided by the Association for the Advancement of Mexican Americans. However, there was no allocation of the time to the AmeriCorps project and other projects. Therefore, this documentation did not support charging 40 percent of the receptionist's salary costs to the project. This finding remains in the final report.

5 - Corporation Sponsored Meeting

The \$2,529 questioned represents expenses of El Hogar del Nino that are not costs directly related to the project. The National Council of La Raza held the 1996 annual conference in Denver, Colorado. This conference was not a conference specifically related to the AmeriCorps program. The operating site charged an airline ticket and a rental car to the project as well as hotel rooms for the AmeriCorps Coordinator, the Executive Director, the Parent Involvement Coordinator and a Board Member. The entire amount of travel expenses related to this trip were charged to the project. To be allowable under an award, costs must be reasonable for the performance of the award (OMB Circular A-122, Attachment A, Paragraph A.2.). The \$2,529 questioned consists of the following:

Airline	\$ 284
Rental car	178
Hotel	2,067
	<u>\$2,529</u>

The travel costs related to the national conference are not a direct cost of the project. In addition, American Express statements were provided as support rather than the original invoices. Therefore, the \$2,529 is questioned.

National Council of La Raza's Comments

The National Council of La Raza stated that "While NCLR's Annual Conference is not specifically related to the AmeriCorps program, the conference is an integral training event which serves to motivate and train our AmeriCorps Members and staff. This year, for example, workshops and training sessions were specifically scheduled for AmeriCorps Members who participated in these activities as well as in other community building workshops. The attendance and participation of AmeriCorps Members and operating site officials at NCLR's Annual Conference helps to account for the very low attrition rate experienced by its AmeriCorps Members. We therefore disagree with the finding that the \$2,529 in costs incurred in attending this conference are questionable."

Auditors' Response

We concluded that, although the program may have received a residual benefit, the conference was not specifically for the AmeriCorps program. Therefore, it is not reasonable to charge the travel costs for these individuals to the project. Instead, these costs should have been included as indirect charges and appropriately allocated to all activities that benefitted from this training. The finding remains in the final report.

6 - Costs Claimed in Excess of Actual Costs Incurred

The \$23,006 in costs claimed in excess of actual costs incurred consists of the following:

Site	Amount Questioned	Reference
Washington, D.C.	\$ 2,054	a
El Hogar del Nino	20,952	b
Total	<u>\$23,006</u>	

- a. The \$2,054 questioned represents costs claimed by the National Council of La Raza in Washington, D.C. in excess of the costs incurred. The National Council of La Raza reported total expenditures for the Washington, D.C. office of \$164,185 on the Financial Status Report for the quarter ended December 31, 1996. The National Council of La Raza only provided documentation supporting costs incurred of \$162,133. Therefore, the difference of \$2,054 (\$164,185 - \$162,133) is questioned as unsupported (OMB Circular A-122, Attachment A, Paragraph A.2.).
- b. The \$20,952 questioned represents costs claimed by El Hogar del Nino in excess of the costs incurred. The operating site claimed costs of \$155,571 on the AmeriCorps Financial Status Report for the quarter ended December 31, 1996. The operating site could only provide accounting records documenting costs incurred of \$134,619. To be allowable, costs must be documented. Therefore, the difference of \$20,952 (\$155,571 - \$134,619) is questioned as unsupported (OMB Circular A-122, Attachment A, Paragraph A.2.).

National Council of LaRaza's Comments

The National Council of La Raza stated that the "\$2,054 attributable to costs claimed by NCLR refers to the final payment (\$2,166) of the project's evaluation which was conducted and submitted late by MetaCultural Inc. While the funds for this project were allocated during the fiscal year in question, the final payment was not made until December, the final month for the first year's grant award."

The National Council of La Raza also stated that the \$20,952 is attributable to charges which the audit found El Hogar del Nino claimed. However, El Hogar del Nino submitted to the auditors copies of the revised financial status report for the period ending December 31, 1996, which showed actual expenditures \$20,952 less than under their previously submitted report. The revised financial status report shows no costs claimed in excess of actual costs incurred.

Auditors' Response

The National Council of La Raza provided a summary of costs incurred under the project from August 1, 1995 through December 31, 1996. This summary documented a total of \$162,133 in costs and included the invoice provided in the amount of \$2,166. Therefore, the finding remains in the final report.

In addition, El Hogar del Nino prepared a revised financial status report based on the results of our audit. This revised financial status report had not been submitted to the Corporation for National Service. The financial status report audited was the report submitted to support the costs claimed to the Corporation for National Service. Therefore, the finding remains in the final report.

**INDEPENDENT AUDITORS' REPORTS ON COMPLIANCE AND
INTERNAL CONTROL STRUCTURE**



Corporation for National Service
Office of the Inspector General

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

We have audited the Schedule of Award Costs, as presented in Exhibit A, which summarizes the financial reports submitted by the National Council of La Raza to the Corporation for National Service for the cooperative agreement listed below, and have issued our report thereon dated July 11, 1997.

Cooperative Agreement Number	Award Period	Audit Period
95ADNDC012	August 1, 1995 to December 31, 1997	August 1, 1995 to December 31, 1996

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

Compliance with laws, regulations, and the provisions of the award is the responsibility of the National Council of La Raza's management. As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of the National Council of La Raza's compliance with certain provisions of laws, regulations, and the provisions of the award. However, our objective was not to provide an opinion on overall compliance with such provisions.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, and the provisions of the award that cause us to conclude that the aggregation of the misstatement resulting from those failures or violations is material to the financial schedules. The results of our tests of compliance disclosed the following material instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

- Costs were claimed in excess of actual costs incurred in the amount of \$23,006.

- Salaries and benefits of \$10,228 were not supported by the Association for the Advancement of Mexican Americans.
- The Association for the Advancement of Mexican Americans and El Hogar del Nino did not provide documentation to support a total of \$5,946 in AmeriCorps Member health care costs.

Member Living Allowances

The Tejano Center for Community Concerns paid the AmeriCorps Members a living allowance based on the number of hours served. According to the Executive Director, this policy was implemented by the operating site to help motivate the AmeriCorps Members to work their required hours and to prevent a morale problem if an AmeriCorps Member was not working a fair number of hours. We also found that the Association House of Chicago paid AmeriCorps Members based on the number of hours served (AmeriCorps Members were treated like employees for payroll purposes). However, according to the *AmeriCorps Provisions*, the AmeriCorps Members' living allowance must not be paid on an hourly basis.

Recommendation

We recommend that the Tejano Center for Community Concerns and the Association House of Chicago pay the living allowances to AmeriCorps Members according to the *AmeriCorps Provisions*.

National Council of La Raza's Comments

The National Council of La Raza stated that "Faulty communications probably occurred with the auditors on this issue. El Tejano, for example, fines AmeriCorps Members for extensive absences not justified, and we have advised El Tejano that this is permissible as long as it is made part of the Member contract. Association House also assured us that they pay Members a living allowance on an annual basis, and only show an hourly rate as a by-product of their payroll system. We will, however, continue to convey to our sites that AmeriCorps Members are to be paid a living allowance based on their participation and not on an hourly basis."

Auditors' Response

Based on our review of the service hour reports, the payroll records and discussions with accounting personnel, we concluded that the operating sites adjusted the Member living allowances based on attendance. Further, under the *AmeriCorps Provisions*, fines or penalties are not to be calculated on an hourly basis (i.e., a Member who is an hour late should not be fined an hour's worth of living allowance (*AmeriCorps Provisions 11.b.*)). Therefore, the finding remains in the final report.

Member Contracts

The Association House of Chicago did not enter into contracts with AmeriCorps Members prior to the start of the program. Four AmeriCorps Members for program year 1995/1996 were receiving living allowances without an AmeriCorps Member contract. All Members are required to have signed contracts (*AmeriCorps Provisions*, Paragraph B.8.b).

Recommendation

We recommend that the operating site require AmeriCorps Members to sign contracts before participation in the project.

National Council of La Raza's Comments

The National Council of La Raza stated that "Association House believes that the auditors may not have checked with the Human Resources Division for this information. He indicates that the Members would have had to have signed an agreement before participating in the program, and that most likely it would have been the Member contract we prepared....Since the program began, we have also developed a checklist that includes this requirement, and which we use in our site visits to ensure compliance."

Auditors' Response

Member contracts were requested by Foxx & Company as part of the audit but were not provided. In addition, the Member contracts were not provided as part of the National Council of La Raza's comments. Because we are unable to confirm that the Member contracts were signed prior to the Member's participation in the program, the finding remains in the final report.

Evaluations

The Association House of Chicago and the Tejano Center for Community Concerns operating sites did not prepare mid-term and end-of-term written evaluations of AmeriCorps Members. In addition, the Association for the Advancement of Mexican Americans did not provide final evaluations for the eight AmeriCorps Members that completed the program. The purpose of these evaluations are to document whether the AmeriCorps Member has satisfactorily completed projects, met other performance criteria communicated at the beginning of the project, and whether the AmeriCorps Member has completed the required number of hours. The Awardee is required to conduct a mid-term and end-of-term evaluation of each AmeriCorps Member (*AmeriCorps Provisions*, Paragraph 8.g.). By preparing these reviews, the AmeriCorps Members will be informed as to areas in which improvement is required, and the project should benefit from this evaluation process.

Recommendation

We recommend that mid-term and end-of-term evaluations be prepared for all AmeriCorps Members.

National Council of La Raza's Comments

The National Council of La Raza concurred with the finding and stated that they are reemphasizing to the operating sites that these evaluations need to be prepared.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, the National Council of La Raza has complied in all material respects, with the provisions referred to in the third paragraph of this report.

This report is intended for the information and use of the Corporation for National Service's management and its Office of Inspector General and National Council of La Raza's management. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Fox & Company". The signature is written in a cursive, flowing style.

Cincinnati, Ohio
July 11, 1997



Corporation for National Service
Office of the Inspector General

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE

We have audited the Schedule of Award Costs, as presented in Exhibit A, which summarizes the financial reports submitted by the National Council of La Raza to the Corporation for National Service for the cooperative agreement listed below, and have issued our report thereon dated July 11, 1997.

Cooperative Agreement Number	Award Period	Audit Period
95ADNDC012	August 1, 1995 to December 31, 1997	August 1, 1995 to December 31, 1996

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

In planning and performing our audit of Exhibit A for the period August 1, 1995 to December 31, 1996, we considered the National Council of La Raza's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal control structure.

The management of the National Council of La Raza is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments 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 schedules in accordance with accounting principles by the Corporation for National Service. 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 purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Cash disbursements
- Cash receipts
- Payroll/timekeeping
- Recordkeeping

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

We noted the following matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data in a manner that is consistent with the assertions of management in the financial schedules.

Member Time Sheets

At the Association House of Chicago, the AmeriCorps Member time sheets were not always approved by the supervisor. Time sheets are prepared by AmeriCorps Members on a bi-weekly basis and turned into the supervisor for approval. However, it was noted that seven of the fifteen time sheets tested were not approved. All time sheets are to be signed by an individual with oversight responsibilities (*AmeriCorps Provisions*, Paragraph 23, c.ii.).

Recommendation

We recommend that the required approvals be obtained for the AmeriCorps Member time sheets.

National Council of La Raza's Comments

The National Council of La Raza concurred and stated that they are reemphasizing to the operating sites that the time sheets need to be approved.

A material weakness is a reportable condition in which the design or operation of the specific internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial schedules being audited may occur and

not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses as defined above. However, we believe the reportable condition is not a material weakness.

This report is intended for the information and use of the Corporation for National Service's management and its Office of Inspector General and National Council of La Raza's management. However, this report is a matter of public record and its distribution is not limited.

Fox & Company

Cincinnati, Ohio
July 11, 1997

APPENDIX A

**CORPORATION FOR NATIONAL SERVICE'S
OFFICE OF GRANTS MANAGEMENT COMMENTS TO REPORT**



September 22, 1997

Martin W. O'Neil
Partner
Foxx & Company
700 Goodall Complex
324 West North Street
Cincinnati, OH 45202-1908

AmeriCorps National Service

CORPORATION
FOR NATIONAL
SERVICE

Dear Mr. O'Neil:

We have received your draft audit report of Cooperative Agreement No. 95ADNDC012 awarded to the National Council of La Raza.

Our review was limited to a brief review of the information contained in the report. We have not yet conducted a more comprehensive review and analysis, obtained comments from the awardee, or considered other information. Therefore we are unable to provide detailed comments or specifically concur with the report's findings or recommendations at this time.

The report contains a section on Other Matters in which a sum of \$83,725 is questioned and deemed unallowable (section (3), p. 6). According to approved AmeriCorps Provisions [14.c.], if this expenditure was made towards program operating costs, then it is allowable despite its federal source/origination.

In the section regarding Prior Audit Findings, the report makes the determination that the grantee is out of compliance because of a tardy Financial Status Report submission without an approved extension. In response to a written request for an extension (dated 7/30/97) by the Council of La Raza, the Grant Management Office approved this extension.

If you have any questions regarding this matter, feel free to contact the cognizant Grants Officer, Andrew Furedi, at (202) 606-5000, ext. 442.

Sincerely,

Michael Kenefick
Director of Grants and Contracts

1201 New York Avenue, NW
Washington, DC 20525
Telephone 202-606-5000

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APPENDIX B

NATIONAL COUNCIL OF LA RAZA'S COMMENTS TO REPORT

NCLR

NATIONAL COUNCIL OF LA RAZA

Raul Yzaguirre, President

National Office

1111 19th Street, N.W., Suite 1000

Washington, DC 20036

Phone: (202) 785-1670

Fax: (202) 776-1792

September 24, 1997

Martin W. O'Neill, Partner
Foxx and Company
700 Goodall Complex
324 West Ninth Street
Cincinnati, Ohio 45202-1908

Dear Mr. O'Neill,

Thank you for giving us the opportunity to include our comments in your final audit report of Cooperative Agreement No.95ADNDC012 awarded to the National Council of La Raza.

With regard to the audit's compliance findings, we provide the following comments:

Audit Finding #1. Excess FICA costs of \$50 were charged to the project by the Tejano Center for Community Concerns.

Comment: The operating site concurs with the finding. The allowable costs for FICA are set at a rate of no more than 7.65, not 7.72% as El Tejano's numbers would lead one to conclude. Tejano officials explain that the inaccuracy in its financial records was simply due to a posting error made by its accounting staff. El Tejano is making the appropriate adjustments in its records and is taking all the necessary steps to prevent such deficiencies from occurring in the future. [See enclosure #1]

Audit Finding #2. The Association for the Advancement of Mexican Americans (AAMA) and El Hogar del Nino did not provide documentation to support a total of \$15,652 in AmeriCorps Member health care costs.

Comment: At the time of the audit, AAMA's primary accounting officer was not available, and therefore all the required information could not be provided. AAMA is submitting documentation to support \$9,135 of the total of \$11,941 in health care costs that are questioned. El Hogar concurs with the finding that it could only provide invoices supporting \$10,572 of the total of \$14,283 it claimed. It intends to reimburse the project to cover the difference of \$3,711. [Enclosure #2]



Program Offices: Phoenix, Arizona • San Antonio, Texas • Los Angeles, California • Chicago, Illinois

LA RAZA: The Hispanic People of the New World

Audit Finding #3. Copy costs were charged to the project for a budgeted amount of \$1,375 rather than actual costs by AAMA.

Comment: As indicated by the audit, the operating site charged the project \$125 a month for copy costs, a budgeted figure that is to be adjusted periodically based on actual use. AAMA's AmeriCorps project, which graduates at least 100 GEDs annually and provides hundreds of students with other types of instruction, is submitting documentation to support in copy costs. [Enclosure #3].

Audit Finding #4. The Association House of Chicago did not provide documentation to support \$292 in training and education costs.

Comments: The operating site LR concur with the finding. As reported by the audit, the operating site changed accounting systems and posted journal entries to the new systems. The operating site further indicates that its migration of information from one software to another resulted in its losing certain details of budgetary transactions. Therefore, it could not provided documentation to support the \$292 in question. [See Enclosure # 4]

Audit Finding #5 The Washington, DC office charged \$1,120 in salaries and benefits to the project for snow days charged by two employees.

Comment: NCLR adheres to the Federal Government's standard operating procedures which govern the granting of administrative leave whenever it closes down offices due to inclement weather conditions. To do otherwise, that is, to require employees paid under a Federal contract to come to work under hazardous conditions, would contravene federal regulations issued in the interest of public safety and security. [See Enclosure #5]

Audit Finding #6. AAMA did not provide documentation to support \$10,228 in salaries and benefits.

Comment: As indicated previously, AAMA's primary accounting officer was not available to provide the necessary documentation to support these costs at the time of the audit. AAMA is submitting documentation to support these costs. [Enclosure #6]

Audit Finding #7. El Hogar del Nino charged unreasonable travel costs of \$2,529 to the project.

Comment: While NCLR's Annual Conference is not specifically related to the AmeriCorps program, the conference is an integral training event which serves to motivate and train our AmeriCorps Members and staff. This year, for example, workshops and training sessions were specifically scheduled for AmeriCorps Members who participated in these activities as well as in other community building workshops.

The attendance and participation of AmeriCorps Members and operating site officials at NCLR's Annual Conference helps to account for the very low attrition rate experienced by its AmeriCorps Members. We therefore disagree with the finding that the \$2,529 in costs incurred in attending this conference are questionable. [Enclosure #7]

Audit Finding #8. Costs were claimed in excess of actual costs incurred in the amount of \$23,006.

Of the total of \$23,006, \$20,952 is attributable to charges which the audit found El Hogar del Nino claimed. El Hogar actually submitted to the auditors copies of the revised financial status report for the period ending December 30, 1996, which showed actual expenditures \$20,952 less than under their previously submitted report [Enclosure #8]. The revised financial status report therefore shows zero costs claimed in excess of actual costs incurred.

The other \$2,054 attributable to costs claimed by NCLR refers to the final payment (\$2,166) of the project's evaluation which was conducted and submitted late by Meta-Cultural Inc. While the funds for this project were allocated during the fiscal year in question, the final payment was not made until December, the final month for the first year's grant award [See Enclosure #9]

Audit Finding #9. The Tejano Center for Community Concerns and the Association House of Chicago pay the AmeriCorps Members a living allowance based on the number of hours volunteered.

Faulty communications probably occurred with the auditors on this issue. El Tejano, for example, fines AmeriCorps Members for extensive absences not justified, and we have advised El Tejano that this is permissible as long as it is made part of the Member contract. Association House also assured us that they pay Members a living allowance on an annual basis, and only show an hourly rate as a by-product of their payroll system.

We will, however, continue to convey to our sites that AmeriCorps Members are to be paid a living allowance based on their participation and not on an hourly basis. This message is one of several AmeriCorps program provisions which we repeatedly convey to both our AmeriCorps Members and operating site staff in our site visits. We will repeatedly reinforce this important program provision to our sites.

Audit Finding #10. The Association House of Chicago did not enter into contracts with the four AmeriCorps Members that started the project for program year 1995/1996.

Comment: Association House believes that the auditors may not have checked with the Human Resources Division for this information. He indicates that the Members would have had to have signed an agreement before participating in the program, and that most likely it would have been the Member contract we prepared. Association House is responding formally to these questions, as well as to the next two, and we will forward this information as soon as we receive it.

Since the program began, we have also developed a checklist that includes this requirement, and which we use in our site visits to ensure compliance. [Enclosure #10]

Audit Finding #11. The Association House of Chicago and the Tejano Center for Community Concerns did not prepare mid-term and end-of-term written evaluations. AAMA did not prepare final evaluations for the AmeriCorps Members.
Comment. This is a requirement which we are reinforcing repeatedly.

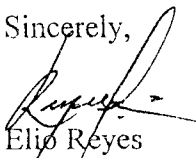
Audit Finding #12. AmeriCorps Member Time sheets are not consistently approved by a supervisor at Association House.

Comment: Association House has a firm policy of not providing salaries or living allowances in the case of AmeriCorps Members unless time sheets are approved by a supervisor or someone in authority to sign them. This is a requirement which we also reinforce repeatedly.

The audit also indicated that NCLR was not in compliance with the Federal regulations for filing Financial Status Reports because it had not provided a response by the Corporation for National Service to its request for an extension in filing a financial status report for the quarter ended June 30, 1997. A copy of the response by the Corporation is enclosed to demonstrate compliance. [Enclosure #11]

Finally, we have duly noted the audit concern's over the lack of adequate documentation to support matching costs. We are addressing this concern immediately. As a result of the audit, we are also intensifying our efforts to ask for documentation when we make site visits, ask for completed checklists, and request quarterly and financial status reports.
[Enclosure #12]

Sincerely,



Elio Reyes
Finance Director

cc: Tommy Espinoza
Alejandro Becerra
Andrew Furedi, CNS
Laura Hamasaka, CNS
AmeriCorps Operating Sites