Semiannual Report to Congress on Audit Follow-up

CORPORATION

FOR NATIONAL

SERVICE

October 1, 1995 - March 31, 1996

CNS Semiannual Report Number 5

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Comments on the Inspector General's Semiannual Report

The Corporation for National Service is covered by the Government Corporation Control Act and, as such, is required to prepare annual financial statements which are to be audited. The Corporation sought to conduct a financial audit for fiscal year 1994 but its systems and records did not meet standards of the Government Corporation Control Act. Thus, a survey was conducted to identify areas that need to be addressed in order to meet those standards. The Corporation is now systematically addressing recommendations resulting from the survey.

During the survey, significant issues related to the Corporation's accounting, recordkeeping, and management control activities were identified. While the auditors' conclusions were not unexpected (experience with Chief Financial Officers Act auditing requirements has shown that most Federal agencies are initially unable to prepare auditable financial statements), the situation was compounded in the Corporation's case by the need to launch major new national service programs and to integrate programs of predecessor agencies. In doing so, the Corporation combined from these organizations financial management systems which had not been required to produce auditable financial statements.

The auditability survey was completed at the end of the reporting period, March 29, 1996, and its recommendations are now being implemented. Additionally, the Corporation is assessing a fundamental re-engineering of its financial management processes to meet challenges resulting from its expanded responsibilities.
Finally, while the Inspector General's report discussed a number of audits that were issued during the reporting period, we have not commented on them since they are still undergoing resolution in accordance with OMB Circular A-50 and the Corporation's audit followup process. It would be premature to comment on them until the auditees have had an opportunity to respond and a management decision has been made specifying the final, mutually agreed to weaknesses and corrective actions.

Management Decisions not Made Within Six Months

The Inspector General's semiannual report for this period identified 14 audits reports for which management decisions had not been made within 6 months of the audit report being issued. Two of these reports had monetary findings over $1,000; five had monetary findings under $1,000; and seven involved only non-monetary findings.

By the end of the reporting period, the Corporation had proposed management decisions on 12 of the 14, for which the Office of the Inspector General requested additional management action in order to address the findings. The additional action included further verification that corrective actions had indeed taken place.

Since the end of the reporting period, management decisions have been agreed upon for 10 of the 14 reports; four of the 10 have received final action and are resolved. We expect that completion of correction actions for most of the remaining audits will take place before the close of the current six-month reporting period.

FINAL ACTION TAKEN ON AUDIT REPORTS WITH DISALLOWED COSTS

(for the period October 1, 1995 - March 31, 1996)

		Number of Audit Reports	Disallowed Costs ($000)
A.	Audit reports with management decisions upon which final action had not been taken as of September 30, 1995.	21	291.7 *
B.	Audit reports upon which management decisions were made during the six-month reporting period.	10	142.8
C.	Total audit reports with management decisions upon which final action was pending during the reporting period (total of A and B).	31	434.5
D.	Audit reports upon which final action was taken during the reporting period (total of D.1. through D.4.).	18**	131.3
	1. Recoveries		
	(a) Collections and offsets	4	15.7
	(b) Property in lieu of cash	0	0
	(c) Other	0	0
	2. Write-offs	2	20.5
	3. Audits with no disallowed costs	11	0
	4. Adjustment to disallowed costs resulting from a new, close-out audit which superceded an earlier audit report	1	95.0
E.	Audit reports with management decisions upon which no final action had been taken as of March 31, 1996.	13	303.2***

* These disallowed costs are taken from the original management decisions and do not reflect revised figures resulting from appeals. Revised amounts will be noted in the reporting period in which the reports receive final action. This figure represents a rounding adjustment (-.1) from the previous report.

** Three reports were closed by the Department of Justice in prior reporting periods. The Corporation was notified during this reporting period.

*** Of this amount, $256.1 has been referred to the Department of Justice for collection.

Table 1.

AUDITS WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE

(for the period October 1, 1995 - March 31, 1996)

		Number of Audit Reports	Funds to be Put to Better Use ($000s)
A.	Audit reports with management decisions on which final action had not been taken at the beginning of the period.	0	0
B.	Audit reports on which management decisions were made during the period.	0	0
C.	Total audit reports pending final action during the period (Total of A and B)	0	0
D.	Audit reports on which final action was taken during the period.	0	0
	1. Value of recommendations that were completed.	0	0
	2. Value of recommendations that management concluded should not or could not be implemented or completed.	0	0
	3. Total of 1 and 2	0	0
E.	Audit reports needing final action at the end of the period (Subtract D3 from C)	0	0

Table 2.

Audits With Disallowed Costs That Had No Final Action Within One Year of a Management Decision

(as of March 31, 1996)

None of the audit reports in this table had a recommendation that funds be put to better use.

Audit Number	Auditee	Management Decision Date	Amount of Disallowed Costs	Reason No Final Action Was Taken by September 30, 1995
88-10K & 88-10L	American Legion Post #23	6/15/88 6/15/88	$ 13,064 25,183	Debt was forwarded to the Department of Justice on June 21, 1991.
88-20	Carson River Basin Council of Governments	9/15/88	45,057	Debt was forwarded to the Department of Justice on June 16, 1992.
89-41	Labor Agency of Metropolitan Washington, Inc.	3/23/90	172,774	Debt was forwarded to the Department of Justice on January 16, 1992.
94-02-24	Schenectady Municipal Housing Authority	9/28/94	68	Collection process is underway.

Seven additional audits with no disallowed costs have not received final action within one year of a management decision. The corrective actions for most of these audits includes issuing new policies and procedures.

Table 3