

CORPORATION FOR NATIONAL & COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the Serve Guam Commission

OIG Report 19-08

Prepared by:

Cotton & Company LLP

635 Slaters Lane, 4th Floor

Alexandria, VA 22314

703.836.6701



This report was issued to Corporation Management on May 28, 2019. Under the laws and regulations governing audit follow up, the Corporation is to make final management decisions on the report's findings and recommendations no later than November 28, 2019, and complete its corrective actions by May 28, 2020. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



May 28, 2019

MEMORANDUM TO: Chester Spellman
Director, AmeriCorps State and National

FROM: Monique P. Colter /s/
Assistant Inspector General for Audit

SUBJECT: OIG Report 19-08, *Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the Serve Guam Commission*

Enclosed is the final report for the above engagement. This agreed-upon procedures review was conducted by Cotton & Company LLP, in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Under the CNCS Audit Resolution Policy, a final management decision on the finding and recommendation is due by November 28, 2019. Notice of final action is due by May 28, 2020.

If you have questions about this report, please contact Monique P. Colter, Assistant Inspector General for Audit, at M.Colter@cncsoig.gov, (202) 606-9360.

Enclosure:
As stated

cc: Doris Aguon, Executive Director, Serve Guam Commission
Barbara Stewart, Chief Executive Officer
Desiree Tucker-Sorini, Chief of Staff
Robert McCarty, Chief Financial Officer
Tim Noelker, General Counsel
Jennifer Bastress Tahmasebi, Deputy Director, AmeriCorps State and National
Joseph Liciardello, Acting Chief Grants Officer
Autumn Rose, Senior Grants Officer, Audit and Policy, Office of Audit and Debt Resolution
Melissa Langley, Special Assistant, AmeriCorps State and National
Lora Pollari-Welbes, Audits and Investigations Program Manager
Michael Gillespie, Partner, Cotton & Company LLP

**AGREED-UPON PROCEDURES FOR
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GRANTS AWARDED TO SERVE GUAM COMMISSION**

CONTENTS

| Section | Page |
|--|-------------|
| Executive Summary..... | 1 |
| Independent Accountants’ Report on Applying Agreed-Upon Procedures | 4 |
| Exhibit A: Consolidated Schedule of Claimed and Questioned Costs..... | 8 |
| Schedule A: Schedule of Claimed and Questioned Costs Sanctuary Incorporated Award No. 14AFHGU001 | 9 |
| Exhibit B: Detailed Findings | 11 |
| Background..... | 38 |
| Exit Conference..... | 39 |
| Appendices | |
| A: Corporation for National and Community Service’s Response to Draft Report..... | 40 |
| B: Serve Guam Commission’s Response to Draft Report..... | 45 |

EXECUTIVE SUMMARY

Cotton & Company's agreed-upon procedures (AUP) review of the Serve Guam Commission (the Commission or SGC) and two of its subgrantees, Sanctuary, Incorporated (Sanctuary) and Guam Homeland Security (GHS), disclosed \$33,238 in questioned costs (including Federal costs of \$14,477 and match costs of \$18,761). All of the questioned costs resulted from deficiencies in Sanctuary's financial management system used to claim costs on AmeriCorps awards, as detailed in [Exhibit A](#).

In addition to the questioned costs, we noted compliance findings resulting from deficiencies in the internal controls related to costs that SGC and its subgrantees claimed on the Corporation for National and Community Service (CNCS) grants. We discuss these compliance findings and recommendations in [Exhibit B](#).

The CNCS Office of Inspector General (OIG) contracted with Cotton & Company LLP, an independent certified public accounting firm, to perform this AUP. As part of the AUP engagement, Cotton & Company reviewed \$2,282,252 in Federal expenditures that SGC reported on five CNCS grant awards (three Commission support grants and two AmeriCorps awards) during the two-year period ending March 31, 2018.¹ SGC awarded the funds it received under the two AmeriCorps awards to eight organizations to recruit, train, and place AmeriCorps members to meet critical community needs; however, SGC was responsible for performing programmatic and financial oversight of the sub-awards.

Specifically, Cotton & Company's testing revealed the following deficiencies at SGC, Sanctuary, and GHS:

Inadequate Pre-Award and Post-Award Evaluation and Monitoring

- SGC did not appropriately document its evaluation of each subgrantee's risk of noncompliance, either before award or during grant performance (Finding 1.a).
- SGC did not appropriately monitor subgrantees or document its subgrantee monitoring (Finding 1.b).
- SGC did not appropriately document whether or how it reviewed the results of subgrantee Single Audits, on-site reviews, or other external monitoring reports (Finding 1.c).

¹ For the purposes of this AUP review, we did not perform cost or compliance testing on \$209,062 of the costs claimed for PY 2014-2015 under Award No. 14AFHGU001.

Inadequate Financial Management System and Unallowable Costs Claimed

- Sanctuary's accounting system and records did not adequately support all of the costs it claimed on AmeriCorps Award No. 14AFHGU001 (14AFH) (Finding 2).

Inadequate Member Timekeeping Procedures

- GHS did not ensure that the individuals completing member timesheets had direct knowledge of each member's activities (Finding 3).
- GHS did not appropriately review or monitor off-site member activities (Finding 3).

Incomplete National Service Criminal History Checks

- SGC was unable to provide documentation to support that it had appropriately complied with all National Service Criminal History Check (NSCHC) requirements (Finding 4.a).
- Sanctuary was unable to provide documentation to support that it had appropriately complied with all NSCHC requirements (Finding 4.b).

Non-Compliance with Internal Policies

- SGC was unable to provide documentation to support that it had complied with its travel policies (Finding 5.a).
- Sanctuary was unable to provide documentation to support that it had complied with all internal procurement policies and best practices (Findings 5.b and 5.c).

Late Reporting

- SGC submitted financial reports after the required due dates (Finding 6.a).
- GHS submitted financial reports after the required due dates (Finding 6.b).

Incomplete Member Exit Form

- Sanctuary did not appropriately complete a member's exit form (Finding 7).

Improperly Reported Match Costs

- SGC did not appropriately report match costs in the Federal Financial Reports (FFRs) that it submitted to CNCS for Award No. 14AFHGU001 (Finding 8).

The Office of Inspector General issued a draft report to CNCS and SGC for comments. The comments are included after each finding and recommendation and attached verbatim to this report.



Cotton & Company LLP
635 Slaters Lane
4th Floor
Alexandria, VA 22314

P: 703.836.6701
F: 703.836.0941
www.cottoncpa.com

May 20, 2019

Office of Inspector General
Corporation for National and Community Service

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Cotton & Company LLP (we) performed the procedures detailed in the Office of Inspector General's (OIG's) *Agreed-Upon Procedures for Corporation Awards to State Commissions Without VISTA Grantees (Including Subgrantees)* program, dated June 2016. The OIG agreed to these procedures solely to assist it in grant cost and compliance testing of Corporation for National and Community Service (CNCS)-funded Federal assistance provided to the Serve Guam Commission (SGC or the Commission) for the awards detailed below.

We performed this agreed-upon procedures (AUP) engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and Generally Accepted Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the OIG. Consequently, we make no representation regarding the sufficiency of the procedures, either for the purpose for which this report has been requested or for any other purpose.

AGREED-UPON PROCEDURES SCOPE

Cotton & Company's procedures covered the allowability, allocability, and reasonableness of the financial transactions that SGC reported for the following cost-reimbursable grants and AUP periods:

| Grant Program | Award No. | Award Period | Award Amount | AUP Period ² | AUP Expenditures |
|---|------------|-----------------------|---------------------------|-------------------------|---------------------------|
| AmeriCorps Grants | | | | | |
| Territorial | 14AFHGU001 | 10/01/14- 09/30/18 | \$4,211,684 | 04/01/16- 03/31/18 | \$1,645,001 ³ |
| Formula | 17AFHGU001 | 01/01/18- 12/31/20 | \$1,206,000 | 01/01/18- 03/31/18 | \$0 ⁴ |
| Commission-Level Grants | | | | | |
| Commission Support | 14CAHGU001 | 01/01/14- 09/30/17 | \$712,474 | 01/01/16- 12/31/16 | \$265,146 |
| Training and Technical Assistance (TTA) | 16TAHGU001 | 08/15/16- 12/31/18 | \$192,371 | 08/15/16- 06/30/18 | \$60,039 |
| Commission Support | 17CAHGU001 | 01/01/17- 12/31/19 | \$484,829 | 01/01/17- 06/30/18 | \$312,066 |
| Total | | | <u>\$6,807,358</u> | | <u>\$2,282,252</u> |

In addition to evaluating the allowability of costs claimed during the AUP period, Cotton & Company evaluated SGC's compliance with certain grant terms and provisions, as outlined in the CNCS OIG AUP.

Because SGC provided all of the funds awarded under the AmeriCorps awards to its subgrantees, we also reviewed SGC's administration of AmeriCorps award grant funds. As part of this review, we evaluated SGC's subgrantee monitoring procedures and performed cost and compliance testing on two subgrantees that we judgmentally selected for detailed testing based on an assessment of overall risk to SGC and CNCS.⁵ These subgrantees included:

- Sanctuary, Incorporated (Sanctuary)
- Guam Homeland Security (GHS)

The following tables identify relevant information regarding the costs claimed and the members enrolled at each of the sampled subgrantee sites during each Program Year (PY) tested.

² The AUP period for the 14CAHGU001 award was one year from the most recently filed Federal Financial Report (FFR), and the AUP period for the 14AFHGU001 award was two years from the most recently filed FFR. As the 16TAHGU001, 17CAHGU001, and 17AFHGU001 grants were awarded, the AUP periods for these awards was from the start of the grant through March 31, 2018.

³ We performed cost and compliance testing on \$1,645,001 of the costs claimed on this award for (PY) 2015-2016 and PY 2016-2017.

⁴ SGC did not claim any Federal expenditures on this award during the AUP period; we therefore only performed compliance testing on this award.

⁵ This assessment included consideration of several factors, including the amount of costs claimed by each subgrantee, the results of subgrantee monitoring reports, and any findings contained in the OMB Circular A-133 (now Title 2 Code of Federal Regulations (CFR), Subpart F – Audit Requirements) Single Audit reports for each entity.

| Costs Claimed for Sampled Subgrantees | | | | | | | |
|---------------------------------------|---------------------------|------------------------|---------------------------|------------------------|---------------------------|-------------------|---------------------------|
| Subgrantee | Program Year 2015-2016 | | Program Year 2016-2017 | | Program Year 2017-2018 | | Total |
| | Federal | Match | Federal | Match | Federal | Match | |
| Sanctuary | \$344,553 | \$21,758 | \$451,547 | \$20,109 | \$0 | \$0 | \$837,967 |
| GHS | <u>211,790</u> | <u>0</u> | <u>164,980</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>376,770</u> |
| Total | <u>\$556,343</u> | <u>\$21,758</u> | <u>\$616,527</u> | <u>\$20,109</u> | <u>\$0</u> | <u>\$0</u> | <u>\$1,214,737</u> |

| Enrolled Members at the Sampled Subgrantee Sites | | | | |
|--|--------------------------|--------------------------|--------------------------|-------------------|
| Subgrantee | Program Year2015-2016 | Program Year2016-2017 | Program Year2017-2018 | Total |
| Sanctuary | 54 | 60 | 85 | 199 |
| GHS | <u>27</u> | <u>40</u> | <u>N/A⁶</u> | <u>67</u> |
| Total | <u>81</u> | <u>100</u> | <u>85</u> | <u>266</u> |

AGREED-UPON PROCEDURES RESULTS

Cotton & Company compared SGC's inception-to-date drawdown amounts to the amounts reported in SGC's most recent Federal Financial Report (FFR) for the period tested and identified no discrepancies. However, based on our testing of the amounts claimed, we questioned \$33,238 of costs claimed in PYs 2015-2016 and 2016-2017, as follows:

| Finding Description | Award No. | Program Year 2015-2016 | | Program Year 2016-2017 | | Total |
|--|------------|---------------------------|-----------------------|---------------------------|------------------------|------------------------|
| | | Federal | Match | Federal | Match | |
| Subgrantee Inappropriately Claimed Costs | 14AFHGU001 | \$8,992 | \$0 | \$5,485 | \$0 | \$14,477 |
| National Service Criminal History Checks | 14AFHGU001 | <u>0</u> | <u>7,607</u> | <u>0</u> | <u>11,154</u> | <u>18,761</u> |
| Total | | <u>\$8,992</u> | <u>\$7,607</u> | <u>\$5,485</u> | <u>\$11,154</u> | <u>\$33,238</u> |

We have included the detailed results of our AUP testing in Exhibits A and B. Specifically:

- Exhibit A contains a consolidated schedule of claimed and questioned costs for the AUP period.

⁶ GHS did not receive AmeriCorps funding for PY 2017-2018.

- Exhibit B contains details on SGC and its subgrantees' non-compliance with grant provisions, applicable laws, and regulations.

We were not engaged to and did not perform an examination or a review, the objective of which would be the expression of an opinion on the subject matter. Accordingly, we do not express such an opinion. Had we performed other procedures, other matters might have come to our attention that would have been reported.

This report is intended solely for the information and use of the OIG, CNCS, SGC, and U.S. Congress and is not intended to be, and should not be, used by anyone other than these specified parties.

COTTON & COMPANY LLP

A handwritten signature in dark ink, appearing to read 'Michael W. Gillespie', with a stylized flourish at the end.

Michael W. Gillespie, CPA, CFE
Partner

**SERVE GUAM COMMISSION
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

| Agreed-Upon Procedures Scope | | | | Questioned | | |
|--------------------------------|---------------------------|--------------------------------|------------------------------|------------------------|------------------------|----------|
| Grant No. | Total Award | Federal Costs | Match Costs | Federal Costs | Match Costs | Schedule |
| AmeriCorps Grants | | | | | | |
| 14AFHGU001 | | | | | | |
| Sanctuary | \$1,422,013 | \$796,100 | \$41,867 | \$14,477 | \$18,761 | A |
| GHS | 899,989 | 376,770 | 0 | 0 | 0 | |
| Other Subgrantees | <u>1,889,682</u> | <u>472,131</u> | <u>125,701</u> | <u>0</u> | <u>0</u> | |
| Total | <u>\$4,211,684</u> | <u>\$1,645,001⁷</u> | <u>\$167,568⁸</u> | <u>\$14,477</u> | <u>\$18,761</u> | |
| 17AFHGU001 | | | | | | |
| Sanctuary | \$720,007 | \$0 | \$0 | \$0 | \$0 | |
| Other Subgrantees | <u>485,993</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | |
| Total | <u>\$1,206,000</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | |
| Commission-Level Grants | | | | | | |
| 14CAHGU001 | \$712,474 | \$265,146 | \$0 | \$0 | \$0 | |
| 16TAHGU001 | \$192,371 | \$60,039 | \$0 | \$0 | \$0 | |
| 17CAHGU001 | <u>\$484,829</u> | <u>\$312,066</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | |
| Total | <u>\$1,389,674</u> | <u>\$637,251</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | |
| Totals | <u>\$6,807,358</u> | <u>\$2,282,252</u> | <u>\$167,568</u> | <u>\$14,477</u> | <u>\$18,761</u> | |

⁷SGC claimed \$684,901 of Federal costs for PY 2014-2015 activities during the AUP period; however, for the purposes of this AUP review, we performed cost and compliance testing only on the \$1,645,001 of expenditures claimed for PY 2015-2016 and PY 2016-2017 activities.

⁸SGC claimed \$244,172 of match costs for PY 2014-2015 activities during the AUP period; however, for the purposes of this AUP review, we performed cost and compliance testing only on the \$167,568 of expenditures claimed for PY 2015-2016 and PY 2016-2017 activities.

**SERVE GUAM COMMISSION
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
SANCTUARY, INCORPORATED
AWARD No. 14AFHGU001**

| | Program Year 2015-2016 | | Program Year 2016-2017 | | Total | Notes |
|------------------------------|------------------------|----------------|------------------------|-----------------|-----------------|-------|
| | Federal | Match | Federal | Match | | |
| Claimed Costs for AUP Period | \$344,553 | \$21,758 | \$451,547 | \$20,109 | \$837,967 | 1 |
| Questioned Costs: | | | | | | |
| Personnel | \$3,891 | \$6,495 | \$4,148 | \$9,800 | \$24,334 | 2, 7 |
| Fringe Benefits | 138 | 1,112 | 1,179 | 1,354 | 3,783 | 3, 8 |
| Supplies | 3,474 | 0 | 0 | 0 | 3,474 | 4 |
| Contractual Costs | 1,456 | 0 | 158 | 0 | 1,614 | 5 |
| Other Program Costs | <u>33</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>33</u> | 6 |
| Total Questioned Costs | <u>\$8,992</u> | <u>\$7,607</u> | <u>\$5,485</u> | <u>\$11,154</u> | <u>\$33,238</u> | |

NOTES

1. The reported amounts represent the total Federal and match costs that SGC claimed on Award No. 14AFHGU001 for Sanctuary expenditures incurred during the Agreed Upon Procedures (AUP) period (April 1, 2016, through March 31, 2018) for Program Year (PY) 2015-2016 and PY 2016-2017 activities.

FEDERAL

2. We questioned \$8,039 because Sanctuary did not appropriately calculate salary expenses or report salary expenses in its Periodic Expense Reports (PERs). It did not claim costs based on actual salaries paid to employees and the budgeted grantee/subgrantee share (see Exhibit B, Finding 2, Note a).
3. We questioned \$1,317 of benefits applied to the incorrect salaries claimed in Note 2 above and for over-claimed worker's compensation costs (see Exhibit B, Finding 2, Note b).
4. We questioned \$3,474 because Sanctuary claimed supply costs that were not reasonable or necessary for the grant award in the program years charged (see Exhibit B, Finding 2, Note c).

5. We questioned \$1,614 because Sanctuary claimed contractual costs that were not reasonable or necessary for the grant award in the program years charged (see Exhibit B, Finding 2, Note d).
6. We questioned \$33 of Federal costs because Sanctuary erroneously claimed \$333 for a \$300 expense (see Exhibit B, Finding 2, Note e).

MATCH

7. We questioned \$16,295 of salary costs claimed as match because Sanctuary did not appropriately perform all required National Service Criminal History Checks (NSCHCs) on all employees serving in covered positions (see Exhibit B, Finding 4.b).
8. We applied the fringe benefit rate to the questioned cost in Note 7 above. The amount of benefits questioned due to salary questioned is \$2,466 (see Exhibit B, Finding 4.b).

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
DETAILED FINDINGS**

Finding 1. Inadequate Pre-Award and Post-Award Evaluation and Monitoring

SGC did not provide sufficient oversight of the program funds that it administered for AmeriCorps Award Nos. 14AFHGU001 (14AFH) or 17AFHGU001 (17AFH).

- a. SGC did not appropriately document its evaluation of each subgrantee's risk of noncompliance to determine the proper level of subgrantee monitoring, nor did it document its consideration of whether to impose specific sub-award conditions upon subgrantees based on the results of the evaluation, as required by 2 CFR §200.331(b) and (c). Specifically:
 - SGC's policies and procedures did not require performing or documenting subgrantee formal pre-award or post-award evaluations.
 - SGC's Program Year (PY) 2015-2016 policy did not include language stating that SGC could apply specific terms and conditions to subgrantees based on the results of evaluations or site visits.
 - SGC did not maintain evaluation files for any subgrantees in PY 2015-2016, 2016-2017, or 2017-2018 and therefore did not review formal prior-year evaluations when selecting subgrantees for subsequent program years.⁹
- b. SGC did not appropriately monitor or document its monitoring of subgrantees to ensure that subgrantees used sub-awards for authorized purposes included in SGC's internal subgrantee monitoring policies, as required by 2 CFR §200.331(d). Specifically:
 - SGC policies require that it conduct a programmatic site visit at each subgrantee in each PY. However, in PY 2015-2016, SGC did not conduct a site visit for one subgrantee,¹⁰ nor did it fully complete a programmatic site visit at one of the two subgrantee sites in PY 2016-2017.¹¹

⁹ SGC did consider past performance as part of its subgrantee selection process; however, it did not obtain any formal reports to review as part of this consideration.

¹⁰ SGC did not conduct a programmatic site visit at Sanctuary during PY 2015-2016.

¹¹ SGC did not perform member interview(s), member observation(s), or site supervisor interview(s) at GHS during PY 2016-2017; these tasks are a required part of programmatic site visits.

- SGC did not conduct financial monitoring site visits at three of the four subgrantee sites in PY 2015-2016,¹² as required by its policy.
- SGC did not use the AmeriCorps Review Program when conducting site visits at two of its four PY 2015-2016 subgrantees, as required by its policy.¹³
- SGC did not provide subgrantees with follow-up letters with the results of the PY 2015-2016 site visits, as required by its policy.
- In PY 2016-2017, SGC conducted annual programmatic reviews rather than once per quarter, as required per the schedule in its policy.
- SGC did not conduct an annual performance measures monitoring review in PY 2016-2017, as required by its policy.
- SGC planned to conduct programmatic reviews annually in PY 2017-2018, rather than once per quarter, as required by its policy.
- SGC did not adequately document programmatic site visits to support the procedures performed during the PY 2015-2016 site visits.
- SGC did not adequately document financial monitoring site visits to support the procedures performed during its PYs 2015-2016, 2016-2017, and 2017-2018 financial monitoring site visits.¹⁴
- SGC's AmeriCorps financial reporting policies and procedures were not consistent with the financial reporting policies included in its subgrantee contracts.¹⁵
- SGC did not grant waivers for or enforce any actions on subgrantees that did not comply with financial reporting requirements in PYs 2015-2016 or 2016-2017.¹⁶

¹² SGC did not perform financial reviews at Big Brothers, Big Sisters Guam (BBBSG), the Judiciary of Guam, and Sanctuary until after PY 2015-2016 ended.

¹³ SGC did not use the AmeriCorps Review Program when conducting site visits at BBBSG and the Judiciary of Guam.

¹⁴ SGC did not document how it reviewed the financial management forms completed by subgrantees during its on-site financial monitoring visits.

¹⁵ SGC's policies and procedures state that all Periodic Expense Reports (PERs) and Federal Financial Reports (FFRs) are due 10 days after the end of the period; however, SGC's contracts state that reports for Government of Guam agencies are not due until the 20th of each month.

¹⁶ See GHS references in Finding 6 for additional details.

- SGC did not ensure that subgrantees appropriately reported in-kind/match costs in the Federal Financial Reports (FFRs) submitted to SGC in PYs 2015-2016 and 2016-2017.¹⁷
 - SGC did not adequately document its review of PERs submitted by subgrantees during PYs 2015-2016 and 2016-2017.¹⁸
- c. SGC did not appropriately document whether or how it reviewed the results of subgrantee audits, on-site reviews, or other external monitoring reports as required by 2 CFR §200.331(f) and (g). Specifically, SGC did not maintain documentation to support how it obtains or reviews Single Audit reports, how it verifies that reported expenditures are appropriate, or how it ensures that it receives and reviews management letters.

According to 2 CFR Part 200, Subpart D, §200.331, *Requirements for pass-through entities*, State Commissions must monitor the activities of their subgrantees to ensure that the subgrantees use awarded funds for authorized purposes in compliance with Federal requirements and the terms and conditions of their sub-awards. Although SGC had policies in place for monitoring its subgrantees, SGC did not follow those policies or document all of its financial and programmatic monitoring efforts in written monitoring reports for each subgrantee.

SGC did not have sufficient internal controls in place to comply with or support that it complied with, all subgrantee monitoring requirements per the grantee terms and conditions and laws and regulations. As a result, SGC did not ensure that subgrantees complied with award requirements. This lack of monitoring also contributed to Findings 2 through 8 in this report.

Recommendations: We recommend that CNCS:

1. Require SGC to update its subgrantee selection process to include the evaluation of the following factors before making a subgrantee award:
 - A subgrantee's past performance.
 - The adequacy of a subgrantee's financial management systems. This recommendation results from Finding 2.
 - The results of audits or other external monitoring reviews performed at the subgrantee site.

¹⁷ See Finding 8 for additional details.

¹⁸ SGC noted that it reviews the allowability of all costs claimed in PERs; however, SGC's documentation only supports that it reviews member eligibility.

2. Require SGC to update its policies and procedures to ensure compliance with Federal subgrantee monitoring requirements. Updated policies should include:
 - Performing formal program evaluations for each subgrantee at the end of each program year and maintaining documentation of these evaluations.
 - Issuing waivers for, or enforcing actions on, subgrantees that do not provide accurate financial reports on a timely basis.
 - Documenting its review of costs claimed on subgrantee PER reports.
 - Implementing an annual procedure to obtain and review subgrantee Single Audit reports and maintaining documentation of this review.
3. Require SGC to update its financial monitoring site visit tool to include required documentation that supports the procedures performed during financial monitoring site visits.
4. Verify that SGC completes subgrantee site visits in accordance with its annual calendar of scheduled site visits and maintains documentation supporting the visits.

Summary of Management's Comments: CNCS management concurred with Recommendations 1 through 4. Specifically, CNCS stated that it would take the following steps in response to Finding 1:

- Work with SGC to strengthen its subgrantee selection, monitoring, and evaluation processes to comply with its internal policies and the requirements of 2 CFR 200.331 and the AmeriCorps terms and conditions.
- Review SGC's updated policies and completed evaluation and monitoring documents to verify that SGC had appropriately implemented the updated subgrantee procedures.

Please see Appendix A for the CNCS's full response.

Evaluation of Management's Comments: CNCS management's comments are responsive to, and its proposed corrective actions appropriately address the report findings and recommendations.

Summary of the Commission's Comments: The Commission concurred with this finding. Specifically, the Commission noted that it would take, or has taken, the following steps in response to Finding 1:

- Update its policies to include procedures for reviewing grant applications and selection criteria for both new and continuing applicants. These updated policies will include:
 - Performing and documenting risk-based pre- and post-award evaluations.
 - Reviewing the applicant's financial management systems, the results of its prior audits or other external monitoring reviews, and its past performance.
- Strengthen its financial and programmatic oversight of subgrantees, to include procedures for properly performing and documenting components of its subgrantee fiscal and program reviews.
- Implemented a *Notice of Corrective Action and Review* form to document any findings and responses to those findings within the monthly program and fiscal report submissions. This process will aid in:
 - Tracking deficiencies to determine if a subgrantee needs additional training.
 - Issuing citations and waivers or enforcing actions on subgrantees.
 - Performing subgrantee evaluations.

Please see Appendix B for the Commission's full response.

Evaluation of the Commission's Comments: The Commission's proposed corrective actions were responsive to the majority of the recommendations and provided steps to ensure that it appropriately addresses the root cause of some of the issues identified.

However, the Commission's response did not identify the specific actions that it would take to review costs claimed on subgrantee PERs or to ensure that it conducted monitoring visits in accordance with its monitoring schedule. Further, the Commission noted that it was still in the process of updating its policies and procedures to ensure future compliance. Accordingly, during audit resolution, we recommend that CNCS work with the Commission to verify that the Commission implements sufficient changes to its policies and procedures to ensure that similar non-compliance issues do not occur in the future.

Finding 2. Sanctuary's Inadequate Financial Management System and Unallowable Costs Claimed

Sanctuary's financial management system did not adequately support costs incurred and claimed on AmeriCorps Award No. 14AFH. Sanctuary used a manual process to identify and report all costs incurred under its AmeriCorps awards. Sanctuary stated that the Program Director reviewed all costs incurred at the end of each month and determined which costs related to the AmeriCorps program. The Program Director then created a Periodic Expense Report (PER) that summarized the costs incurred for the AmeriCorps program and provided the PER to SGC and to Sanctuary's accountant to support the monthly AmeriCorps program expenses. Sanctuary's accountant used the PER to update Sanctuary's records in QuickBooks.¹⁹

Although Sanctuary stated that the accountant updated QuickBooks based on the PERs, we determined that the AmeriCorps QuickBooks accounts did not always agree with the costs reported in the PERs.²⁰ We found that the AmeriCorps costs reported in QuickBooks were greater than were the amounts claimed in the PERs, as follows:

| Program Year | Federal Costs Claimed | Program Costs per QuickBooks²¹ | Difference |
|---------------------|------------------------------|--|-------------------|
| 2015-2016 | \$344,553 | \$376,828 | \$32,275 |
| 2016-2017 | <u>451,547</u> | <u>498,890</u> | <u>47,343</u> |
| Total | <u>\$796,100</u> | <u>\$875,718</u> | <u>\$79,618</u> |

The grant requirements state that award recipients must maintain a financial management system that is capable of distinguishing expenditures attributable to an award and differentiating between direct and indirect costs.²² We determined that Sanctuary's financial system did not comply with these requirements, as the QuickBooks records only supported costs claimed in the Living Allowance budget category, as follows:

| Program Year 2015-2016 | | | | Program Year 2016-2017 | | |
|-------------------------------|------------------------------|--|-------------------|-------------------------------|--|-------------------|
| Budget Category | Federal Costs Claimed | AmeriCorps Costs per QuickBooks | Difference | Federal Costs Claimed | AmeriCorps Costs per QuickBooks | Difference |
| Personnel | \$76,750 | \$73,348 | \$(3,402) | \$95,412 | \$92,903 | \$(2,509) |

¹⁹ QuickBooks is an accounting software package that offers applications for accepting business payments, managing and paying bills, and performing payroll functions.

²⁰ Sanctuary tracks all AmeriCorps expenditures by assigning them an "AmeriCorps" class in QuickBooks.

²¹ The totals in the "Program Costs per QuickBooks" column include all AmeriCorps-class program expenditures, as Sanctuary's accounting system does not differentiate between Federal and match costs.

²² See 2 CFR §200.302(b); *CNCS 2015 General Grant Terms and Conditions*, Section III.B.1; and *CNCS 2016 General Grant and Cooperative Agreement Terms and Conditions*, Section II.B.1.

| Program Year 2015-2016 | | | | Program Year 2016-2017 | | |
|------------------------------|-----------------------|---------------------------------|------------------|------------------------|---------------------------------|------------------|
| Budget Category | Federal Costs Claimed | AmeriCorps Costs per QuickBooks | Difference | Federal Costs Claimed | AmeriCorps Costs per QuickBooks | Difference |
| Fringe Benefits | \$10,662 | \$9,991 | \$(671) | \$13,194 | \$12,423 | \$(771) |
| Supplies | 7,810 | 8,024 | 214 | 5,791 | 6,601 | 810 |
| Contractual | 9,782 | 8,695 | (1,087) | 10,346 | 12,366 | 2,020 |
| Other Costs | 1,565 | 324 | (1,241) | 2,382 | 2,442 | 60 |
| Living Allowance | 217,728 | 217,728 | - | 297,540 | 297,540 | - |
| Member Support | 17,527 | 16,656 | (871) | 25,226 | 22,762 | (2,464) |
| Indirect Costs ²³ | <u>2,729</u> | <u>0</u> | <u>(2,729)</u> | <u>1,655</u> | <u>0</u> | <u>(1,655)</u> |
| Total | <u>\$344,553</u> | <u>\$334,766</u> | <u>\$(9,787)</u> | <u>\$451,546</u> | <u>\$447,037</u> | <u>\$(4,509)</u> |

Although Sanctuary's QuickBooks records did not always support the costs claimed in the PERs, Sanctuary was able to provide documentation to support that most of the costs it claimed were reasonable and allowable. However, as a result of our Agreed Upon Procedures (AUP) testing, we found \$14,477 of expenditures that we determined were not allowable in accordance with relevant Federal requirements. We are therefore questioning \$14,477, as follows:

| Award No. 14AFH | Program Year 2015-2016 ²⁴ | Program Year 2016-2017 ²⁵ | Total | Note(s) |
|--------------------------|--------------------------------------|--------------------------------------|-----------------|---------|
| Questioned Federal Costs | | | | |
| Personnel | \$3,891 | \$4,148 | \$8,039 | a |
| Fringe Benefits | 138 | 1,179 | 1,317 | b |
| Supplies | 3,474 | 0 | 3,474 | c |
| Contractual | 1,456 | 158 | 1,614 | d |
| Other Program Costs | <u>33</u> | <u>0</u> | <u>33</u> | e |
| Total | <u>\$8,992</u> | <u>\$5,485</u> | <u>\$14,477</u> | |

²³ Sanctuary's financial records support \$4,384 (\$2,729 + \$1,655) of indirect costs claimed for direct salary, fringe benefit, and worker's compensation costs. We therefore included these costs in the appropriate direct cost budget categories on this table.

²⁴ Sanctuary performed PY 2015-2016 activities between April 2016 and February 2017.

²⁵ Sanctuary began performing PY 2016-2017 activities in March 2017 and continued to perform PY 2016-2017 activities after our AUP period expired.

Notes:

- a. Sanctuary overstated its claimed personnel costs by \$8,039 because it did not appropriately calculate salary expenses based on actual salaries paid to employees and the grantee/subgrantee share percentages reported in its PERs.
- b. Sanctuary overstated its claimed fringe benefits (including member support costs) by \$1,317 due to overstating its claimed salary costs in Note A above and over-claiming costs for worker's compensation.
- c. Sanctuary overstated its claimed supply costs as follows:
 - By \$75 because it charged the PY 2015-2016 grant for gas costs incurred in March 2016 that benefitted PY 2014-2015 activities.
 - By \$3,399 because it charged the PY 2015-2016 grant for costs incurred in December and January 2016 to purchase general supplies, banquet tables, and folding chairs that benefitted PY 2016-2017 activities.
- d. Sanctuary overstated its claimed contractual costs as follows:
 - By \$1,456 because it charged the PY 2015-2016 grant for costs incurred in February and March 2015 for internet, cable, telephone, and vehicle expenses that benefitted PY 2014-2015 activities.
 - By \$158 because it charged the PY 2016-2017 grant for costs incurred in February 2017 for copier expenses that benefitted the PY 2015-2016 grant.
- e. Sanctuary overstated its claimed other program operating costs by \$33 because it erroneously claimed \$333 for a training expense that was supported by a \$300 invoice.

According to 2 Code of Federal Regulations (CFR) §200.403, *Factors affecting allowability of costs*, for a cost to be allowable on a Federal award, it must (1) conform to any limitations or exclusions set forth in the Federal award, (2) be necessary and reasonable for the performance of the award, and (3) be adequately documented.

We determined that these costs did not comply with the requirements of 2 CFR §200.302(b), *Financial Management Standards*. Sanctuary did not have a financial management system or policies and procedures/internal controls to ensure that it reported Federal costs claimed in its financial accounting records and PERs according to grant terms and conditions, as well as laws and regulations. Without an adequate financial management system, subgrantees cannot provide accurate, current, and complete disclosure of a program's financial results or ensure that claimed costs are allowable and have not been claimed on another Federal grant.

Recommendations: We recommend that CNCS:

5. Calculate and recover the questioned costs on AmeriCorps Award No. 14AFH from SGC (Exhibit A).
6. Require SGC to submit an updated FFR for the 14AFH award that removes the questioned Federal costs.
7. Require that SGC provide Sanctuary with the requirements of an adequate financial management system and ensure that Sanctuary implements an adequate system. The documentation provided should include guidance on how to determine the allowability of grant costs claimed and accounting for both Federal and match costs.
8. Require that SGC have Sanctuary provide detailed accounting records from its QuickBooks system to support the costs claimed in the PERs before SGC reimburses Sanctuary for the costs. This requirement should remain in place until Sanctuary has an adequate financial management system, including policies and procedures to account for grant costs.

Summary of Management's Comments: CNCS management noted that it would need to perform additional procedures to make a determination regarding the costs questioned in Recommendations 5 and 6, but that it concurred with Recommendations 7 and 8. Specifically, CNCS stated that it would take the following steps in response to Finding 2:

- Reach out to the Commission for Sanctuary's PERs and accounting records.
- Reconcile the costs reported in Sanctuary's PERs to the costs supported by its accounting records to identify the costs that should be subject to disallowance.
- Work with SGC to provide training and guidance to Sanctuary regarding federal requirements for financial management systems.
- Ensure that SGC provides additional oversight of Sanctuary's requests for reimbursement and requires Sanctuary to bring its financial management system into compliance with Federal requirements.

Please see Appendix A for CNCS's full response.

Evaluation of Management's Comments: CNCS management's comments are responsive to, and its proposed corrective actions appropriately address the report findings and recommendations.

As CNCS noted that it needed to complete additional procedures to make a determination regarding Recommendations 5 and 6, we recommend that CNCS compare the accounting records it receives from SGC to the accounting records that SGC provided to the audit team during the AUP period, to ensure that there are no differences between the populations.

Summary of the Commission's Comments: The Commission concurred with this finding. Specifically, the Commission noted that it would take the following steps in response to Finding 2:

- Recover the Federal costs questioned and adjust its FFR for all costs disallowed as a result of the AUP engagement.
- Provide guidance to Sanctuary regarding how to determine the allowability of costs claimed and accounting for both Federal and match costs using a Federally compliant financial management system.
- Require Sanctuary to submit general ledgers to support the costs claimed in its monthly PERs.

Please see Appendix B for the Commission's full response.

Evaluation of the Commission's Comments: The Commission's proposed corrective actions were responsive to the recommendations and provided steps to ensure that it appropriately addresses the root cause of the issues identified.

However, as the Commission noted that it was still in the process of updating its policies and procedures to ensure future compliance, we recommend that CNCS work with the Commission during audit resolution to verify that the Commission implements sufficient changes to its policies and procedures to ensure that similar non-compliance issues do not occur in the future.

Finding 3. Inadequate Member Timekeeping Procedures

The GHS Program Director completed and submitted off-site member timesheets based on timecards and sign-in sheets that were signed and certified by the member and their off-site supervisor. Although the timecards and sign-in sheets supported the number of hours served by each member, they did not include the activities that the member performed during the period. The Program Director, therefore, filled in the section of the timesheets related to member activities based on their understanding of the work the member should have performed while serving at the off-site location.

The AmeriCorps grant terms and conditions state that "the recipient is required to ensure that time and attendance recordkeeping is conducted by the AmeriCorps member's supervisor" and further note that the recipient must have a timekeeping system that is

compliant with 2 CFR § 200.430. According to 2 CFR §200.430, *Compensation—personal services*, Section (i) *Standards for Documentation of Personnel Expenses*, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. Specifically, paragraph (i) notes that these records must be supported by a system of internal control that provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Because the GHS Program Director was the one to complete the member activities section of the off-site members' timesheets, rather than an individual who had direct knowledge of the activities performed, there is a significant risk that the timesheets do not accurately reflect actual member activities. We interviewed one GHS PY 2016-2017 AmeriCorps member who indicated that they might have performed inappropriate administrative activities; however, the generic description of activities that the Program Director included on the member's certified timesheet did not include any administrative activities. In addition, we interviewed four individuals who served as off-site site supervisors for GHS in PY 2016-2017 and noted that three of the four individuals did not appear to be fully aware of the types of activities that members should and should not perform while serving in the AmeriCorps program.

Because GHS did not appropriately monitor or report member activities, hours reported for members may not have been accurate, allowable, or appropriate for the AmeriCorps award.

Recommendations: We recommend that CNCS:

9. Ensure that SGC requires that subgrantee AmeriCorps members fill in the service activity section of submitted timesheets to support their AmeriCorps service hours and that the site supervisor sign the timesheets.
10. Have SGC provide a training session for all AmeriCorps members and site supervisors to discuss both appropriate and prohibited AmeriCorps service activities.

Summary of Management's Comments: CNCS management noted that it would need to perform additional procedures to determine whether it would concur with Recommendation 9, but that it concurred with Recommendation 10. Specifically, CNCS stated that it would take the following steps in response to Finding 3:

- Review GHS's member timekeeping policy and a sample of completed member timesheets.
- Require GHS to update its policies and procedures to address any deficiencies identified during CNCS's review. Specifically, CNCS indicated that neither the AmeriCorps terms and conditions nor 2 CFR 200.430(i) require programs to maintain timesheets that include service activity descriptions. Therefore, rather than

concurring with Recommendation 9, CNCS plans to perform its own review of GHS's timekeeping system to evaluate whether any changes need to be made.

- Verify that SGC provides training on prohibited activities to members and site supervisors and monitors its subrecipients' compliance with member timekeeping and prohibited activities requirements.
- Review training materials and completed monitoring reports to verify that SGC implemented appropriate training and monitoring procedures.

Please see Appendix A for CNCS's full response.

Evaluation of Management's Comments: CNCS management's comments are responsive to, and its proposed corrective actions appropriately address the report findings and recommendations.

CNCS's proposed approach for performing additional procedures related to Recommendation 9 will address the root cause of the issue identified; however, our recommendation has not changed. The GHS Program Director completed the member activities section of the off-site members' timesheets, rather than the individuals who had direct knowledge of the activities performed. Further, three of the four on-site supervisors that we interviewed were not fully aware of the types of activities that AmeriCorps members should and should not perform. We strongly believe that having GHS AmeriCorps members fill out the service activities section of their timesheets before submitting the timesheets to their supervisors for review will provide reasonable assurance that charges are accurate, allowable, and properly allocated as necessary to support compliance with relevant CNCS and Federal policies and procedures.

Summary of the Commission's Comments: The Commission concurred with this finding. Specifically, the Commission noted that it would take the following steps in response to Finding 3:

- Update its policies and procedures to ensure that host sites and site supervisors are aware of member duties, prohibited activities, and site supervisor responsibilities.
- Provide an updated memorandum of agreement (MOA) template for subgrantees to implement with their host sites. This updated MOA will detail site supervisor responsibilities and include a site supervisor acknowledgment form.
- Require that subgrantees provide supplemental AmeriCorps program guidance and documentation of internal control activities in place over the submission and verification of member timesheets.

- Update the policies for programmatic oversight of subgrantees to require member and site supervisor interviews as a part of monitoring visits.

Please see Appendix B for the Commission's full response.

Evaluation of the Commission's Comments: The Commission's proposed corrective actions were responsive to the recommendations and provided steps to ensure that it appropriately addresses the root cause of the issues identified.

However, as the Commission noted that it was still in the process of updating its policies and procedures to ensure future compliance, we recommend that CNCS work with the Commission during audit resolution to verify that the Commission implements sufficient changes to its policies and procedures to ensure that similar non-compliance issues do not occur in the future.

Finding 4. Incomplete National Service Criminal History Checks

SGC and Sanctuary did not perform all required NSCHC components for all individuals serving in covered positions. Specifically:

- a. SGC was unable to provide documentation to support that it appropriately complied with all NSCHC requirements included in 45 CFR § 2540 for employees serving in covered positions on Award Nos. 14CAHGU001 (14CAH) and 17CAHGU001 (17CAH).
 - i. SGC was unable to provide documentation to support that it verified the identity of two employees against a government-issued photo identification card before conducting an NSCHC, as required by 45 CFR § 2540.205-206.
 - ii. SGC was unable to provide documentation to support that it completed a National Sex Offender Public Website (NSOPW) search for two Commission employees before the employees began working in covered positions, as required by 45 CFR § 2540.203-204. Specifically, although Sanctuary claimed that the local Department of Child Protective Services performed NSCHC checks for the two employees, Sanctuary did not maintain documentation to support that the Department of Child Protective Services performed these checks in accordance with CNCS requirements.

We did not question any costs associated with SGC's failure to support appropriate criminal history checks of two of its employees because CNCS-OIG has taken the position that criminal history checks for all Commission employees are not mandated by applicable law.

However, it is CNCS-OIG's position that prudence and safety considerations dictate that State Commission personnel whose duties include on-site visits to service sites

be required to undergo the checks. On-site monitoring activities may bring these staff members into contact with program beneficiaries and with AmeriCorps members, who should be protected from convicted murderers and sex offenders.

- b. Sanctuary was unable to provide documentation to support that it complied with all NSCHC requirements included in 45 CFR § 2540 for all employees and members serving in covered positions on Award Nos. 14AFH and 17AFH.
 - i. Sanctuary was unable to provide documentation to support that it conducted a nationwide NSOPW search for three employees, as required by 45 CFR § 2540.203-204.
 - ii. Sanctuary was unable to provide documentation to support that it conducted a Federal Bureau of Investigation (FBI) fingerprinting check on a sampled PY 2017-2018 member, as required by 45 CFR § 2540.203 and 2540.206.
 - iii. Sanctuary did not conduct an FBI fingerprinting check on a sampled PY 2017-2018 member who had a gap of more than 120 days between service periods, as required by 45 CFR § 2540.204.²⁶

Sanctuary was unable to provide documentation to support that it complied with NSCHC requirements for three employees whose salaries Sanctuary claimed as match expenditures during the AUP period. We are questioning \$18,761 of claimed match costs as follows:

| Award No. 14AFH | Program Year 2015-2016 | Program Year 2016-2017 | Total |
|---------------------------|-----------------------------------|-----------------------------------|-----------------|
| Questioned Match Costs | | | |
| Personnel Costs | | | |
| Quality Assurance Officer | \$1,349 | \$1,913 | \$3,262 |
| Accounting Assistant | 3,972 | 3,481 | 7,453 |
| Accounting Administrator | <u>1,174</u> | <u>4,406</u> | <u>5,580</u> |
| Total Personnel Costs | \$6,495 | \$9,800 | \$16,295 |
| Fringe Benefits | <u>1,112</u> | <u>1,354</u> | <u>2,466</u> |
| Total | <u>\$7,607</u> | <u>\$11,154</u> | <u>\$18,761</u> |

We did not question any costs associated with Sanctuary's NSCHC non-compliances for its members because this non-compliance did not cause Sanctuary to charge any unallowable Federal costs to the award for the AUP testing period. Specifically, the members with NSCHC

²⁶ This member's PY 2016-2017 service ended on November 11, 2017, and their PY 2017-2018 service began on May 28, 2018, resulting in a 198-day gap in AmeriCorps service activities. Sanctuary conducted a new NSOPW check and State Criminal History Check for this member; however, it did not conduct a new FBI fingerprint check.

compliance issues served in PY 2017-2018 and SGC did not claim any PY 2017-2018 costs during the AUP period (b.ii and b.iii).

According to 45 CFR Part 2540, *General Administrative Provisions*, Subpart B, *Requirements Directly Affecting the Selection and Treatment of Participants*, State Commissions must verify each individual's identity by examining a government-issued photo identification card and document this in writing; conduct and review the results of a NSOPW search and required state or FBI criminal history checks before the individual in a covered position begins work or starts service; and maintain the results of NSOPW checks and the other components of each NSCHC. However, neither SGC nor Sanctuary had sufficient internal controls in place to ensure that they completed and documented NSCHCs in compliance with relevant CNCS NSCHC requirements.

Unless grantees and subgrantees properly perform NSCHCs on employees before the employees begin work under a CNCS grant, or on members, before the members begin serving their terms, the grantee or subgrantee may on-board ineligible employees or members who are potentially dangerous to the individuals with whom they are interacting. SGC and Sanctuary should, therefore, have ensured that they appropriately performed or documented the performance of these checks before employees and members began working or serving in covered positions.

Recommendations: We recommend that CNCS:

11. Require SGC to submit an updated FFR for the 14AFH award that removes the \$18,761 of questioned match costs.
12. Issue guidance to SGC and ensure that SGC has a policy explaining when Commission employees must undergo NSCHCs. Out of prudence and concern for the safety of program participants, this should include Commission staff, who as part of their duties make on-site visits to subrecipients to monitor or otherwise review the activities of CNCS-funded programs.
13. Verify that SGC complies with its NSCHC policies.
14. Require that SGC provide all subgrantees with annual training on appropriately performing NSCHCs. Training topics should include:
 - Documenting that the subgrantee has performed the required NSCHCs in a timely manner and maintained all documentation to support the checks.
 - Performing the required checks for individuals serving consecutive terms.
15. Verify that SGC's annual monitoring includes verifying that its subgrantees perform NSCHCs on their staff, as required.

Although it is outside of the AUP period, we suggest that CNCS follow up with SGC to identify and recover all costs it has claimed on Award No. 17AFH for the two PY 2017-2018 members for whom Sanctuary did not appropriately complete NSCHCs.

Summary of Management's Comments: CNCS management concurred with Recommendations 11 through 15; however, it noted a technical correction to Recommendation 15. Specifically, CNCS stated that it would take the following steps in response to Finding 4:

- Verify that SGC's written criminal history check policies address the circumstances under which Commission staff would be required to comply with NSCHC requirements.
- Ensure that SGC verifies its subrecipients' compliance with NSCHC training requirements and retains appropriate certifications of training completion.
- Review training materials to determine if SGC provided any supplemental trainings to its subrecipients.
- Review Sanctuary's written NSCHC policies and procedures to ensure they adequately address the NSCHC requirements.
- Review the audit work papers and request copies of the checks that Sanctuary performed for the individuals identified to evaluate whether it agrees with the costs questioned in Recommendation 11.

Please see Appendix A for CNCS's full response.

Evaluation of Management's Comments: CNCS management's comments are responsive to, and its proposed corrective actions appropriately address the report findings and recommendations.

As CNCS noted that it would need to complete additional procedures to make a determination regarding whether to question the costs identified in Recommendation 11, we recommend that CNCS review the audit team's workpapers as necessary during the audit resolution process for assistance in calculating the amount to disallow.

We concurred with CNCS that the draft report included a typographical error in Recommendation 15. We have updated Recommendation 15 in the final report.

Summary of the Commission's Comments: The Commission concurred with this finding. Specifically, the Commission noted that it would take, or has taken, the following steps in response to Finding 4:

- Strengthen its NSCHC policies and procedures to ensure that all Commission staff, subgrantee program staff, and members undergo and complete NSCHCs before their first day of service.
- Conduct training on how to appropriately perform and maintain all documentation related to NSCHCs.
- Ensure that all Commission staff and all subgrantee staff participate in online NSCHC training annually.
- Update its FFR for Award No. 14AFH to remove questioned match costs, as recommended.

Please see Appendix B for the Commission's full response.

Evaluation of the Commission's Comments: Although the Commission noted that it concurred with this finding and that it would continue to update its NSCHC policies and training activities, its response did not specifically address whether it would implement any new procedures to address the root cause of the NSCHC issues identified. Accordingly, during audit resolution, we recommend that CNCS work with the Commission to ensure that the Commission implements appropriate procedures to ensure future NSCHC compliance.

Finding 5. Non-Compliance with Internal Policies

SGC and Sanctuary did not maintain sufficient documentation to support compliance with their internal policies and procedures related to expenditures on the CNCS awards. Specifically:

- a. SGC was unable to provide documentation to support that employees submitted all required travel reimbursement documentation within 10 days after the traveler returned from their trip, as required by SGC's internal travel policies. We sampled seven trips claimed on Award Nos. 14CAH, 16TAHGU001 (16TAH), and 17CAH and noted that the supporting documentation did not indicate whether the traveler had submitted all required documentation within 10 days of returning from each trip.
- b. Sanctuary was unable to provide documentation to support that it had obtained bids or quotes before incurring other direct costs, as required by its procurement policy.²⁷ We sampled 20 Federal transactions charged to Award No. 14AFH and noted that

²⁷ Sanctuary's procurement policy states that, in order to procure items in a manner that provides open and free competition, staff will solicit a minimum of three quotes or bids; the staff must document these quotes or bids and attach them to the relevant check request, purchase order, or contract.

Sanctuary was unable to provide documentation to support that it had obtained bids or quotes for 9 of the transactions.

- c. Sanctuary was unable to provide executed contracts or agreements to support the terms and conditions applicable to costs claimed for sampled cellular services or rental car agreements on Award No. 14AFH.

SGC and Sanctuary did not have sufficient internal controls in place to ensure that they maintained documentation to comply with all organization-specific policies and procedures. We were, therefore, unable to determine whether SGC and Sanctuary enforced organizational policies when claiming costs on Federal awards.

Without sufficient enforcement of their internal policies, SGC and its subgrantees could improperly charge unallowable expenses to CNCS awards. In addition, if SGC and its subgrantees are unable to provide sufficient documentation to support incurred costs in accordance with their internal policies, CNCS may disallow costs charged to CNCS awards.

Recommendations: We recommend that CNCS:

16. Require SGC to strengthen the administrative and management controls over the receipt and retention of documentation. Processes could include:
 - Requiring periodic training regarding reporting requirements for employees and other personnel who incur travel expenses charged to Federal awards.
 - Updating its travel reimbursement request forms to indicate when the traveler submitted all of the required supporting documentation.
17. Require SGC to provide subgrantee sites with annual training regarding requirements for document retention.
18. Require SGC, as part of its subgrantee monitoring processes, to perform periodic testing of subgrantees' other direct costs to ensure that they incurred and claimed all costs in accordance with grant provisions, laws, and regulations.

Summary of Management's Comments: CNCS management concurred with Recommendations 16 through 18. Specifically, CNCS stated that it would take the following steps in response to Finding 5:

- Require SGC to update its policies and procedures related to document receipt and retention.

- Verify that SGC has provided training to its subrecipients on documentation requirements and expectations.
- Ensure that SGC's monitoring tool includes testing of other direct costs incurred by subrecipients.
- Review completed monitoring reports to ensure that SGC has appropriately implemented the updated monitoring tools.

Please see Appendix A for CNCS's full response.

Evaluation of Management's Comments: CNCS management's comments are responsive to, and its proposed corrective actions appropriately address the report findings and recommendations.

Summary of the Commission's Comments: The Commission concurred with this finding. Specifically, the Commission noted that it would take the following steps in response to Finding 5:

- Strengthen its administrative and management controls surrounding compliance with its internal travel policies.
- Ensure that it properly trains staff regarding travel policies and reporting requirements.
- Update its subgrantee monitoring policies to include a review of organization-specific policies, supplemental AmeriCorps program policies, and internal processes, as well as require document testing.
- Provide guidance and training to subgrantees regarding requirements for document retention.

Please see Appendix B for the Commission's full response.

Evaluation of the Commission's Comments: The Commission's proposed corrective actions were responsive to the recommendations and provided steps to ensure that it appropriately addresses the root cause of the issues identified.

However, as the Commission noted that it was still in the process of updating its policies and procedures to ensure future compliance, we recommend that CNCS work with the Commission during audit resolution to verify that the Commission implements sufficient changes to its policies and procedures to ensure that similar non-compliance issues do not occur in the future.

Finding 6. Late Reporting

SGC and GHS did not submit financial reports by the required due dates, as follows:

- a. SGC submitted two FFRs for two different awards after the due dates identified in the awards' terms and conditions, as follows:

| Award No. | FFR End Date or Project End Date | Final FFR? | FFR Due Date | FFR Submission Date | No. of Days Late |
|------------------|---|-----------------------|-------------------------|--------------------------------|-----------------------------|
| 14CAH | 9/30/2017 | Yes | 12/29/2017 | 2/8/2018 | 41 |
| 16TAH | 12/30/2016 | No | 1/31/2017 | 2/21/2017 | 21 |

According to the CNCS terms and conditions applicable to Award Nos. 14CAH and 16TAH, recipients must submit timely cumulative financial reports by the due dates for each reporting period, as identified in the applicable guidance.²⁸

- b. GHS submitted 22 financial reports for Award No. 14AFH after the due dates specified in GHS's grant agreements with SGC, as follows:

| Type of Report | Program Year | Report Period End Date | Report Due Date | Report Submission Date | No. of Days Late |
|---------------------------|-------------------------|-----------------------------------|----------------------------|-----------------------------------|-----------------------------|
| PER | 2015-2016 | 9/30/2016 | 10/20/2016 | 11/17/2016 | 28 |
| FFR | 2015-2016 | 9/30/2016 | 10/20/2016 | 11/14/2016 | 25 |
| FFR | 2015-2016 | 12/31/2016 | 1/20/2017 | 4/28/2017 | 98 |
| PER | 2015-2016 | 1/31/2017 | 2/20/2017 | 4/28/2017 | 67 |
| PER | 2015-2016 | 2/28/2017 | 3/20/2017 | 4/28/2017 | 39 |
| PER | 2015-2016 | 3/31/2017 | 4/20/2017 | 5/4/2017 | 14 |
| FFR | 2015-2016 | 3/31/2017 | 4/20/2017 | 5/18/2017 | 28 |
| PER | 2015-2016 | 6/30/2017 | 7/20/2017 | 11/8/2017 | 111 |
| FFR | 2015-2016 | 6/30/2017 | 7/20/2017 | 11/30/2017 | 133 |
| PER | 2015-2016 | 7/31/2017 | 8/20/2017 | 11/30/2017 | 102 |
| PER | 2015-2016 | 8/31/2017 | 9/20/2017 | 11/30/2017 | 71 |
| PER | 2015-2016 | 9/30/2017 | 10/20/2017 | 11/30/2017 | 41 |
| FFR | 2015-2016 | 9/30/2017 | 10/20/2017 | 11/30/2017 | 41 |

²⁸ CNCS 2016 Terms and Conditions for Commission Support Grants, Section V. Reporting Requirements (14CAH) and CNCS 2016 Terms and Conditions for Training and Technical Assistance Commission Investment Fund Grants, Section III. Reporting Requirements (16TAH).

| | | | | | |
|-----|-----------|------------|------------|------------|----|
| PER | 2016-2017 | 9/30/2017 | 10/20/2017 | 11/8/2017 | 19 |
| FFR | 2016-2017 | 9/30/2017 | 10/20/2017 | 11/8/2017 | 19 |
| PER | 2016-2017 | 10/31/2017 | 11/20/2017 | 12/13/2017 | 23 |
| PER | 2016-2017 | 12/31/2017 | 1/20/2018 | 3/7/2018 | 46 |
| FFR | 2016-2017 | 12/31/2017 | 1/20/2018 | 3/7/2018 | 46 |
| PER | 2016-2017 | 1/31/2018 | 2/20/2018 | 3/7/2018 | 15 |
| PER | 2016-2017 | 2/28/2018 | 3/20/2018 | 3/30/2018 | 10 |
| PER | 2016-2017 | 3/31/2018 | 4/20/2018 | 4/30/2018 | 10 |
| FFR | 2016-2017 | 3/31/2018 | 4/20/2018 | 4/30/2018 | 10 |

According to Section V of the grants between SGC and GHS for Award No. 14AFH for PYs 2015-2016 (Grant 15-002) and 2016-2017 (Grant 16-002), GHS was required to submit all financial reports on or before the 20th of each month.

SGC and GHS did not have sufficient internal controls in place to ensure that they always submitted financial reports by the required due dates. Specifically, SGC's internal controls did not require SGC to request waivers or extended due dates from CNCS, nor did SGC enforce any action(s) if its subgrantees did not meet financial reporting requirements. As a result, grantors of CNCS award funding, including both CNCS and SGC, did not receive timely financial data.

Recommendations: We recommend that CNCS:

19. Require SGC to strengthen its administrative and management controls and processes over the timeliness of financial reporting. Processes could include:
 - Implementing updated procedures to ensure that it submits FFRs to CNCS on a timely basis.
 - Requesting reporting extensions from CNCS if SGC does not believe that it will be able to meet established FFR due dates.
20. Require SGC to implement practices to ensure that subgrantees submit timely financial reports and hold subgrantees accountable when reports are not timely. Processes could include:
 - Writing to subgrantees that are consistently non-compliant with AmeriCorps grant reporting requirements, specifically noting the reporting requirements outlined in their grants.
 - Issuing waivers for, or enforcing actions on, subgrantees that do not provide accurate financial reports on a timely basis.

- Conducting annual training sessions on financial reporting requirements for subgrantee personnel responsible for submitting FFRs and PERs.

Summary of Management's Comments: CNCS management concurred with Recommendations 19 and 20. Specifically, CNCS stated that it would take the following steps in response to Finding 6:

- Verify that SGC has written policies and procedures for preparing and submitting FFRs within the required timelines, or that it takes appropriate actions when it is unable to submit FFRs timely.
- Verify that SGC has systems in place to monitor the receipt and timeliness of subrecipient program and financial reports and that it takes appropriate corrective action to address subrecipient noncompliance with reporting deadlines.

Please see Appendix A for CNCS's full response.

Evaluation of Management's Comments: CNCS management's comments are responsive to, and its proposed corrective actions appropriately address the report findings and recommendations.

Summary of the Commission's Comments: The Commission partially concurred with this finding. Specifically, the Commission noted that it had timely submitted two²⁹ of the four FFRs that we had identified as having been submitted late in the draft report. The Commission stated that it would take the following steps in response to Finding 6:

- Update its policies to ensure that it submits FFRs to CNCS in a timely manner.
- Update its policies and strengthen oversight of subgrantee fiscal reporting, to include:
 - Documenting findings in its monthly fiscal reporting.
 - Issuing notices or enforcing actions on subgrantees that do not provide accurate reports.
 - Providing additional training.

Please see Appendix B for the Commission's full response.

²⁹ The Commission's response included a typographical error in which it stated that it had submitted three of the reports on time, rather than two.

Evaluation of the Commission's Comments: The Commission's proposed corrective actions were responsive to the recommendations and provided steps to ensure that it appropriately addresses the root cause of the issues identified.

However, as the Commission noted that it was still in the process of updating its policies and procedures to ensure future compliance, we recommend that the CNCS work with the Commission during audit resolution to verify that the Commission implements sufficient changes to its policies and procedures to ensure that similar non-compliance issues do not occur in the future.

The Commission was able to provide the support that it had timely submitted two of the four FFRs that we had previously identified as having been submitted late; we removed these FFRs from the finding in the final report.

Finding 7. Incomplete Member Exit Form

Sanctuary did not appropriately complete an AmeriCorps member's exit form. Specifically, Sanctuary did not complete the exit form for one PY 2016-2017 member under Award No. 14AFH who left the program early for a compelling personal circumstance (CPC). The exit form did not indicate that the member was eligible to receive an education award and was not signed by the member's supervisor.

2016 CNCS Terms and Conditions for AmeriCorps State and National Grants, Section IV, Paragraph F. *Member Exit*, states that grantees are responsible for the accuracy of the information included in a member's end-of-term certification. Subgrantees should, therefore, ensure that they appropriately complete member exit forms to assist in maintaining accountability and ensure that exit forms are consistent with member and management intentions.

Sanctuary appears to have had sufficient policies in place to ensure that it appropriately completed exit forms for members who completed their full service term; however, it did not appear to have sufficient internal controls in place to ensure that it appropriately completed exit forms for members who exited based on a CPC. Without appropriate internal controls in place, Sanctuary may not be able to provide the National Service Trust with sufficient documentation to support a member's partial eligibility for an education award if they exit early based on a CPC.

Recommendations: We recommend that CNCS:

21. Require SGC to ensure its subgrantees have proper management controls, and processes to ensure these controls are implemented, over exiting members based on a CPC.

22. Require SGC to have Sanctuary submit an updated exit form that certifies the sampled member's eligibility for a partial education award.

Summary of Management's Comments: CNCS management did not concur with this finding and therefore did not agree with Recommendations 21 and 22. Specifically, CNCS noted that, although Sanctuary did not appropriately complete the member's physical exit form, the MyAmeriCorps Portal included an electronic certification that served as adequate documentation to support the member's eligibility for an education award. As such, Sanctuary was not required to complete the physical exit form.

Please see Appendix A for CNCS's full response.

Evaluation of Management's Comments: CNCS management's comments are responsive to the finding. The comments did not include any corrective actions related to the recommendations, as CNCS did not concur with the finding.

We agree that Sanctuary appropriately completed the electronic certification in the AmeriCorps Portal; we did not question any costs associated with this finding for that reason. However, Sanctuary is required to maintain physical documentation (exit forms) to support the information certified in the online Portal. Our opinion regarding this finding, therefore, has not changed. Regarding Recommendation 22, the OIG will not require SGC to update an exit form after the exit of a member. Therefore, OIG closed recommendation 22 with the issuance of this report.

Summary of the Commission's Comments: The Commission concurred with this finding. Specifically, it noted that it would take, or has taken, the following steps in response to Finding 7:

- Update its policies to include procedures to ensure that it trains subgrantees to properly exit members, including members who exit early, with or without CPCs.
- Created and implemented an early exit checklist for subgrantees to submit for review before completing exit documentation within the AmeriCorps Portal.

Please see Appendix B for the Commission's full response.

Evaluation of the Commission's Comments: The Commission's proposed corrective actions were responsive to the recommendations and provided steps to ensure that it appropriately addresses the root cause of the issues identified.

However, as the Commission noted that it was still in the process of updating its policies and procedures to ensure future compliance, we recommend that CNCS work with the Commission during audit resolution to verify that the Commission implements sufficient

changes to its policies and procedures to ensure that similar non-compliance issues do not occur in the future.

Finding 8. Improperly Reported Match Costs

SGC did not appropriately report match costs in the FFRs that it submitted to CNCS for Award No. 14AFH. SGC was not required to provide matching funds to be eligible for the Federal CNCS funding received. However, it should have appropriately reported the subrecipient voluntary match costs incurred to ensure that the FFRs it submitted to CNCS were accurate and complied with Federal requirements.³⁰

Although SGC was not required to provide matching funds, subgrantees voluntarily included match costs in the grant proposals and grant budgets they submitted to SGC. SGC incorporated these proposals into the subgrantees' grant awards and reported the subgrantee match costs in the FFRs that it submitted to CNCS. For Award No. 14AFH, SGC reported "required" subgrantee match costs of \$862,538 and actual subgrantee match cost expenditures of \$270,165 for the period ending March 31, 2018.

SGC was required to certify that the information reported in the FFRs that it submitted for Award No. 14AFH was true, complete, and accurate and it had incurred the expenditures, disbursements, and cash receipts reported in the FFRs for the purpose(s) of the award, in accordance with 2 CFR § 200.415.

Based on our review, we noted that SGC understated the match costs reported for the two sampled subgrantees in PYs 2015-2016 and 2016-2017 by \$255,679, as follows:

| Program Year | Subgrantee | Match Required by SGC | Match Costs Reported to SGC | | | Match Reported by SGC to CNCS | Difference |
|--------------|------------|-----------------------|-----------------------------|------------------|------------------|-------------------------------|--------------------|
| | | | Within FFRs ³¹ | In-Kind | Total | | |
| 2015-2016 | Sanctuary | \$50,289 | \$23,948 | \$103,301 | \$127,249 | \$21,758 | \$(105,491) |
| | GHS | 61,231 | 0 | 94,233 | 94,233 | 0 | (94,233) |
| 2016-2017 | Sanctuary | 44,757 | 28,251 | 47,813 | 76,064 | 20,109 | (55,955) |
| Total | | <u>\$156,277</u> | <u>\$52,199</u> | <u>\$245,347</u> | <u>\$297,546</u> | <u>\$41,867</u> | <u>\$(255,679)</u> |

After the subgrantees provided SGC with their final FFRs for PYs 2015-2016 and 2016-2017, SGC noted that neither Sanctuary nor GHS had met the voluntary matching requirements in their grants. SGC requested that these subgrantees provide documentation supporting the additional match. Sanctuary and GHS provided in-kind matching forms to support an

³⁰ CNCS has never required SGC, or any AmeriCorps program funded through SGC, to provide matching funds as a condition of receiving CNCS funding.

³¹ Sanctuary reported \$52,199 of PY 2015-2016 and PY 2016-2017 match costs; however, due to timing differences, SGC only reported \$41,867 of these expenditures during the AUP period.

additional \$245,347 of match costs, as shown above. However, SGC did not report the additional match costs to CNCS as required, thereby distorting the actual cost of performing the CNCS program.

Recommendation: We recommend that CNCS:

23. Have SGC strengthen its administrative policies and procedures for reporting the voluntary match/in-kind costs. Processes could include:
 - Requiring that subgrantees report their match, including in-kind contributions, when received or, at the latest, when submitting the final FFRs to SGC each program year.
 - Updating its policies and procedures to ensure that it reports all match and in-kind contributions reported by subgrantees.

Summary of Management's Comments: CNCS management concurred with Recommendation 23. Specifically, CNCS stated that it would take the following steps in response to Finding 8:

- Ensure that SGC strengthens its processes for reporting match through updating its policies and procedures and/or other appropriate mechanisms.

Please see Appendix A for CNCS's full response.

Evaluation of Management's Comments: CNCS management's comments are responsive to, and its proposed corrective actions appropriately address the report findings and recommendations.

Summary of the Commission's Comments: The Commission concurred with this finding. Specifically, the Commission noted that it would take the following steps in response to Finding 8:

- Update its policies to ensure that subgrantees properly report their match and in-kind contributions.
- Update its policies to ensure that the Commission properly reports match and in-kind contributions reported by subgrantees.

Please see Appendix B for the Commission's full response.

Evaluation of the Commission's Comments: The Commission's proposed corrective actions were responsive to the recommendations and provided steps to ensure that it appropriately addresses the root cause of the issues identified.

However, as the Commission noted that it was still in the process of updating its policies and procedures to ensure future compliance, we recommend that CNCS work with the Commission during audit resolution to verify that the Commission implements sufficient changes to its policies and procedures to ensure that similar non-compliance issues do not occur in the future.

BACKGROUND

CNCS, under the authority of the National Community Service Trust Act of 1993 (as amended), 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 positions. AmeriCorps members perform service activities to meet educational, human, environmental, and public safety needs. In return, eligible members may receive a living allowance and post-service education benefits.

SGC is a division within Guam's Office of the Governor that encourages community service and volunteerism as a means of improving communities and quality of life for the citizens of Guam. CNCS has awarded SGC Commission Support grants that provide funding to support SGC's operations, which includes administering the Federal grants that SGC awards. SGC's goal is to revive Guam's spirit of service and embrace a culture of volunteerism that shapes the community and changes lives by promoting the value of volunteerism and improving the overall quality of the services it offers. Members focus on achieving strategic goals related to education, economic opportunity, environmental stewardship, disaster preparedness and damage assessments, healthy futures, veterans and military families, capacity-building, and volunteer recruitment and management.

SGC awarded the funds that it received for AmeriCorps awards during the AUP period to eight subgrantees to recruit, train, and place AmeriCorps members to meet critical community needs with regard to education, public safety, health, employment, food assistance, and disaster relief services. Some examples of program activities that AmeriCorps members have performed include tutoring, mentoring, preparing for and performing disaster relief, and providing crisis intervention services. Subgrantees are not required to provide matching funding; however, some subgrantees voluntarily elected to provide matching funds in the proposals they submitted to SGC.

The subgrantees use the funds to support their AmeriCorps program operations and are required to maintain supporting documentation for the claimed costs. Subgrantees must provide SGC with monthly PERs and quarterly FFRs, as well as documentation to support all costs claimed within these reports, by the due dates outlined in their subcontracting agreements with SGC. SGC uses the financial information included in the subgrantees' FFRs to prepare the AmeriCorps award FFRs, then submits the FFRs through CNCS's online eGrants system (eGrants). CNCS and grantees use eGrants to manage the grants, including processing grant applications, awards, and FFRs.

The process that SGC uses to monitor its AmeriCorps subgrantees has evolved during each program year examined and now includes performing three types of site visits (financial, programmatic, and performance-measure evaluation) for each subgrantee on an annual basis. In addition to these annual site visits, SGC employees perform monthly reviews of the PERs submitted by each subgrantee and hold monthly meetings with all subgrantee site Program Directors to discuss the program's current progress.

EXIT CONFERENCE

We discussed the contents of this report with the Serve Guam Commission, the two subgrantees, and CNCS representatives at the February 15, 2019 exit conference. We summarized comments received from the Commission and CNCS in the final report and included their comments in Appendices A and B.

Corporation for National and Community Service

NationalService.gov



TO: Monique Colter, Assistant Inspector General for Audit
Office of the Inspector General

FROM: Joseph Liciardello, Acting Chief Grants Officer
Office of Grants Management

DATE: March 28, 2019

SUBJECT: Management Response to Office of Inspector General Draft Report:
Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Serve Guam Commission

Appendix A

Thank you for the opportunity to review and provide initial comment on the subject draft audit report, issued February 26, 2019. The Corporation for National and Community Service (CNCS) appreciates the work of the Office of Inspector General (OIG) staff and the contract audit firm, Cotton & Company, LLP, in performing this audit and issuing this draft report.

In the draft report, the auditors identified 8 findings and 23 recommendations. The comments, below, summarize our initial response. CNCS will make its final determination for all findings, recommendations, and questioned costs following receipt of the final report and review of the auditor's working papers and the Serve Guam Commission's (SGC) corrective action plan. We will work with the Serve Guam Commission's representatives to ensure its corrective action adequately addresses all audit findings and recommendations.

Finding 1: Inadequate Pre-Award and Post-Award Evaluation and Monitoring

The auditors recommend that CNCS:

1. Require SGC update its subgrantee selection process to include the evaluation of the following factors before making a subgrantee award:
 - A subgrantee's past performance.
 - The adequacy of a subgrantee's financial management systems. This recommendation results from Finding 2.
 - The results of audits or other external monitoring reviews performed at the subgrantee site.
2. Require SGC update its policies and procedures to ensure compliance with Federal subgrantee monitoring requirements. Updated policies should include:
 - Performing formal program evaluations for each subgrantee at the end of each program year and maintain documentation of these evaluations.
 - Issuing waivers for, or enforce actions on, subgrantees that do not provide accurate financial reports on a timely basis.
 - Documenting its review of costs claimed on subgrantee PER reports.
 - Implementing an annual procedure to obtain and review subgrantee Single Audit reports and maintain documentation of this review.
3. Require SGC to update its financial monitoring site-visit tool to include required documentation that supports the procedures performed during financial monitoring site visits.

250 E Street, SW
Washington, D.C. 20525
202-606-5000 | 800-942-2677 | TTY 800-833-3722

Corporation for
**NATIONAL &
COMMUNITY
SERVICE**

4. Verify that SGC completes subgrantee site visits in accordance with its annual calendar of scheduled site visits and maintains documentation supporting the visits.

Management Response:

CNCS concurs with the auditors' recommendations. CNCS will work with SGC to strengthen its subgrantee selection, monitoring, and evaluation processes to comply with its internal policies and the requirements of 2 CFR 200.331 and the AmeriCorps Terms and Conditions. CNCS will review SGC's updated policies and completed evaluation and monitoring documents to verify implementation of these procedures.

Finding 2: Sanctuary's Inadequate Financial Management System and Unallowable Costs Claimed

The auditors recommend that CNCS:

5. Calculate and recover the questioned costs on AmeriCorps Award No. 14AFH from SGC (Exhibit A).
6. Require SGC to submit an updated FFR for the 14AFH award that removes the questioned federal costs.
7. Require that SGC provide Sanctuary with the requirements of an adequate Financial Management System and ensure that Sanctuary implements an adequate Financial Management System. This should include guidance on how to determine the allowability of grant costs claimed and accounting for both Federal and match costs.
8. Require that SGC have Sanctuary provide detailed accounting records from its QuickBooks system to support the costs claimed in the PERs before SGC reimburses Sanctuary for the costs. This requirement should remain in place until Sanctuary has an adequate Financial Management System include policies and procedures to account for grant costs.

Management Response:

CNCS concurs with the auditors' recommendations for corrective action (recommendations 7 and 8). CNCS will work with SGC to provide training and guidance to Sanctuary on the federal requirements for financial management systems and will ensure that SGC requires Sanctuary to bring its financial management system into compliance with these requirements. Until Sanctuary can demonstrate that its financial management system meets federal requirements, CNCS agrees that SGC should provide additional oversight of Sanctuary's requests for reimbursements and will ensure SGC implements this recommendation.

To make its determination on the costs questioned (recommendations 5 and 6), CNCS will require SGC to provide the Period Expense Reports (PERs) and accounting records for Sanctuary in order for CNCS to perform a reconciliation between the costs reported and the costs identified in Sanctuary's accounting records. Costs claimed above the amount that can be supported by the accounting records will be subject to disallowance.

Finding 3: Inadequate Member Timekeeping Procedures

The auditors recommend that CNCS:

9. Ensure that SGC requires subgrantee AmeriCorps members to fill in the service activity section of timesheets submitted to support their AmeriCorps service hours and for the site supervisor to sign the timesheets.
10. Have SGC provide a training session for all AmeriCorps members and site supervisors to discuss both appropriate and prohibited AmeriCorps service activities.

Management Response:

CNCS partially concurs with the auditors' recommendations. Regarding recommendation 9, neither the AmeriCorps Terms and Conditions nor 2 CFR 200.430(i), as cited by the auditors, require programs to maintain timesheets that include service activity descriptions. The Terms and Conditions require programs to ensure that "time and attendance recordkeeping is conducted by the AmeriCorps member's supervisor" and to maintain a timekeeping system compliant with 2 CFR 200.430. To determine whether Guam Homeland Security's (GHS)

timekeeping system meets these requirements, CNCS will review GHS's member timekeeping policy and a sample of completed member timesheets. CNCS will require GHS to update its policies and procedures to address any deficiencies it identifies.

CNCS agrees that SGC must ensure that its member and site supervisors understand allowable and prohibited service activities. CNCS will verify that SGC provides training on prohibited activities to members and site supervisors. CNCS will additionally verify that SGC monitors its subrecipients' compliance with both the requirements for member timekeeping and prohibited activities. CNCS will review training materials and completed monitoring reports to verify implementation of these procedures.

Finding 4: Incomplete National Service Criminal History Checks

The auditors recommend that CNCS:

11. Require SGC to submit an updated FFR for the 14AFH award which removes the \$18,761 of questioned match costs.
12. Issue guidance to SGC and be sure that SGC has a policy explaining when Commission employees must undergo NSCHCs. Out of prudence and concern for the safety of program participants, this should include Commission staff, who as part of their duties make on-site visits to subrecipients, whether to monitor or otherwise review the activities of a CNCS-funded program.
13. Verify SCG complies with its NSCHC policies.
14. Require SCG provide all subgrantees with annual training on appropriately performing NSCHCs. Training topics should include:
 - Documenting that the subgrantee has performed the required NSCHCs in a timely manner and maintained all documentation to support the checks.
 - Performing the required checks for individuals serving consecutive terms.
15. Verify SCG's annual monitoring includes verifying that its subgrantees perform NSCHCs on Commission staff, as required.

Management Response:

CNCS concurs with the auditors' recommendations. Regarding recommendations 12 and 13, the CNCS General Grant and Cooperative Agreement Terms and Conditions require all AmeriCorps grantees, including Commissions, to maintain appropriate safeguards to ensure the safety of members and volunteers. CNCS has issued guidance through its NSCHC Knowledge Network, as well as through its regular NSCHC training, clarifying when Commission staff are covered by the NSCHC requirements. CNCS has also offered advanced training on how grantees can implement safeguards for all staff, regardless of their status as covered or non-covered positions, including the *Beyond NSCHC: Protecting and Safeguarding our Communities* session offered during the 2017 AmeriCorps Symposium. CNCS will verify that SGC's written criminal history check policies address the circumstances under which Commission staff would be required to comply with the NSCHC requirements.

Regarding recommendation 14, CNCS agrees that SGC should provide guidance and oversight to its subrecipients on the NSCHC requirements and notes that all CNCS grant recipients are required to complete annual NSCHC training per the award Terms and Conditions. CNCS will ensure that SGC verifies its subrecipients' compliance with this training requirement and retain the appropriate certificates of completion as verification and will review training materials for any supplemental trainings provided by SGC for its subrecipients.

CNCS has a technical correction to recommendation 15. There appears to be a typing error in the recommendation, as subrecipients are not required to conduct NSCHCs on Commission staff, but are instead required to adhere to the NSCHC requirements for their own staff. CNCS will ensure SGC's monitoring procedures include a review of subrecipients' compliance with the NSCHC requirements. CNCS will also review Sanctuary's written NSCHC policies and procedures to ensure they adequately address the NSCHC requirements.

To make its determination on the costs questioned (recommendation 11), CNCS will review the audit work papers, as well as request copies of the checks performed by Sanctuary for the individuals identified, to determine the scope of noncompliance. CNCS is currently revising its NSCHC enforcement policy and will apply the policy in effect at the time of resolution to any files determined to be noncompliant.

Finding 5: Non-Compliance with Internal Policies

The auditors recommend that CNCS:

16. Require SGC strengthen the administrative and management controls over the receipt and retention of documentation. Processes could include:
 - Requiring periodic training regarding reporting requirements for employees and other personnel who incur travel expenses charged to Federal awards.
 - Updating its travel reimbursement request forms to indicate when the traveler submitted all of the required supporting documentation.
17. Require SGC provide subgrantee sites with annual training regarding requirements for document retention.
18. Require SGC, as part of its subgrantee monitoring processes, perform periodic testing of subgrantees' other direct costs to ensure that all costs incurred and claimed in accordance with grant provisions, laws, and regulations.

Management Response:

CNCS concurs with the auditors' recommendations. CNCS will require SGC to update its policies and procedures related to document receipt and retention processes and will verify that SGC has provided training to its subrecipients on documentation requirements and expectations. CNCS will also ensure that SGC's monitoring tool includes testing of subrecipients' other direct costs and will review completed monitoring tools to verify implementation.

Finding 6: Late Reporting

The auditors recommend that CNCS:

19. Require SGC strengthen its administrative and management controls and processes over the timeliness of financial reporting. Processes could include:
 - Implementing updated procedures to ensure that it submits FFRs to CNCS on a timely basis.
 - Requesting reporting extensions from CNCS if SGC does not believe that it will be able to meet established FFR due dates.
20. Require SGC require subgrantees to submit timely financial reports. Processes could include:
 - Writing to subgrantees that are consistently non-compliant with AmeriCorps grant reporting requirements, specifically noting the reporting requirements outlined in their grants.
 - Issuing waivers for, or enforcing actions on, subgrantees that do not provide accurate financial reports on a timely basis.
 - Conducting annual training sessions on financial reporting requirements for subgrantee personnel responsible for submitting FFRs and PPRs.

Management Response:

CNCS concurs with the auditors' recommendations. CNCS will verify that SGC has written policies and procedures for preparing and submitting Federal Financial Reports (FFRs) to CNCS to ensure FFRs are submitted within the required timelines, or that appropriate actions are taken when FFRs cannot be submitted timely. CNCS will additionally verify that SGC has systems in place to monitor the receipt and timeliness of subrecipient program and financial reports and takes appropriate corrective action to address subrecipient noncompliance with reporting deadlines.

Finding 7: Incomplete Member Exit Form

The auditors recommend that CNCS:

21. Require SGC ensure its subgrantees have proper management controls and processes over exiting members based on a CPC.
22. Require SGC have Sanctuary submit an updated exit form that certifies the sample member's eligibility for a partial education award.

Management Response:

CNCS does not concur with the auditors' finding that the member's exit form was incomplete. Within the My AmeriCorps Portal, CNCS's standard exit procedures require programs to certify a member's satisfactory completion of each term of service and eligibility for an education award. This electronic certification is the official system of record of a member's eligibility for an education award. CNCS reviewed the Portal and National Service Trust records for the member identified by the auditors and confirmed that the program representative appropriately certified the exit form verifying the member's eligibility for a partial education award based on compelling personal circumstance. The electronic certification is consistent with the end of term evaluation signed by the member and program director on 10/6/2017. CNCS will provide the auditors with a copy of the electronic record in a separate communication.

Finding 8: Improperly Reported Match Costs

The auditors recommend that CNCS:

23. Have SGC strengthen its administrative policies and procedures for reporting the voluntary match/in-kind costs. Processes could include:
 - Requiring that subgrantees report their match, including in-kind contributions when received or at the latest when submitting the final FFRs to GSC each program year.
 - Updating its policies and procedures to ensure that it reports all match and in-kind contributions reported by subgrantees.

Management Response:

CNCS concurs with the auditors' recommendations. CNCS will ensure that SGC strengthens its processes for reporting match through updates to its policies and procedures or other appropriate mechanisms.

Thank you again for the opportunity to review and provide comment on the subject draft audit report. Please let me know if you have any questions regarding our response.

CC: Robert McCarty, Chief Financial Officer
Tim Noelker, General Counsel
Chester Spellman, Director of AmeriCorps
Lori Giblin, Chief Risk Officer
Autumn Rose, Senior Grants Officer



Serve Guam Commission
Office of the Governor
414 West Soledad Ave., 2nd Floor, Suite 205, GCIC Building
Hagatna, Guam
Phone: (671) 300-4599
serveguam.com



Shaping Communities...Changing Lives!
Governor's Commission on National & Community Service

Lourdes A. Leon Guerrero
Governor

Joshua F. Tenorio
Lt. Governor

Anthony M. Babauta
Chief of Staff

**COMMISSIONERS/SUB
COMMITTEES**
Peter Barcinas
BOC Chairperson
Margrit Atalig
BOC Vice Chairperson

FINANCE COMMITTEE
Peter Barcinas
Chairperson
Viola Cruz
Co-Vice Chairperson/
Certifying Officer
Member
Mayor Jessy Gague

**TECHNOLOGY
COMMITTEE**
Frank Lujan
Co-Chairperson
Femi Bajomo
Co-Vice Chairperson

Member
Mayor Jessy Gague
Gerard Lintuen

**PROGRAM MGMT.
COMMITTEE**
Frank Scharff
Co-Chairperson
Cynthia Toves
Co Vice Chairperson
Members
Candice Anonich
Jessica Lizama
Dr. Julie Ulloa-Heath

**MARKETING &
OUTREACH COMMITTEE**
Peggy Denney
Co-Chairperson
Dr. Carmen Garrido
Co Vice Chairperson
Members
Mayor Melissa Savares
Alicia Aguon

YOUTH COMMITTEE
Dr. Carmen Garrido
Co-Chairperson

Co Vice Chairperson
Member
Laura Gombar

DISABILITY COMMITTEE
Co-Chairperson
Margrit Atalig
Co Vice Chairperson

Member
JoAnnalyn Fullerton
Frank Scharff
Arthur San Agustin

Serve Guam Commission
Doris Aguon
SGC Executive Director
1-7-19

March 29, 2019

Appendix B

Monique P. Colter
Assistant Inspector General for Audit
Office of Inspector General
Corporation for National and Community Service
250 E. Street, SW, Suite 4100
Washington, DC 20525

Dear Ms. Colter:

Thank you for the opportunity to review and respond to the Office of Inspector General's draft report for the Agreed-Upon Procedures for the Corporation for National and Community Service Grants Awarded to Serve Guam Commission.

The Commission is committed to improving its operations, grant administration, and management systems and appreciates every opportunity for strengthening its policies and procedures and overall performance for which this audit process provided us valuable input.

We appreciate the hard work and professionalism of Cotton & Cotton's team assigned to this audit. We look forward to working with CNCS to resolve the findings, implement the recommendations, and continue to learn and apply best practices.

In Service,

Doris Aguon
Executive Director, Serve Guam Commission

Enclosures

Cc: Peter Barcinas, Chairperson, Serve Guam Commission
Carol Bates, CNCS OIG Audit Manager
Cindy Gaylen, CNCS Audit Resolution

"This material is based upon work supported by the Corporation for National and Community Service (CNCS) under Grant No. 17CAHGUGU001, to the Serve Guam Commission, Office of the Governor, which oversees the AmeriCorps Programs in Guam. Opinions or points of view expressed in this document are those of the authors and do not necessarily reflect the official position of, or a position that is endorsed by, CNCS or AmeriCorps."]

Serve Guam Commission Responses

Finding 1. Inadequate Pre-award and Post-award Evaluation and Monitoring

SGC concurs with this finding.

SGC is updating its policies to include procedures for grant application review and selection criteria for new and continuing applicants. This process will include components of performing and documenting risk based pre/post award evaluations, a review of the applicant's financial management systems, single audits or financial statements, or other external monitoring reviews, and past performance.

SGC is also working diligently to strengthen its financial and programmatic oversight of subgrantees. We are currently updating our monitoring policies to include procedures and tools for properly and thoroughly performing and documenting various components of fiscal and program reviews of the subgrantees through monthly desk audit of reports as well as scheduled site visits.

SGC has already implemented a Notice of Corrective Action and Review form to document any findings and responses to findings within the monthly program and fiscal report submission. This will aid in tracking deficiencies and/or discrepancies to determine if the subgrantee needs additional training, issue citations, waivers, or enforce action on subgrantees with repeat findings. Information documented on this form will be used toward the subgrantees year-end evaluation.

Finding 2. Sanctuary's Inadequate Financial Management System and Unallowable Costs Claimed

SGC concurs with this finding and accepts the responsibility of recovering questioned Federal costs and will adjust its FFR for all costs disallowed by the Corporation.

SGC continues to provide guidance to Sanctuary to ensure their financial management systems comply with the Financial Management Standards described in 2 CFR §200.302 and Grant Terms and Conditions as well as how to determine the allowability of costs claimed and accounting for both Federal and match costs and to update their financial policies and procedures.

Additionally, we are requiring Sanctuary to submit General Ledgers with their monthly reports to support costs claimed on their PER's each month.

Finding 3. Inadequate Member Timekeeping Procedures

SGC concurs with this finding.

SGC is actively updating its policies to include procedures for ensuring that host sites and site supervisors are aware of member duties, prohibited activities, and site supervisor responsibilities. We have also provided an updated MOA template for subgrantees to implement with their host sites which details those responsibilities as well as a site supervisor acknowledgement form.

We are also requiring subgrantees to provide their supplemental AmeriCorps Program policies and procedures and internal controls to include processes for member submission and supervisor verification of member service logs.

Additionally, policies for programmatic oversight of subgrantees are being updated to include member and site supervisor interviews as part of a scheduled monitoring visit.

Finding 4. Incomplete National Service Criminal History Checks

SGC concurs with this finding.

SGC has and will continue to strengthen its NSCHC policies and procedures to ensure that all Commission staff as well as all subgrantee program staff and members undergo NSCH's and complete the process before the first day of service.

SGC has and will continue to train on appropriately performing and maintaining all documents related to NSCHC's and will ensure that all Commission staff and all subgrantee staff participate in online NSCHC training annually. This has been and will continue to be a topic discussion at our monthly AmeriCorps Program Director meetings.

SGC is prepared to update FFR for 14AFH to remove questioned match costs as recommended.

Finding 5. Non-Compliance with Internal Policies

SGC concurs with this finding.

SGC acknowledges its noncompliance to its internal travel policies and will strengthen its administrative and management controls. SGC will also ensure that the staff are properly trained on travel policies and reporting requirements.

SGC is working diligently to strengthen its monitoring and oversight of subgrantees. We are currently updating our policies which include a review of organization specific policies as well as supplemental AmeriCorps program policies and internal processes and document testing.

Additionally, SGC will provide guidance and training to subgrantees regarding requirements for document retention.

Finding 6. Late Reporting

SGC partially concurs with Finding 6a. Of the four FFR's noted, three were submitted on time.

For 14AFH due on 4/30/16, initial FFR was submitted on 4/28/2016, however, the FFR was returned for re-work and resubmitted on 8/3/2016 as noted. Initial entry confirmation and email correspondences are attached (Attachment 1_Response to 6a-1)

For 16TAH due on 12/31/17, there was no dropdown to enter the FFR on 1/31/18. Email correspondence attached. (Attachment 2_Response to 6a-2)

SGC will strengthen its administrative and management controls by updating its policies to ensure procedures are carried out for timely submission of FFR's to CNCS.

SGC concurs with Finding 6b and is working diligently to update its policies and strengthen oversight of subgrantee fiscal reporting. Policies will include documenting findings in monthly fiscal reporting and issuing notices or enforcing actions on subgrantees that do not provide accurate reports as well as provide additional training as needed.

Finding 7. Incomplete Member Exit Form

SGC concurs with this finding and is actively updating its policies to include procedures to ensure that subgrantees are trained to properly exit members with a special attention to early exits with or without compelling circumstances. Additionally, SGC has created an implemented an early exit checklist for subgrantees to submit to the Commission for review before exits are completed in the Portal.

Finding 8. Improperly Reported Match Costs

SGC concurs with this finding.

SGC is actively updating its policies to include to ensure that subgrantees properly report their match and in-kind contributions as well as procedures for the Commission to properly report match and in-kind contributions reported by subgrantees.

OFFICE OF INSPECTOR GENERAL



CORPORATION FOR
NATIONAL & COMMUNITY SERVICE



CORPORATION FOR NATIONAL & COMMUNITY SERVICE

250 E ST SW, WASHINGTON, DC 20525
202.606.5000 | WWW.NATIONALSERVICE.GOV/

OFFICE OF INSPECTOR GENERAL

HOTLINE: 1.800.452.8210
HOTLINE@CNCISOIG.GOV | WWW.CNCISOIG.GOV/