
OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

Audit of
America's Promise – The Alliance for Youth
Grant Number 01SPHVA001

Audit Report Number 03-11
December 18, 2002

Prepared by:

Office of Inspector General
Corporation for National and Community Service
1201 New York Avenue
Washington, D.C. 20525

This report was issued to Corporation management on March 17, 2003. 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 17, 2003 and complete its corrective actions by March 17, 2004. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

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America's Promise – The Alliance for Youth
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December 18, 2002

Mr. Peter A. Gallagher, President and Chief Executive Officer
America's Promise – The Alliance for Youth
909 North Washington Street, Suite 400
Alexandria, VA 22314-1556

We performed a financial related audit of Corporation for National and Community Service (the Corporation) funds awarded to America's Promise – The Alliance for Youth (America's Promise). The audit included Grant No. 01SPHVA001, a legislative earmark grant. The audit's objectives were to: (1) examine the costs incurred to determine whether the amounts incurred and claimed are allowable under the grant agreement, its terms and conditions, and applicable Federal laws and regulations; and (2) evaluate the internal controls over financial reporting to determine if they are adequate to safeguard Federal funds.

Executive Summary

We question \$23,432 in salaries, benefits and travel costs, or approximately .3 percent, of the \$7,483,000 claimed under the grant. These costs were incurred prior to the effective date of the award. We also question \$911 of interest earned on Federal funds, which should be returned to the Department of Health and Human Services.

Background

The National and Community Service Trust Act of 1993, P.L. 103-82, which amended the National and Community Service Act of 1990, established the Corporation.

The Corporation, pursuant to the authority of the Act, awards grants and cooperative agreements to State Commissions, nonprofit entities and tribes and territories to assist in the creation of full- and part-time national and community service programs. Through these grantees, members and volunteers perform service to meet the educational, human, environmental, and public safety needs throughout the Nation.

The Corporation's appropriations legislation for fiscal year 2001, specified that not more than \$7,500,000 of the funds made available to the Corporation shall be made available to America's Promise – The Alliance for Youth to support efforts to mobilize individuals,

groups, and organizations to build and strengthen the character and competence of the Nation's youth. This earmark award originally covered the period from May 1, 2001 through May 1, 2002. The Corporation granted a no cost extension through June 30, 2002. On April 24, 2001, the Corporation amended the award to reflect a reduction of Federal funds due to a .22 percent rescission mandated by Congress. Accordingly, the grant was reduced by \$17,000 to \$7,483,000.

Objectives, Scope and Methodology

Our objectives were to examine costs incurred to determine whether the amounts incurred and claimed were allowable under the grant agreement, its terms and conditions, and applicable Federal laws and regulations. In the fiscal year 2001 A-133 audit, this award was identified and audited as a major program. The A-133 auditors noted no matters involving noncompliance or internal control over financial reporting. They also noted no matters involving noncompliance or internal control over the major programs that it considered to be material weaknesses. We reviewed the work performed by the outside auditors and chose to rely on it to avoid duplication of effort. Therefore, we limited our testing to the fiscal year 2001 cost reclassification from general funds to the grant, and testing fiscal year 2002 grant costs to ensure they were being charged appropriately. We requested and examined documentation supporting the final Financial Status Report and tested the following accounts: Salaries and Benefits, Contracted Services, Printing, Communications, Travel, Supplies/Materials, Office Rent, and Other.

We performed our audit in accordance with generally accepted 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 that the grant funds were spent in accordance with program requirements.

An exit conference was held with America's Promise – The Alliance for Youth representatives on December 18, 2002. The issues presented in this report were discussed. The America's Promise and Corporation responses to the draft report are included as Appendix A and Appendix B respectively.

Results

In our opinion, except for the questioned costs, the costs claimed on Grant No. 01SPHVA001 are allowable under the requirements of OMB Circular A-122.

1. Allowability of Costs

We questioned \$23,432, or approximately .3 percent, of the \$7,483,000 charged to the grant.

The Budget Period for the grant was May 1, 2001 through June 30, 2002. Costs for salaries and benefits of \$22,445 and \$987 for travel charged to the grant were incurred prior to the effective date of the award (i.e., February 2001 thru April 2001). OMB Circular A-122, Attachment B, No. 38, Pre-Award Costs states, "Pre-award costs are those incurred prior to the effective date of the award directly pursuant to the negotiation and in anticipation of the award where such costs are necessary to comply with the proposed delivery schedule or period of performance. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the award and only with the written approval of the awarding agency." Also, the Corporation's General Provision No. 19, Prior Approval Requirement states, "The Grantee must obtain prior written approval from the Corporation before making any significant changes, such as transfer of the project effort, changes in objectives, scope of work, or timeline."

2. Interest on Funds

We questioned \$911 of interest earned on Federal funds, which should be returned to the Department of Health and Human Services.

The Corporation's General Provision No. 5 - Financial Management Provisions, states, "The Grantee's financial management systems must be capable of distinguishing expenditures attributable to the Grant from expenditures not attributable to the Grant". During fiscal year 2001 grant costs were not recorded separately from operating costs. Since America's Promise – The Alliance for Youth did not separate grant costs they could not determine that drawdowns were for immediate needs. After fiscal year 2001 costs were reclassified it was determined that drawdowns were \$159,274 more than the expenses for that period. The Corporation's General Provision No. 9 - Payments Under The Award, Part b - Immediate Cash Flow Needs, states, "The amount of advance payments requested by the Grantee must be based on actual and immediate cash needs in order to minimize federal cash on hand, in accordance with policies established by the U.S. Department of the Treasury in 31 C.F.R. 205)." Also, as required by Part d of this Provision, "The Grantee must deposit advance funds received from the Corporation in federally-insured, interest-bearing accounts. Earned interest must be remitted annually to Health and Human Services-Payment Management System, Rockville, MD 20852."

This report is intended solely for the information and use of the Office of Inspector General, the Corporation's management, and America's Promise –The Alliance for Youth.



J. Russell George
Inspector General
Corporation for National and Community Service
Washington, D.C.

Copy to:

Michelle Guillermin, Chief Financial Officer
Peg Rosenberry, Director, Office of Grants Management
Dana Rodgers, Program Officer

SCHEDULE OF CLAIMED COSTS

**Office of Inspector General
Corporation for National and Community Service
Grant Number 01SPHVA001
America's Promise – The Alliance for Youth
May 1, 2001 – June 30, 2002**

	Claimed Costs	Questioned Costs	Notes
Salaries & Benefits	\$3,608,550	22,445	A
Travel	561,512	987	A
Supplies	160,300		
Contractual	1,990,150		
Other	482,200		
Interest Earned	<u> </u>	<u>911</u>	A
TOTAL	<u>\$7,483,000</u>	<u>\$24,343</u>	

Note A: An explanation of these questioned costs appears on Page 2 – Page 3 (Results - Grant No. 01SPHVA001).

APPENDIX A

America's Promise – The Alliance for Youth Response

AMERICA'S PROMISE

THE ALLIANCE FOR YOUTH®

909 North Washington Street, Suite 400
Alexandria, VA 22314-1556

March 3, 2003

Mr. J. Russell George
Inspector General
Corporation for National and Community Service
Office of Inspector General
1201 New York Avenue, NW
Washington, DC 20525

TEL 703.684.4500
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Dear Mr. George:

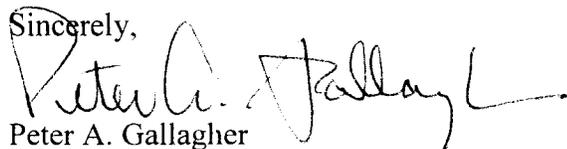
America's Promise – The Alliance for Youth (America's Promise) is pleased to submit its response to your letter dated February 13, 2003, regarding your audit of costs claimed by America's Promise under grant number 01SPHVA001. Please allow me to emphasize that America's Promise is committed to full cooperation with you during the final determination of questioned costs. We appreciate this opportunity to respond and hope that the information enclosed herein is sufficient.

America's Promise acknowledges that our comments will be included as an appendix to your final report. Prior to its issuance, America's Promise respectfully requests an opportunity to review the final report. Should this not be possible, please notify me as soon as possible.

Thank you in advance for your consideration of our responses and we look forward to hearing from you. We have enjoyed working with you and your staff, especially Carol Bates and Monica Cely-Rodriguez.

If you have any questions, please contact me at 703.684.4500.

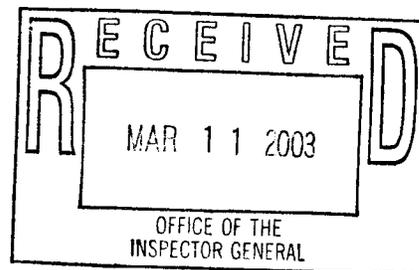
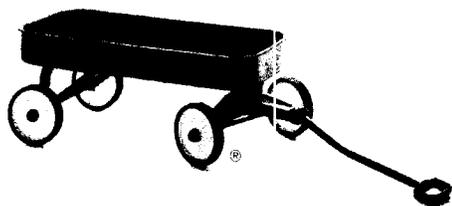
Sincerely,



Peter A. Gallagher
President and Chief Executive Officer

Enclosures

cc: R. Ingram, AP
C. Curtin, OPI
Audit File



**America's Promise – The Alliance for Youth
Response to Questioned Costs
As of March 3, 2003**

America's Promise – The Alliance for Youth (America's Promise) herein presents its responses to the questioned costs detailed on pages two (2) and three (3) of the draft audit report.

1. Allowability of Costs:

Nature of Questioned Cost: In the draft audit report, the Office of Inspector General (OIG) questioned costs totaling \$23,432. These costs represented salaries and benefits (\$22,445) and travel (\$987) and were disallowed because the costs were incurred prior to the effective date of the award.

America's Promise's Response: Subsequent to the completion of audit fieldwork, America's Promise re-examined the nature of the expenses questioned by the OIG. We concluded that the questioned items directly correlated with the intention and purpose of the CNCS grant and would have been reimbursable had the expenses been claimed during the period of the grant. However, we failed to obtain the requisite prior written approval from CNCS to submit pre-award costs for reimbursement.

E. Renée Ingram, our Chief Financial Officer, contacted Ms. Susan Meche on February 26, 2003, to discuss our conclusion. Based on the information presented to her, Ms. Meche agreed with our conclusion and indicated that CNCS would have granted approval to America's Promise to claim and submit reimbursement for the pre-award costs had the request been made. Ms. Meche informed America's Promise that she would contact the OIG to discuss her conclusion.

Accordingly, America's Promise respectfully requests that the OIG consider eliminating this finding and the resulting questioned costs.

2. Interest on Funds:

Nature of Questioned Cost: In the draft audit report, the OIG questioned approximately \$911. This item represented interest on drawdowns made by America's Promise that were in excess of immediate cash needs.

America's Promise's Response: America's Promise accepts this finding. We will disburse \$911 to the U. S. Department of Health and Human Services upon issuance of the OIG's final audit report, unless otherwise instructed by the OIG.

APPENDIX B

The Corporation's Response

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** ★★ ★

To: Russell George, Inspector General

Through: *Michelle Guillermin*
Michelle Guillermin, Chief Financial Officer

From: *Peg Rosenberry*
Peg Rosenberry, Director, Office of Grants Management

Date: March 13, 2003

Subject: Response to OIG Draft Audit Report 03-11: Audit of America's Promise – The Alliance for Youth, Grant Number 01SPHVA001

We have reviewed the draft audit report of the America's Promise – The Alliance for Youth (America's Promise) grant number 01SPHVA001. Due to the limited timeframe for response, we have not yet conducted a comprehensive review or reviewed the work papers. We will respond to all findings when the audit is issued and we have reviewed the findings in detail.

However, the audit indicated that America's Promise incurred \$23,432 in costs before the stated grant project period began, not realizing it began later than anticipated. The costs incurred during the pre-award period were related to the project and in accordance with the proposed budget. If the grantee had requested approval to incur costs prior to award, the request would have been granted. OGM will allow the related questioned costs identified in the audit and advise the grantee during the audit resolution phase that pre-award costs for future grants must be requested in advance.

The audit also questioned \$911 of interest that America's Promise earned on Corporation funds. If, based on the review of the supporting documentation, we determine these costs to be accurate, OGM will advise the grantee to refund any excess interest earned.

