
Office of the Inspector General

**Review of
Corporation for National Service
Award Number 94ADNNY031
to the
National Multiple Sclerosis Society**

**Report Number 98-08
November 6, 1997**

This report is issued to CNS Management. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than September 29, 1998 and complete its corrective actions by April 2, 1999. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented or the amount of disallowed costs.

Office of the Inspector General
Review of Corporation for National Service
Award Number 94ADNNY031 to the
National Multiple Sclerosis Society

Leonard G. Birnbaum and Company, under contract to the Office of the Inspector General, applied certain agreed-upon procedures, as discussed in the report, to the amounts claimed by the National Multiple Sclerosis Society under Grant No. 94ADNNY031. The grant, which had a period of performance of July 1, 1994 through December 31, 1996, was awarded in an amount of \$1,415,150. The scope of the review covered the entire grant period. We have reviewed the report and work papers supporting its conclusions and agree with the findings and recommendations presented.

The firm found that

- Claimed costs included payroll and related benefit expenses in the amount of \$1,733 which was incurred after the grant period.
- The National Multiple Sclerosis Society lacked adequate controls over the preparation and completion of financial reports related to the grant.
- The National Multiple Sclerosis Society's independent auditor's reports on the compliance with the general requirements included the following nonmaterial instance of noncompliance: the National Multiple Sclerosis Society did not submit a required report with the Equal Employment Opportunity Commission (EEOC).

Based on the review, we are questioning \$1,733 (less than one percent) of the costs claimed under the award. These matters are discussed in greater detail in the report.

In response to a draft of this report, the Corporation stated that it had not performed a comprehensive analysis of the findings and could not specifically concur with the recommendations at this time. The Corporation's response to a draft of this report is included as Appendix A.

In its response, the National Multiple Sclerosis Society agreed that it had incurred costs after the awarded period but that it had verbal approval from the Corporation to do so. The costs were related to preparation of its final report on the grant. The National Multiple Sclerosis Society's response is summarized after each finding as appropriate and included as Appendix B.

LEONARD G. BIRNBAUM AND COMPANY, LLP

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MEMBERS OF THE
AMERICAN INSTITUTE
OF CPAs

Inspector General
Corporation for National Service

We have applied certain agreed-upon procedures, as discussed below, to the amounts claimed by the National Multiple Sclerosis Society (MS Society) under Grant No. 94ADNNY031 awarded by the Corporation for National Service (Corporation). The agreed-upon procedures were in accordance with *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States. The grant, which had a period of performance of July 1, 1994 through December 31, 1996, was awarded in an amount of \$1,415,150. The scope of our review covered the entire grant period.

RESULTS

Based on the results of our review, the costs claimed, as presented in Exhibit A, are accurate and in conformance with the terms and conditions of the grant, with the following exception.

The claimed costs included payroll and related benefit expenses in the amount of \$1,733 which was incurred in January 1997 which was after the grant period. Accordingly, we have questioned this amount and refer the matter to the Office of Grants Management for final determination.

MS Society's Comments

The MS Society indicates that it was given verbal approval from the Corporation to incur these costs under the grant.

Auditor's Response

Given that we have no documentation to support MS Society's claim of approval, we refer the matter to the Office of Grants Management for final determination.

Inspector General
Corporation for National Service

Internal Controls

Our review of the Financial Status Reports (FSRs) revealed the following reportable condition:

Finding

MS Society lacked adequate controls over the preparation and completion of financial reports. Our review of the FSRs submitted revealed the following mistakes:

<u>Mistake</u>	<u>FSR Reporting Period</u>
Line 10g, Total Federal Share was not completed	December 31, 1995
Line 10b, the cumulative amount of the recipient share of outlays for Section A adds to \$123,420 but is reported as \$139,498	June 30, 1996
Line 10g, the total Federal share amount adds to \$973,644 but is reported as \$904,256	June 30, 1996
Line 10c, the previously reported amount of Federal share of outlays from Section A was reported as \$100,206 when the amount should have been \$508,701. This resulted in the cumulative amount being incorrectly reported as \$164,524 instead of \$573,019	September 30, 1996
Line 10c, the amount reported as Federal share of outlays from Section B-G was reported as \$59,946 when the supporting documentation indicated that this amount was \$56,946	September 30, 1996
Line 10g, the total Federal share was reported as \$124,264 when the amount should have been \$689,404 if the mistakes noted in the prior FSRs were not corrected and \$1,094,908 if the mistakes made in the prior and current FSRs had been corrected	September 30, 1996

Inspector General
Corporation for National Service

Recommendation

We recommend that MS Society implement policies and procedures to review and verify the accuracy of the financial reports prior to submission.

MS Society's Comments

Accordingly to the MS Society, the mathematical errors were made by a new staff member and it does not believe that the mathematical errors represent a breakdown in internal controls.

Auditor's Response

While MS Society may not view these errors as a weakness in the internal control structure, we disagree.

Compliance

The MS Society's independent auditor's reports on the compliance with the general requirements included the following nonmaterial instance of noncompliance:

Finding

The MS Society did not submit a required report with the Equal Employment Opportunity Commission (EEOC). Federal regulations require that an annual report, Standard Form 100-EEO1, be filed with the EEOC if an organization employs over 100 employees. The MS Society has over 100 employees.

Recommendation

The MS Society should ensure that the required report is completed and submitted timely for fiscal year 1997. Management indicated that the report was not prepared due to an oversight and that it would be prepared for fiscal year 1997.

BACKGROUND

The MS Society is a national nonprofit health agency which is classified as a charitable organization as defined by Internal Revenue Code Section 501 (c)(3). The MS Society consists of its National Headquarters and 86 chartered Chapters throughout the country, each with a separate Board of Trustees. The MS Society is dedicated to ending the devastating effects of multiple sclerosis.

Inspector General
Corporation for National Service

<u>Award Number</u>	<u>Award Description</u>
94ADNNY031	The purpose of the grant is to conduct an AmeriCorps program to improve the quality of life for people with multiple sclerosis through a personal assistance/chore program, a peer telephone program, and an educational program for retail establishments on making their businesses fully accessible.

SCOPE AND METHODOLOGY

The procedures we performed are as follows:

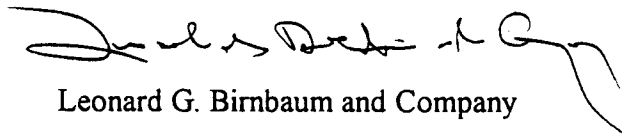
- (A) We reviewed MS Society's audited financial statements for the years ended September 30, 1995 and 1996, and determined that the independent auditor's reports and the financial statements conformed to applicable generally accepted auditing standards, *Government Auditing Standards* and Office of Management and Budget Circular A-133.
- (B) We reviewed the audit programs, prepared by the MS Society's independent auditor, related to (1) the financial statements, (2) the internal control structure and (3) compliance with laws and regulations and determined that they were appropriate to the circumstances.
- (C) We sampled individual audit steps and determined that the audit programs had been executed as planned.
- (D) We reviewed the reports on the internal control structure and compliance.
- (E) We determined that the compliance finding cited by the independent auditor did not result in a material misstatement of the amounts claimed.
- (F) We reviewed the Financial Status Reports that had been submitted to the Corporation.
- (G) We developed Exhibit A to present the amount of claimed costs from July 1, 1994 through December 31, 1996, and the amount of questioned costs.

Inspector General
Corporation for National Service

Because the above procedures do not constitute an audit conducted in accordance with *Government Auditing Standards*, we do not express an opinion on the amounts presented in Exhibit A. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the costs presented in Exhibit A included amounts which were unallowable under the terms and conditions of the grant except those noted. Had we performed additional procedures or had we conducted an audit of the claimed costs in accordance with generally accepted auditing standards and *Government Auditing Standards*, other matters might have come to our attention that would have been reported to you. This report relates to the grant specified above and does not extend to any financial statements of MS Society taken as a whole.

We provided a draft of this report to the Corporation's Office of Grants Management and to MS Society for comments. The Corporation's Office of Grants Management comments are presented as Appendix A while MS Society's comments are presented as Appendix B. Unless noted otherwise after each finding, MS Society concurred with the finding and recommendation.

This report is intended for the information and use of the Corporation's Office of Inspector General, as well as the management of the Corporation and the MS Society. However, this report is a matter of public record and its distribution is not limited.



Leonard G. Birnbaum and Company

Alexandria, Virginia
November 6, 1997

National Multiple Sclerosis Society
Corporation for National Service - Award No. 94ADNNY031
Schedule of Claimed and Questioned Costs
July 1, 1994 through December 31, 1996

Total Grant Award	<u>\$1,415,150</u>
Total Claimed Costs per Financial Status Report	<u>\$1,221,053</u>
Total Corporation Funds Drawn Down	<u>\$1,221,053</u>
Total Questioned Costs	<u>\$ 1,733</u>

Appendix A

Response of the Corporation's Office of Grants Management



AmeriCorps National Service

CORPORATION

FOR NATIONAL

★ SERVICE

March 27, 1998


Leslie A. Leiper
Senior Partner
Leonard G. Birnbaum & Company, LLP
6285 Franconia Road
Alexandria, VA 22310-2510

Dear Ms. Leiper:

We have received your draft audit report of Cooperative Agreement No. 94ADNNY031 awarded to the National Multiple Sclerosis Society.

Our review was primarily limited to 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, factors or alternatives to the recommendations. Therefore we are unable to provide detailed comments or specifically concur with the report's findings or recommendations at this time. Nevertheless, we have no objections to the report being issued.

Sincerely,


Michael Kenefick
Director of Grants and Contracts

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

Getting Things Done.
AmeriCorps, National Service
Learn and Serve America
National Senior Service Corps

Appendix B

Response of the National Multiple Sclerosis Society



NATIONAL
MULTIPLE SCLEROSIS
SOCIETY

National Multiple Sclerosis Society
733 Third Avenue
New York, NY 10017-3288

50 Years of
Nationwide Service

March 26, 1998

Tel 212 986 3240
1 800 FIGHT MS
Fax 212 986 7981
E-Mail: Nat@nmss.org

Mr. Leslie A. Leiper
Senior Partner
Leonard G. Birnbaum and Company, LLP
6285 Franconia Road
Alexandria, VA 22310-2510

Dear Mr. Leiper:

We have received your draft report regarding Grant Number 94ADNNY031 which was awarded to the National Multiple Sclerosis Society by the Corporation for National Service.

Our comments on the questioned costs and findings are as follow:

Claimed and Questioned Costs

In December, 1996 via telephone Mickey Seligman, the NMSS program liaison from the Corporation for National Services, and her direct superior agreed to the extension of the grant for the National Office through January 1997 for the Project Coordinator's payroll because it would take the Project Coordinator a month to do the paperwork involved in preparing the final reports. The Corporation gave this extension because it recognized that we had ten sites from which we had to obtain reports and then consolidate into a single narrative report and a single financial report.

Internal Controls

The mathematical errors were made by a new staff member who was employed as Project Coordinator in November 1995. I believe there are several reasons, which accounted for these errors: one was her inexperience, the second was the complicated financial reporting forms, and the third was that there was insufficient time for a detailed review of the Project Coordinator's work.

Mr. Leslie A. Leiper
March 26, 1998
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The cursory review of these forms did not result in any incorrect reimbursement. We do not believe the mathematical errors represent a breakdown in internal controls. The primary reason we terminated the grant was the inordinate time that the project demanded in terms of paperwork and procedures for us and our chapters. (For example, we were asked for the same information in three different reports. We questioned why. The Corporation representatives' said that they were under attack and had to justify their existence.)

Our Financial Department staff was directly involved in the portion of the financial status reports, which involved dollar outlays by the National office and subsequent reimbursement by Corporation for National Service. Those reimbursement requests were submitted on Form PMS 272, which were found to be in order during the entire term of the grant.

In conclusion, we do not believe this administrative issue constitutes a reportable condition.

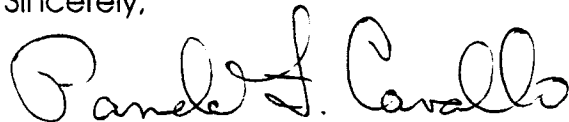
Compliance

This finding was cited in an organization wide audit related to OMB Circular A-133. The report will be prepared in the future. We do not believe this needs to be cited again.

We request that you revise your report to reflect our beliefs.

Should you have any questions on this information, please contact me (212-476-0454) or Howard Davis, Controller (212-476-0437).

Sincerely,



Pamela F. Cavallo, MSW, CSW
Director
Clinical Programs Department

cc: Mr. William Anderson, CNS-OIG
Mr. Michael Kenefick, CNS-GM
Ms. Marian Cebula, CNS-GM
Ms. Donna Cunninghame, CNS-CFO
Ms. Beth Gruber, Ernst & Young, LLP