

# Office of Inspector General Corporation for National and Community Service

## AGREED-UPON PROCEDURES OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO JUMPSTART FOR YOUNG CHILDREN, INC.

OIG REPORT 09-04



Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

Prepared by:

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This report was issued to Corporation management on October 21, 2008. 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 April 21, 2009 and complete its corrective actions by October 21, 2009. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



## OFFICE OF INSPECTOR GENERAL

October 21, 2008

TO: Kristin McSwain  
Director, AmeriCorps\*State and National

Margaret Rosenberry  
Director, Office of Grants Management

FROM: Stuart Axenfeld /s/  
Assistant Inspector General for Audit

SUBJECT: Report 09-04, *Agreed-Upon Procedures of Corporation for National and Community Service Grants Awarded to Jumpstart for Young Children, Inc.*

We contracted with the independent certified public accounting firm of Mayer Hoffman McCann PC (MHM) to perform agreed-upon procedures in its review of Corporation grants awarded to *Jumpstart for Young Children, Inc.* The contract required MHM to conduct its review in accordance with generally accepted government auditing standards.

MHM is responsible for the attached report, dated October 17, 2008, and the conclusions expressed therein. We do not express opinions on the Schedule of Award and Claimed Costs; questioned costs; conclusions on the effectiveness of internal controls; or compliance with laws, regulations, and grant provisions.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by April 21, 2009. Notice of final action is due by October 21, 2009.

If you have questions pertaining to this report, please call me at (202) 606-9360 or Jim Elmore at (202) 606-9354.

### Attachment

cc: Erin Cox-Weinberg, Executive Director, Jumpstart for Young Children, Inc.  
William Anderson, Deputy Chief Financial Officer for FM  
Rocco Gaudio, Deputy Chief Financial Officer, for GFFM  
Sherry Blue, Audit Resolution Coordinator  
Randal Vellocido, Shareholder, Mayer Hoffman McCann P.C., Conrad  
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## EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Mayer Hoffman McCann P.C. (MHM) to perform agreed-upon procedures on grant costs and compliance for Corporation-funded Federal assistance provided to Jumpstart for Young Children, Inc. (Jumpstart).

### Results

As a result of applying the procedures, the auditors questioned claimed Federal-share costs of \$23,723 and education awards of \$11,500. A questioned cost is an alleged violation of provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; or a finding that, at the time of testing, such cost is not supported by adequate documentation. The cost results of our agreed-upon procedures are summarized in the Consolidated Schedule of Award and Claimed Costs.

Jumpstart claimed total costs of \$4,456,134 from July 1, 2004, through August 31, 2007. As a result of testing a judgmentally selected sample of transactions, the auditors questioned costs claimed, as shown below.

Description of Questioned Costs	Grant Number	Federal Share	Education Award
Inadequate Controls Over Cost Reporting	03LHHMA001	\$ 7,760	\$ -
Inadequate Controls Over Cost Reporting	03NDHMA001	12,691	-
Inadequate Controls Over Cost Reporting	06NDHMA002	3,272	-
Members did not Serve Required Minimum Service Hours	06NDHMA002	-	2,000
Improper Recording of Member Service Hours	06NDHMA002	-	1,000
Pre-Contract Service Hours	03NDHMA001	-	4,000
Pre-Contract Service Hours	06NDHMA002	-	4,500
Total		<u>\$ 23,723</u>	<u>\$ 11,500</u>

The auditors also found unallowable match costs of \$191,094 related to the four grants but did not question these costs because, after subtracting these unallowable costs, Jumpstart would still meet its match obligation.

AmeriCorps members who successfully complete terms of service are eligible for education awards and accrued interest awards funded by the National Service Trust. These award amounts are not funded by Corporation grants and thus are not costs claimed by Jumpstart. As part of our agreed-upon procedures, however, the auditors determined the effect of audit findings on eligibility for education and accrued interest awards. Using the same criteria described above, the auditors questioned education awards of \$11,500 due to non-compliance with program requirements.

Details related to these questioned costs and awards appear in the *Independent Accountants' Report on Applying Agreed-Upon Procedures* that follows.

The detailed results of our agreed-upon procedures revealed instances of non-compliance with grant provisions, regulations, or Office of Management and Budget (OMB) requirements, as shown below under the Compliance and Internal Control section. Issues identified included:

- Lack of controls or controls not implemented over reporting and recording of Federal–share and match costs;
- Lack of adequate procedures and controls to ensure service hours are recorded only for members with signed contracts, criminal background checks are performed, and required minimum service hours are met; and
- Late submission of Financial Status Reports and member documents, missing member evaluations, unsigned member time sheets, and excessive daily member service hours.

## **Background**

The Corporation, pursuant to the authority of the National Community Service Trust Act of 1993, as amended, awards grants and cooperative agreements to National Direct grantees, such as Jumpstart, and other entities to assist in the creation of full- and part-time national and community service positions.

Jumpstart, located in Boston, MA, operates as a National Direct grantee using grant funds awarded by the Corporation. Jumpstart is a nonprofit that utilizes AmeriCorps members from different subgrantees, and whose purpose is to help pre-school children learn to read. The focus is to have members work on a one-on-one basis with children so that they are better prepared to start school.

Jumpstart awarded funds to 28 AmeriCorps and 4 Higher Education subgrantees during our audit period. Jumpstart funded 21 AmeriCorps subgrantees in each of the two program years, 2005-2006 and 2006-2007. For the Higher Education Grant, it funded three and four subgrantees for program years 2005-2006 and 2006-2007, respectively. Tufts University was an additional subgrantee under the Higher Education grant, but the auditors did not consider it as a separate site because Jumpstart directly paid all costs. Jumpstart did not use subgrantees on the Innovative Grant.

Under the Jumpstart AmeriCorps program, subgrantees paid members living allowances but mostly funded them from non-Federal sources. Only two subgrantees, Borough of Manhattan Community College and City Tech, paid living allowances using Federal Funds. The grantee maintains the supporting documentation for the claimed costs for these two subgrantees, and the subgrantees maintain the member files. All other subgrantees maintain their own supporting documentation for claimed costs and member files.

Jumpstart's monitoring policies are segregated into three different types: financial, AmeriCorps, and programmatic. Jumpstart schedules its remote, desk-type, financial monitoring in November and reviews expenses incurred during October. AmeriCorps member file monitoring and programmatic monitoring are performed onsite, once a year and twice a year, respectively.

Jumpstart received grant funds of \$4,920,581, and claimed Federal costs of \$4,456,134 during the period the auditors tested.

The auditors compared the inception-to-date drawdown amounts with the amounts reported in the last Financial Status Reports (FSR) for the periods tested and determined that the drawdowns were reasonable.

**Agreed-Upon-Procedures Scope**

The auditors performed the agreed-upon procedures during the period March 5 through June 17, 2008. The agreed-upon procedures covered the allowability, allocability, and reasonableness of financial transactions claimed between July 1, 2004, and August 31, 2007. The auditors also performed tests to determine compliance with grant terms and provisions.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Testing Period</u>
Higher Education Programs – Learn and Serve	03LHHMA001	10/01/03 to 09/30/06	07/01/04 to 09/30/06
Innovative Programs – Challenge Grant	04IPHMA001	11/17/04 to 08/31/06	11/17/04 to 08/31/06
AmeriCorps National Direct	03NDHMA001	09/01/03 to 08/31/06	09/01/05 to 08/31/06
AmeriCorps National Direct	06NDHMA002	09/01/06 to 08/31/09	09/01/06 to 08/31/07

The procedures performed, based on the OIG's agreed-upon-procedures program dated January 2008, have been included in the *Independent Accountants' Report on Applying Agreed-Upon Procedures* section of this report.

**Exit Conference**

The contents of this report were discussed with the Corporation and Jumpstart at an exit conference held in Boston, MA, on July 16, 2008. In addition, a draft of this report was provided to Jumpstart and to the Corporation for comment on August 28, 2008. Jumpstart agreed with most of the issues within each finding, and its responses to the findings in the draft report are included in Appendix A and summarized in each finding. The Corporation generally agreed with the findings and recommendations, but disagreed with questioning costs for education awards in instances in which the auditors subtracted the hours served by

members before their contracts were signed. The Corporation's response is included in Appendix B, but it intends to address the issues more fully when it provides its management decision.

### **Other Matters**

Jumpstart's existing subgrantee fiscal monitoring procedures provide for testing transactions for the month of October each year. The auditors are concerned that pre-established monitoring periods known to subgrantees could result in a substandard program, correcting only October deficiencies prior to the annual monitoring, thereby concealing systemic problems. Jumpstart's financial monitoring could be improved by revising its procedures so that the subgrantees are unaware of the month(s) to be selected for review. Notwithstanding the existing weakness in monitoring, our tests of subgrantee transactions for other months showed results similar to Jumpstart's monitoring tests for the month of October 2006.

Jumpstart stated, in its response to a draft of this report, that financial monitoring is followed up by a random spot check at some point during the year of those affiliates that Jumpstart believes may have inadequate controls.

However, Jumpstart could overlook inadequate controls because of Jumpstart's reliance upon the outcome of its review of October transactions. We continue to believe that Jumpstart would benefit by selecting periods for testing that will not be known by its subgrantees.



Mayer Hoffman McCann P.C.

An Independent CPA Firm

Conrad Government Services Division

Inspector General
Corporation for National and Community Service

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

We have performed the procedures described below for costs claimed between July 1, 2004, and August 31, 2007. The procedures were agreed to by the OIG solely to assist it in grant-cost and compliance testing of Corporation-funded Federal assistance provided to Jumpstart for the awards and periods listed below, with a combined award period of September 1, 2003, to August 31, 2009. This agreed-upon procedures engagement was performed in accordance with 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 described below, either for the purpose for which this report has been requested or any other purpose.

Table with 4 columns: Program, Award Number, Award Period, Testing Period. Rows include Higher Education Programs, Innovative Programs, AmeriCorps National Direct, and AmeriCorps National Direct.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. 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 to you.

The procedures that we performed included obtaining an understanding of Jumpstart and its sub-site monitoring process; reconciling Federal share and match costs claimed to the accounting system; reviewing member files to verify that the records supported member eligibility to serve and allowability of living allowances and education awards; testing compliance with selected grant provisions and award terms and conditions; and testing claimed grant costs and match costs of Jumpstart to ensure: (i) proper recording of grant costs; (ii) that the required match was met; and (iii) costs were allowable and supported in accordance with applicable regulations, OMB circulars, grant provisions, and award terms and conditions.

## **Results – Costs Claimed**

The testing results of costs are summarized in the schedules and exhibits below. The schedules and exhibits also identify instances of questioned education awards. These awards were not funded by the Corporation grant, and accordingly are not included in claimed costs. As part of our agreed-upon procedures, however, we determined the effect of member program hours and eligibility exceptions on these awards.

**Consolidated Schedule of Award and Claimed Costs  
Corporation for National and Community Service Awards  
Jumpstart for Young Children, Inc.**

**July 1, 2004, to August 31, 2007**

<u>Award Number</u>	<u>Program</u>	<u>Approved Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Questioned Education Awards</u>	<u>Reference</u>
03LHHMA001	Higher Education Programs – Learn and Serve	\$ 1,103,608	\$ 817,122	\$ 7,760	\$ -	Exhibit
04IPHMA001	Innovative Programs – Challenge Grant	400,000	400,000	-	-	Exhibit
03NDHMA001	AmeriCorps – National Direct	1,541,173	1,514,691	12,691	4,000	Exhibit
06NDHMA002	AmeriCorps – National Direct	<u>1,875,800</u>	<u>1,724,321</u>	<u>3,272</u>	<u>7,500</u>	Exhibit
	Totals	<u>\$ 4,920,581</u>	<u>\$ 4,456,134</u>	<u>\$ 23,723</u>	<u>\$ 11,500</u>	

**Notes to Consolidated Schedule of Award and Claimed Costs**

**Basis of Accounting**

The accompanying schedules have been prepared to comply with provisions of the grant agreements between the Corporation and Jumpstart. The information presented in the schedules has been prepared from reports submitted by Jumpstart to the Corporation and accounting records of Jumpstart and its sites/subgrantees. The basis of accounting used in the preparation of these reports differs from accounting principles generally accepted in the United States of America as discussed below.

**Equipment**

No equipment was purchased and claimed under Federal or grantee match of cost for the period within our audit scope.

**Inventory**

Minor materials and supplies are charged to expenses during the period of purchase.

## EXHIBIT

**Schedule of Awards and Claimed Costs by Grant  
Jumpstart for Young Children, Inc.  
July 1, 2004, to August 31, 2007**

<u>Awards</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Questioned Education Awards</u>	<u>Reference</u>
<b><u>03NDHMA001 – National Direct</u></b>				
Jumpstart *	\$ 538,332	\$ 9,936	\$ -	Schedule A-1
Borough of Manhattan Community College	44,752	-	-	
City Tech	40,406	-	-	
Minnesota State University	49,003	-	-	
St. Louis University	61,875	-	-	
University of Missouri – Kansas City	57,223	-	-	
University of Missouri – Columbia	59,034	-	-	
Illinois State University	48,062	-	-	
St. John's University *	47,071	-	-	
University of Rhode Island	53,775	-	-	
George Washington University *	67,939	-	-	
Howard University *	54,782	-	2,000	Schedule A-3
Kentucky State University	50,672	-	-	
University of Virginia *	53,140	-	-	
Washburn University	46,112	-	-	
University of Kentucky	34,841	-	-	
Georgia Tech University	6,999	-	-	
Georgia State University	45,716	-	-	
Texas Tech University *	61,031	281	-	Schedule A-4
Long Island University *	52,788	2,474	2,000	Schedule A-5
Morehouse College	41,138	-	-	
Sub-total	\$ 1,514,691	\$ 12,691	\$ 4,000	
<b><u>06NDHMA002 – National Direct</u></b>				
Jumpstart *	\$ 804,514	\$ -	\$ -	
Minnesota State University	55,777	-	-	
St. Louis University	62,629	-	-	
St. John's University *	57,060	2,742	2,000	Schedule A-2
University of Rhode Island	73,529	-	-	
George Washington University *	(79)	-	-	
Howard University *	-	-	2,000	Schedule A-3
Kentucky State University	53,870	-	-	
University of Virginia *	55,885	-	-	
University of Kentucky	52,488	-	-	
Texas Tech University *	60,475	320	-	Schedule A-4

<u>Awards</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Questioned Education Awards</u>	<u>Reference</u>
Long Island University *	57,491	210	3,500	Schedule A-5
Roosevelt University	59,051	-	-	
Georgetown University	41,551	-	-	
Florida State University	13,122	-	-	
Houston Community College	58,287	-	-	
Texas Southern University	49,631	-	-	
University of California – Irvine	110,179	-	-	
Pitzer Direct	<u>58,861</u>	<u>-</u>	<u>-</u>	
Sub-total	\$ 1,724,321	\$ 3,272	\$ 7,500	

**03LHHMA001 – Higher Education  
Programs**

Jumpstart *	\$ 441,402	\$ 7,760	\$ -	Schedule A-1
Benedict College	111,339	-	-	
Arizona State University	82,901	-	-	
University of Washington – Seattle	139,083	-	-	
Texas Southern University	<u>42,397</u>	<u>-</u>	<u>-</u>	
Sub-total	\$ 817,122	\$ 7,760	\$ -	

**04IPHMA001 – Innovative Programs**

Jumpstart *	\$ 400,000	\$ -	\$ -	
Total	\$ <u>4,456,134</u>	\$ <u>23,723</u>	\$ <u>11,500</u>	

**\*Selected for Application of Agreed-Upon Procedures**

Schedule of Award and Claimed Costs  
Jumpstart

Awards 03NDHMA001, 06NDHMA002, 03LHHMA001, and 04IPHMA001

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$2,584,118</u>	Note 1
Claimed Federal Costs	<u>\$2,184,248</u>	Note 2
Questioned Costs:		
Unsupported Costs (03LHHMA001)	\$ 1,538	Note 3
Missing Time Sheet (03NDHMA001)	547	Note 4
Personnel Costs Not Properly Allocated (03LHHMA001)	6,222	Note 5
(03NDHMA001)	<u>9,389</u>	Note 5
Total Questioned Costs	<u>\$ 17,696</u>	
Questioned Education Awards	<u>\$ -</u>	

**Notes**

1. The amount shown above as Approved Budget represents the total funding to Jumpstart according to the grant award agreements.
2. Claimed costs represent Jumpstart's reported Federal expenditures, under the National Direct grant, for the period September 1, 2005, through August 31, 2007. It also includes claimed costs under the Learn & Serve and Challenge grants, for the periods of July 1, 2004 through September 30, 2006 and November 17, 2004 through August 31, 2006, respectively.
3. One Federal-share cost transaction was not properly supported (see Finding 1). The questioned cost identified represents 8 percent of a sampled total of \$19,704.
4. Time and attendance records were not maintained for one Jumpstart employee for the pay period ended February 24, 2006 (see Finding 1).
5. Fringe benefits were not properly allocated to the AmeriCorps grant (see Finding 1).

Schedule of Award and Claimed Costs  
St. John's University (SJU)

Awards 03NDHMA0010029 & 06NDHMA0020001

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$106,439</u>	Note 1
Claimed Federal Costs	<u>\$104,131</u>	Note 2
Questioned Costs:		
Unallowable Cost (06NDHMA0020001)	\$ 861	Note 3
Unsupported Cost (06NDHMA0020001)	1,646	Note 4
Costs Incurred Outside Grant Period (06NDHMA0020001)	197	Note 5
Claimed Costs Does Not Equal Accounting Records (06NDHMA0020001)	<u>38</u>	Note 6
Total Questioned Costs	<u>\$ 2,742</u>	Note 9
Questioned Education Awards:		
Minimum Service Hours Not Met (06NDHMA0020001)	\$ 1,000	Note 7
Improper Recording of Member Service Hours (06NDHMA0020001)	<u>1,000</u>	Note 8
Total Questioned Education Awards	<u>\$ 2,000</u>	

**Notes**

1. The amount shown above as Approved Budget represents the total funding to SJU according to the subgrantee agreements.
2. Claimed costs represent SJU's reported Federal expenditures for the period September 1, 2005, through August 31, 2007.
3. Two Federal-share costs transactions charged to the AmeriCorps program were not AmeriCorps expenses (see Finding 1).
4. One Federal-share cost transaction was not properly supported (see Finding 1).
5. One Federal-share costs transaction was not reported in the proper grant period (see Finding 1).

6. Federal-share costs charged to the grant do not reconcile to the accounting records (see Finding 1).
7. One member did not serve the minimum service hours required to earn an education award (see Finding 2).
8. One member recorded excessive daily hours on his/her time sheet (see Findings 3).
9. The questioned costs identified represent 24 percent of our sampled total of \$11,547.

Schedule of Award and Claimed Costs  
Howard University (HU)

Award 03NDHMA0010014 and 06NDHMA0020018

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$ 54,797</u>	Note 1
Claimed Federal Costs	<u>\$ 54,782</u>	Note 2
Questioned Costs	<u>\$ -</u>	
Total Questioned Education Awards:		
Member Contracts Signed After Start of Service (03NDHMA0010014)	\$ 2,000	Note 3
(06NDHMA0020018)	1,000	Note 3
Minimum Service Hours Not Met (06NDHMA0020018)	1,000	Note 4
Total Questioned Education Awards	<u>\$ 4,000</u>	

**Notes**

1. The amount shown above as Approved Budget represents the total funding to HU according to the subgrantee agreements.
2. Claimed costs represent HU's reported Federal expenditures for the period September 1, 2005, through August 31, 2007.
3. Six applicants recorded service hours before they had signed member contracts (see Finding 2).
4. One member did not serve the minimum service hours required to earn an education award (see Finding 2).

Schedule of Award and Claimed Costs  
Texas Tech University (TTU)

Awards 03NDHMA0010015 and 06NDHMA0020009

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$ 125,788</u>	Note 1
Claimed Federal Costs	<u>\$ 121,506</u>	Note 2
Questioned Costs:		
Unallowable Cost (03NDHMA0010015)	\$ 281	Note 3
Unallowable Costs (06NDHMA0020009)	<u>320</u>	Note 4
Total Questioned Costs	<u>\$ 601</u>	Note 5
Questioned Education Awards	<u>\$ -</u>	

**Notes**

1. The amount shown above as Approved Budget represents the total funding to TTU according to the subgrantee agreements.
2. Claimed costs represent TTU's reported Federal expenditures for the period September 1, 2005, through August 31, 2007.
3. One Federal-share cost transaction for recognition was claimed to the AmeriCorps program (see Finding 1).
4. Five Federal-share cost transactions that were claimed to the AmeriCorps program were not AmeriCorps expenses (see Finding 1).
5. The questioned costs identified represents 5 percent of a sampled total of \$13,231.

Schedule of Award and Claimed Costs  
Long Island University (LIU)

Awards 03NDHMA0010020 and 06NDHMA0020007

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$ 115,956</u>	Note 1
Claimed Federal Costs	<u>\$ 110,279</u>	Note 2
Questioned Costs:		
Unsupported Costs		
(03NDHMA0010020)	\$ 574	Note 3
(06NDHMA0020007)	100	Note 3
Unallowable Costs		
(03NDHMA0010020)	1,900	Note 4
(06NDHMA0020007)	<u>110</u>	Note 4
Total Questioned Costs	<u>\$ 2,684</u>	Note 6
Total Questioned Education Awards:		
Member Contracts Signed After Start of Service (03NDHMA0010020)	\$ 2,000	Note 5
(06NDHMA0010007)	<u>3,500</u>	Note 5
Total Questioned Education Awards	<u>\$ 5,500</u>	

**Notes**

1. The amount shown above as Approved Budget represents the total funding to LIU according to the subgrantee agreements.
2. Claimed costs represent LIU's reported Federal expenditures for the period September 1, 2005, through August 31, 2007.
3. Two Federal-share cost transactions were not properly supported (see Finding 1).
4. Federal-share cost transactions for recognition were charged to the AmeriCorps grant (see Finding 1). Also, one Federal-share cost transaction was charged to the AmeriCorps grant but was not an AmeriCorps expense (see Finding 1).
5. Nine applicants recorded service hours before they had signed member contracts (see Finding 2).
6. The questioned costs identified represent 26 percent of a sampled total of \$10,296.

## **Results - Compliance and Internal Control**

The results of our agreed-upon procedures also revealed instances of non-compliance with grant provisions, regulations, or OMB requirements, as shown below:

- Lack of controls or controls not implemented over reporting and recording of Federal–share and match costs;
- Lack of adequate procedures and controls to ensure service hours are recorded only for members with signed contracts, criminal background checks are performed, and required minimum service hours are met; and
- Late submission of Financial Status Reports and member documents, missing member evaluations, unsigned member time sheets, and excessive daily member service hours.

### **Finding 1. Lack of controls or controls not implemented over reporting and recording of Federal–share and match costs.**

#### **Costs Reconciliation**

The financial records in support of Jumpstart’s claimed costs for three of the six AmeriCorps subgrantees we tested did not reconcile to accounting records. Jumpstart advised that it incorrectly entered Periodic Expense Report (PER) data into its accounting system for two subgrantees. In addition, one subgrantee lacked an adequate accounting system. As a result, the accounting records of the subgrantees and Jumpstart do not agree.

Jumpstart lacked controls to ensure that it correctly entered the data from subgrantee PERs into its financial system. Subgrantees submit electronic PERs to Jumpstart, which in turn, re-enters the data into its systems, creating new PERs. SJU’s PER for Federal-share claimed costs were overstated in Jumpstarts’ records by \$38. As a result, we questioned the overstated costs of \$38 for the AmeriCorps program (06NDHMA002). GWU’s PER for match costs claimed were overstated on the Jumpstarts’ records by \$31. However, we did not question the match costs because we determined that Jumpstart would still meet its matching requirements if the amount was deducted from the total grantee match costs claimed.

For match costs, LIU did not maintain financial records in the form of a general ledger or other accounting report. Instead, LIU charged “Other Program Operating Costs” to the grant by using the budgeted amounts and not actual costs. LIU claimed unrecorded match costs of \$32,897 in program year 2005-2006 and \$37,036 in program year 2006-2007. We did not question the match costs because, if the amount was deducted from the claimed match, Jumpstart would still meet its matching requirements.

## *Criteria*

AmeriCorps General Provisions (2005 ed.), Section V.B.1., *Financial Management Standards*, states in part:

1. *General.* The grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures, as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this grant from expenditures not attributable to this grant. The systems must be able to identify costs by programmatic year and by budget category and to differentiate between direct and indirect costs or administrative costs. For further details about the grantee's financial management responsibilities, refer to OMB Circular A-102 and its implementing regulations ... [45 C.F.R. § 2541] or A-110 and its implementing regulations ... [45 C.F.R. § 2543], as applicable.

## **Unsupported Costs**

Jumpstart and two of the six AmeriCorps subgrantees we tested charged and claimed unsupported costs. At Jumpstart, for the Higher Education Grant, one of the 21 Federal-share costs transactions reviewed and one of the 10 grantee match costs transactions reviewed were not supported. As a result, we questioned Federal-share costs for the Higher Education grant of \$1,538. We did not question the match costs because, when we deducted the amount from the total grantee match claimed costs, Jumpstart still met its matching requirements.

One of the 20 Federal-share costs transactions we reviewed at SJU was not properly supported. SJU indicated that the supporting documentation had been misfiled, and it was unable to locate it. As a result, we questioned Federal-share costs of \$1,646 (06NDHMA002).

Two of the 40 Federal-share cost transactions reviewed at LIU were not supported. One transaction of \$574 was charged to and claimed on grant No. 03NDHMA001 and the other transaction of \$100 was charged to and claimed on grant No. 06NDHMA002. LIU could not determine why the supporting documentation could not be located. As a result, we questioned the Federal-share costs of \$674.

## *Criteria*

The 2005 AmeriCorps General Provisions, Section A.1. *Responsibilities under Grant Administration, Accountability of Grantee*, states in part, "The Grantee has full fiscal and programmatic responsibility for managing all aspects of the grant and grant-supported activities, subject to the oversight of the Corporation."

Corporation regulations at 45 C.F.R. Subpart C, Post-Award Requirements, § 2543.21 *Standards for financial management systems*, states in part:

- (b) Recipients' financial management systems shall provide for the following.
- (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in §2543.51...
  - (2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
  - (3) Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

The criteria cited above for the cost reconciliation issue, "AmeriCorps General Provisions (2005 ed.), Section V.B.1. *Financial Management Standards*," is also applicable to unsupported costs.

### **Unallowable Costs**

Jumpstart and three of the six AmeriCorps subgrantees we tested claimed unallowable costs to the AmeriCorps programs. Two of the 10 grantee match-cost transactions we reviewed for grant No. 03NDHMA001 at Jumpstart were unallowable. One of the transactions was for an American Eagle scholarship awarded to a AmeriCorps member. The other cost was to purchase flowers for an employee. These recognition costs are unallowable. We did not question the match costs because the grantee had sufficient match available to substitute for these unallowable costs.

Two of the 20 Federal-share cost transactions reviewed at SJU were unallowable because the purposes of the transactions were unrelated to the grant. SJU indicated that the unallowable cost transactions were inadvertently coded in its accounting system to grant No. 06NDHMA002. As a result, the auditors questioned the unallowable costs of \$861.

Six of the 38 Federal-share cost transactions reviewed at TTU were unallowable. All of the unallowable cost transactions charged to the grants were not grant-related expenses. Five of the unallowable cost transactions charged to grant No. 06NDHMA002 were for travel expenses of persons not involved with the AmeriCorps program, and one of the transactions charged to grant No. 03NDHMA001 was for three iPod Shuffles to be used as performance incentives for AmeriCorps members and others to complete a survey for research. TTU indicated that the unallowable claimed costs were for research programs approved by Jumpstart, but documentation of the approval could not be located. Also, both of the grantee match cost transactions reviewed at TTU were unallowable. These unallowable cost transactions were for supplies for research programs. As a result, the auditors questioned the Federal-share costs of \$320 for the travel expenses, and \$281 for the

purchase of iPod Shuffles. The auditors did not question match costs because the grantee had sufficient match to substitute for these unallowable costs.

Five of the 40 Federal-share cost transactions reviewed at LIU were unallowable. For grant No. 03NDHMA001, LIU charged two of the transactions, totaling \$254, for member-appreciation lunches and a transaction for training registration expenses of \$1,646 that were unrelated to the purpose of the grant. For grant No. 06NDHMA002, LIU charged two transactions, totaling \$110, for an appreciation lunch and gifts for members. LIU indicated that it believed that the costs were allowable. The criterion that follows indicates such costs are not chargeable to Federal grants. As a result, the auditors questioned the Federal-share costs of \$2,010.

#### *Criteria*

OMB Circular A-21, *Cost Principles for Educational Institutions*, Attachment J.17. *Entertainment Costs*, states, "Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable."

OMB Circular A-21, Attachment J.22. *Goods or service for personal use*, states, "Costs of goods or services for personal use of the institution's employees are unallowable regardless of whether the cost is reported as taxable income to the employees."

AmeriCorps Application instructions (2005) Appendix E. *Budget Instructions*, I. *Other Operating Costs*, states that "Gifts or food in an entertainment event setting are not allowable costs."

OMB Circular A-21, Section C.3. *Reasonable costs*, states,

A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. Major considerations involved in the determination of the reasonableness of a cost are: whether or not the cost is of a type generally recognized as necessary for the operation of the institution or the performance of the sponsored agreement; the restraints or requirements imposed by such factors as arm's-length bargaining, Federal and State laws and regulations, and sponsored agreement terms and conditions; whether or not the individuals concerned acted with due prudence in the circumstances, considering their responsibilities to the institution, its employees, its students, the Federal Government, and the public at large; and, the extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored agreements.

## **Costs Outside of Grant Period**

One of the 20 Federal-share cost transactions and two of the 20 grantee match cost transactions reviewed at SJU were claimed to the wrong grant period. All of the costs were charged to grant No. 06NDHMA002. The costs should have been charged to grant No. 03NDHMA001. As a result, the auditors questioned \$197 for the Federal-share transaction. Jumpstart had claimed 100 percent of the Federal funds awarded under grant No. 03NDHMA001; therefore, the auditors were not able to offset the costs to that grant. The auditors did not question the match costs claimed because Jumpstart had sufficient match to substitute for these costs and still meet its matching requirements.

### *Criteria*

The criteria at 45 C.F.R., § 2543.28 *Period of availability of funds*, states that, “Where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.”

## **Personnel Costs**

Jumpstart and one tested subgrantee did not properly charge costs of personnel benefits to the Corporation grants. Jumpstart did not properly allocate health insurance, workers' compensation, or 401k benefits to grant No. 03NDHMA001, the Innovative grant, and the Higher Education grant. These expenses were allocated to these grants by department and not by individual employees. These expenses were summed up by department and divided equally among each employee in the department. Because the allocation for these expenses was based on the department's work on a given grant, and not by each employee's effort on that grant, we could not determine the actual costs that should have been charged to the grants for health insurance, workers' compensation, and pension. Therefore, we questioned \$9,389 of Federal-share costs for grant No. 03NDHMA001, and \$6,222 of Federal-share costs for the Higher Education grant. We did not question the related match costs charged to grant No. 03NDHMA001, the Innovative grant, and the Higher Education grant because Jumpstart had sufficient additional match costs to meet its matching requirement. Jumpstart indicated that, at the time, the allocation method used was the most feasible.

Jumpstart did not properly calculate personnel labor costs that were charged to grant No. 03NDHMA001 and the Innovative grant for the timesheets we tested for two employees. The gross pay is divided by the number of hours worked in a two-week pay period to derive the hourly payroll rate by employee. However, when paid time off is taken by an employee, it changes the hours worked in that two-week pay period, ultimately changing the hourly payroll rate. The hourly payroll rate is then multiplied by the number of hours worked in a given program. We did not question costs associated with the improper calculations of personnel labor costs because the costs were immaterial. Jumpstart indicated that the improper calculations of the hourly payroll rates in these two instances for these employees were done in error.

Jumpstart did not maintain time and attendance records for one employee in our sample whose personnel costs were charged to grant No. 03NDHMA001 for the pay period ended

February 24, 2006. The timesheet could not be located for this individual for the pay period. As a result, we questioned \$547 of Federal-share costs.

TTU overstated personnel labor costs for one faculty member it charged to grantee match (grant No. 06NDHMA002) because it used budgeted personnel expenses instead of actual personnel expenses. The correct time and effort percentages were used to allocate personnel costs; however, the incorrect gross salary amounts were used. TTU indicated that it did not realize that the reports it was using contained budgeted amounts and not actual costs. Sufficient additional match costs were available to substitute for these improper costs, and therefore we did not question the match costs claimed.

#### *Criteria*

OMB Circular A-122, *Cost Principles for Non-Profit Organizations* Attachment A. General Principles, Section A.4. *Allocable Costs*, states:

a. A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

- (1) Is incurred specifically for the award.
- (2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or
- (3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

b. Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations* Attachment B, Selected Items of Cost, Section 8.m., *Support of salaries and wages*, states in part:

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, except when a substitute system has been approved in writing by a cognizant agency....

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s)....

OMB Circular A-21, Attachment J.10.b. *Payroll distribution*, states in part:

2.b. The payroll method must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached.

### *Recommendations*

We recommend that the Corporation:

- 1.a. Resolve the questioned costs, \$23,723, and recoup disallowed costs;
- 1.b. Ensure Jumpstart develops and documents controls necessary to ensure that PERs submitted by its subgrantees are correctly entered into Jumpstart's financial system;
- 1.c. Ensure that Jumpstart maintains adequate support for Federal and match costs it claims and provides training to its subgrantees that ensures that subgrantees develop control procedures so that only allowable and documented Federal and match costs are claimed;
- 1.d. Ensure Jumpstart provides additional training to its staff and subgrantees on allowable and unallowable costs with an emphasis on costs incurred in the grant period, personnel costs, and using actual instead of budgeted faculty costs; and
- 1.e. Ensure that Jumpstart establishes and uses proper allocation methodology to charge personnel benefits to its grants.

### *Jumpstart's Response*

Jumpstart stated that it is in agreement with unsupported costs in the finding. Jumpstart also stated that Jumpstart's Regional Coordinator trained all finance and site staff at St. John's and LIU on proper procedures for filing paperwork and accounting for costs. In the future, St. John's and LIU will conduct periodic checks throughout the year to verify that their systems are compliant and that all costs have the supporting documentation.

Jumpstart also concurred that the costs associated with St. John's, TTU and LIU were unallowable. Furthermore, Jumpstart stated St. John's has reviewed its protocol for coding and has made necessary changes. All costs will be documented by the finance staff separately from any other grant and the site staff has been made aware of the grant code that should accompany all documentation.

As it relates to TTU, Jumpstart will include language in the Cooperative Agreement with TTU to limit travel expenditures to Site Managers, Corps members, and staff associated with Jumpstart. As it relates to LIU, the applicable Regional Coordinator has trained all finance and site staff at LIU on proper procedures for accounting for costs and what is allowable.

LIU will conduct periodic checks throughout the year to verify that its systems are compliant and that all costs are allowed.

Jumpstart stated it recently changed its methodology for allocating personnel benefits. It also stated that it was not appropriate for the auditors to question the full amount of costs because, regardless of the allocation method, actual personnel expenses were incurred. Jumpstart further stated that by using the auditor’s method, allowable costs would have been \$11,611, instead of the \$15,611 initially claimed.

Finally, regarding the time and attendance records, Jumpstart concurred and stated it had implemented an online timesheet system prior to the engagement to avoid issues such as missing timesheets. This new system is in full compliance with Federal regulations and maintains every timesheet submitted by employees. It also is integrated into Jumpstart’s payroll/ADP systems and accounting software, which ensures that only those costs that have compliant timesheets are reported, and that all timesheets are maintained electronically. As a result, errors such as this one will not occur again.

*Auditor’s Comment*

The Corporation should consider the actions proposed by Jumpstart and follow up to ensure that Jumpstart’s planned actions are implemented and effective. However, regarding the personnel benefit costs, Jumpstart has not provided documentation to support the amount of costs it believes should be allowable; therefore, we question the entire amount.

**Finding 2. Lack of adequate procedures and controls to ensure service hours are recorded only for members with signed contracts, criminal background checks are performed, and required minimum service hours are met.**

**Pre-Contract Service Hours**

Three of six AmeriCorps subgrantees tested permitted applicants to record service hours before member service agreements were signed.

<b>Subgrantee</b>	<b>Description</b>	<b>Questioned Education Award</b>
TTU	1 of 14 members tested did not sign service agreement prior to start of service	\$0
HU	6 of 20 members tested did not sign service agreements prior to start of service	\$3,000
LIU	9 of 17 members tested did not sign service agreements prior to start of service	\$5,500

TTU permitted the member to begin service prior to signing a member service agreement because the member was a returning AmeriCorps member. HU indicated that initially the members noted did not complete the signature page of their contracts, and were asked to do so upon discovery during a routine member file check, which is the date indicated on the contract. LIU indicated that a proper system was not in place at that time to keep track of all

paperwork dates. We questioned service hours that were recorded prior to the applicants signing their service agreements. Education awards, totaling \$8,500, were questioned for members whose minimum service hours were not met after reducing the members' total service hours by the questioned service hours.

#### *Criteria*

The AmeriCorps Special Provisions, Section IV.C. *Member Enrollment*, states in part:

1. Member Enrollment Procedures.

- a. An individual is enrolled as an AmeriCorps member when all of the following have occurred:
  - i. He or she has signed a member contract;
  - ii. The program has verified the individual's eligibility to serve;
  - iii. The individual has begun a term of service; and
  - iv. The program has approved the member enrollment form in Web Based Reporting System [WBRIS].

#### **Criminal Background Checks**

Three of the 17 member files reviewed at LIU did not have evidence that criminal background checks were performed on those members. These members worked with children. Without obtaining the required background check documentation, LIU cannot ensure that potential members are eligible to participate in the program in accordance with the AmeriCorps provisions. LIU indicated that background checks were completed by its program partners and stored at their centers. In some cases, the program partners would allow Jumpstart to copy the criminal background check acknowledgement letters to place in the member files. However, it was not always the case. Jumpstart has since changed its policy to ensure it gets all of the forms and that checks are performed.

#### *Criteria*

AmeriCorps Special Provisions, Section IV.C. *Member Enrollment*, states in part:

7. Criminal Background Checks. Programs with members (18 and over) or grant-funded employees who, on a recurring basis, have access to children (usually defined under state or local law as un-emancipated minors under the age of 18) or to individuals considered vulnerable by the program (i.e. the elderly or individuals who are either physically or mentally disabled), shall, to the extent permitted by state and local law, conduct criminal background checks on these members or employees as part of the overall screening process.

The grantee must ensure, to the extent permitted by state or local law, that it maintains background check documentation for members and employees covered by this provision in the member or employee's file or other appropriate file. The documentation must demonstrate that, in selecting or

placing an individual, the grantee or the grantee's designee (such as a site sponsor) reviewed and considered the background check's results.

### **Member Service Hours**

Two of the six subgrantees tested permitted members to earn education awards even though the minimum service hour requirement was not met. One of the 25 members reviewed at SJU did not serve the required minimum service hours yet received an education award. This member had 268 hours recorded on its time sheets, and therefore did not meet the minimum required service hours of 300. As a result, we questioned this member's education award of \$1,000.

In addition, one of the 20 members reviewed at HU did not serve the required minimum service hours, but received an education award. This member had 293.5 hours recorded on timesheets and did not meet the minimum 300 service hours. HU indicated that the member completed the hours with another campus organization. These hours were recorded in WBRS, but were not recorded on the member's AmeriCorps timesheets. As a result, we questioned this member's education award of \$1,000.

### *Criteria*

The AmeriCorps Special Provisions, Section IV.E. *Terms of Service*, states in part:

1. Program Requirements. Each Program must at the start of the term of service, establish the guidelines and definitions for the successful completion of the Program year, ensuring that these Program requirements meet the Corporation's service hour requirement as defined below:

\* \* \*

e. Minimum Time Members. Minimum time members must serve at least 300 hours over a time not to exceed one year.

The AmeriCorps Special Provisions, Section IV.C. *Member Enrollment*, states in part:

2. *AmeriCorps Members*. The grantee must keep time and attendance records on all AmeriCorps members in order to document their eligibility for in-service and post service benefits. Time and attendance records must be signed and dated both by the member and by an individual with oversight responsibilities for the member.

### *Recommendations*

We recommend that the Corporation:

- 2.a. Resolve the questioned education awards, \$10,500, and recoup disallowed costs;
- 2.b. Verify that Jumpstart develops controls to ensure that member contracts are signed before hours of service are recorded;
- 2.c. Ensure that Jumpstart provides additional training to its subgrantees to ensure they are familiar with the new National Service Criminal History Check requirements and develop procedures to meet the new requirements; and
- 2.d. Verify that Jumpstart developed controls to ensure that member time is documented and approved and encompasses controls that assure only members who complete required service hours receive an education award.

### *Jumpstart's Response*

Jumpstart acknowledges the error associated with the pre-contract service hours and indicated it has trained all site and regional staff about the importance of having all member contracts signed prior to or on the first day of a member's service. However, given that all 16 of the AmeriCorps members who signed their contracts late did in fact serve either 300 or 450 hours, Jumpstart does not believe that the \$8,500 should be questioned.

Regarding the criminal background checks, Jumpstart stated that it has decided to centralize the criminal background check process. Jumpstart's National Human Resources department will be solely responsible for ensuring that all criminal background checks are conducted and that all of the applicable State and Federal rules are followed.

Finally, with regard to insufficient member service hours, Jumpstart stated that program managers are conducting weekly meetings with the respective site managers. Monthly meetings are also occurring between the Program Director and the Campus Champion of each site to discuss performance on compliance and data entry requirements.

### *Corporation's Response*

The Corporation indicated that it considers the member contract or agreement to be an important compliance component that must be in place as members begin service so they understand their rights and responsibilities. Jumpstart must take corrective action to have these contracts in place. However, the Corporation intends to allow the education awards because the date the member contract is signed should not be a criterion for disallowing otherwise legitimate service hours performed before that date.

### *Auditor's Comment*

The Corporation should consider the actions proposed by Jumpstart and follow up to ensure that Jumpstart's planned actions are implemented and effective. Regarding the pre-contact

service hours, we acknowledge the Corporation's stance that the date the contract is signed should not be a criterion for disallowing otherwise legitimate service hours. The OIG informs us that there have been continuing discussions with the Corporation on this issue. However, the OIG's continues to assert that hours served before the contract is signed should not be counted toward an education award. The OIG also asserts that, if the member does not otherwise have sufficient hours, the education and interest accrual awards should be disallowed.

**Finding 3. Late submission of Financial Status Reports and member documents, missing member evaluations, unsigned member time sheet, and excessive daily member service hours.**

**Late Submission**

Jumpstart and the six AmeriCorps subgrantees we tested did not always submit required reports by the dates due, as shown in the table below.

Location	Description of Non-Compliance
Jumpstart	<ul style="list-style-type: none"> <li>• 2 of 16 FSRs submitted late</li> </ul>
St. John's University	<ul style="list-style-type: none"> <li>• 1 of 25 tested enrollment forms submitted late</li> <li>• 3 of 25 tested exit forms submitted late</li> <li>• 1 of 25 tested change-of-status forms submitted late</li> </ul>
Texas Tech University	<ul style="list-style-type: none"> <li>• 1 of 14 tested enrollment forms submitted late</li> <li>• 4 of 14 tested exit forms submitted late</li> </ul>
University of Virginia	<ul style="list-style-type: none"> <li>• 8 of 18 tested enrollment forms submitted late</li> </ul>
George Washington University	<ul style="list-style-type: none"> <li>• 3 of 24 tested enrollment forms submitted late</li> <li>• 11 of 24 tested exit forms submitted late</li> </ul>
Howard University	<ul style="list-style-type: none"> <li>• 17 of 20 tested enrollment forms submitted late</li> <li>• 3 of 20 tested exit forms submitted late</li> </ul>
Long Island University	<ul style="list-style-type: none"> <li>• 7 of 17 tested enrollment forms submitted late</li> <li>• 1 of 17 tested exit forms submitted late</li> </ul>

If Jumpstart does not submit FSRs in a timely manner, the Corporation cannot review the reports in a timely manner and may not be fully aware of the financial status of grants. Jumpstart indicated that the FSRs were not submitted on time because of staff turnover.

If subgrantees do not enter member forms within the required 30-day period, the National Service Trust database at the Corporation will not contain current information.

SJU said it entered exit forms into WBRS late because it was unable to obtain the signed exit forms from the AmeriCorps members on time. SJU also indicated it entered the enrollment and change-of-status forms late because of human error.

TTU stated that exit forms were entered into WBRS late because it delayed entering the information for four members that were expected to complete the program. TTU indicated that the enrollment form was late because of an oversight.

UVA said that it was uncertain of the cause for late enrollment forms because the responsible personnel have left.

GWU stated that exit forms were entered into WBRS late because it wanted to give the members an opportunity to complete their terms of service during the summer. GWU also indicated that enrollment forms were entered late due to the impact of crunch time in which diverse programmatic activities, such as recruitment, training, data management, and record entry into WBRS were taking place simultaneously.

HU stated that member enrollment forms were entered late because of other employee duties. HU indicated that member exit forms were late because members exited the program unofficially; i.e., the members left the campus for the summer without prior notification to management.

LIU stated that, at that time, proper systems were not developed to keep track of all paperwork dates.

### *Criteria*

The AmeriCorps Special Provisions, Section N.2. *Reporting Requirements*, states:

b. **AmeriCorps Member Related-Forms.** The Grantee is required to submit the following documents to the National Service Trust at the Corporation on forms provided by the Corporation. Grantees and Sub-Grantees may use WBRS to submit these forms electronically. Program using WBRS must also maintain hard copies of the forms.

- a. **Enrollment Forms.** Enrollment forms must be submitted no later than 30 days after a member is enrolled.
- b. **Change of Status Forms.** Member Change of Status Forms must be submitted no later than 30 days after a member's status is changed. By forwarding Member Change of Status Forms to the Corporation, State Commissions and Parent Organizations signal their approval of the change.
- c. **Exit/End-of-Term-of-Service Forms.** Member Exit/End-of-Term-of-Service Forms must be submitted no later than 30 days after a member exits the program or finished his/her term of service.

The AmeriCorps Special Provisions, Section N. 1, *Reporting Requirements*, states in part:

- a. Financial Status Reports. The grantee shall submit semi-annual cumulative financial status reports, summarizing expenditures during the reporting period using eGrants (on the menu tree, click 'Financial Status Reports'). Financial Status Report deadlines are as follows:

<u>Due Date</u>	<u>Reporting Period Covered</u>
April 30	Start of grant through March 31
October 31	April 1 – September 30

### **Member Evaluations**

Two of six tested AmeriCorps subgrantees did not perform end-of-term evaluations for some of its members. One of 25 members reviewed at SJU did not have an end-of-term evaluation performed. Also, 1 of the 24 members reviewed at GWU did not have an end-of-term evaluation performed. As a result, these members did not receive the only evaluation required for a minimum-time member and cannot serve a second term. When an evaluation is not performed on a member, there is no way to determine if the member satisfactorily completed the term of service as required in order to be eligible for an education award. Both SJU and GWU indicated that they were uncertain of the cause for this condition because the responsible personnel have left. The member from SJU did not have an evaluation for program year 2006-2007. We did not determine if the member served the following year because that was outside of the scope of this engagement. The member from GWU did not have an evaluation for program year 2005-2006, and this member did not serve in the program the following program year.

### *Criteria*

AmeriCorps Special Provisions, Section IV.D., *Training, Supervision and Support*, states in part:

6. **Performance Reviews.** The grantee must conduct and keep a record of at least a midterm and end-of-term written evaluation of each member's performance for Full and Half-Time members and an end-of-term written evaluation for less than Half-time members. The evaluation should focus on such factors as:
  - a. Whether the member has completed the required number of hours;
  - b. Whether the member has satisfactorily completed assignments; and
  - c. Whether the member has met other performance criteria that were clearly communicated at the beginning of the term of service.

The criteria at 45 C.F.R. § 2522.220, states in part:

- c. Eligibility for second term. A participant will only be eligible to serve a second or additional term of service if that individual has received satisfactory performance review(s) for any previous term(s) of service....

## **Excessive Member Service Hours**

One of the 25 members reviewed at SJU had excessive hours recorded on the last time sheet of the program year. This member had 18 hours recorded for April 23, 2007, 20 hours recorded for April 24, 2007, 21 hours recorded for April 26, 2007, 20 hours recorded for April 30 2007, and 24 hours recorded for May 3, 2007. SJU indicated that this member previously served member hours that were not recorded; however, we were unable to substantiate that information. Those member service hours as well as the actual member service hours served on those days were combined and recorded on the last time sheet. The actual service hours worked on each of these days could not be determined. Jumpstart also indicated that it is impossible for a member to serve that many hours in a day because the Jumpstart program is held only during school hours, typically an 8-hour day. Therefore, the treatment given to those hours was not appropriate under the circumstances. After reducing these hours from the member's total, the member did not meet the required minimum hours to receive an education award. As a result, we questioned this member's education award of \$1,000.

### *Criteria*

OMB Circular A-21, Section C., *Basic Considerations*, states, in part:

2. Factors affecting allowability of costs. The tests of allowability of costs under these principles are: (a) they must be reasonable; (b) they must be allocable to sponsored agreements under the principles and methods provided herein; (c) they must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (d) they must conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items.

### *Recommendations*

We recommend that the Corporation:

- 3.a. Resolve the questioned education award, \$1,000;
- 3.b. Ensure that Jumpstart develops effective control procedures so that its staff meets submission deadlines for FSRs and member forms; and
- 3.c. Ensure that Jumpstart provides training that helps subgrantees develop control procedures to ensure required member evaluations are performed and documented and that members' service hours are accurately recorded.

### *Jumpstart's Response*

Jumpstart acknowledges that it needs to work with sites to ensure that timely submissions of enrollment and exit forms are a top priority. Jumpstart advised that all site and regional staff received training at its September 2008 Leadership Institutes. The training included a review of the audit findings and action steps to be taken.

Regarding the member evaluations, Jumpstart stated it will provide guidance to all sites and regions relating to the rule and will ensure, through its site management, that the rule is followed.

Finally, for the issues related to excessive member service hours for St. John's, Jumpstart stated the site managers received additional training on what is acceptable and not acceptable for logging service hours. In addition, Jumpstart created new support systems to track hours and remind Site Managers and AmeriCorps members about the times they are allowed to serve.

*Auditor's Comment*

The Corporation should consider the actions proposed by Jumpstart and follow up to ensure that Jumpstart's planned actions are implemented and effective.

This report is intended for the information and use of the Office of Inspector General, Corporation management, Jumpstart, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in blue ink that reads "Margie Hoffmann McConry, P.C." The signature is written in a cursive style.

Woodbridge, Virginia  
October 17, 2008

**APPENDIX A**

**Jumpstart for Young Children, Inc. Response to Draft Report**



James Elmore  
Office of the Inspector General  
1201 New York Avenue, NW  
Suite 830  
Washington, DC 20525

Dear Mr. Elmore:

Enclosed please find Jumpstart for Young Children, Inc.'s comments to the Office of the Inspector General's draft report on the *Agreed Upon Procedures for Corporation for National and Community Service Grants Awarded to Jumpstart for Young Children, Inc.* received on August 29, 2008.

As requested, Jumpstart is sending this letter, along with Jumpstart's comments, in electronic format.

Please do not hesitate to contact me with any further questions or concerns.

Sincerely,

Karen Domerski  
Director, National Service Programs

# Jumpstart for Young Children Response to IG Audit Report

## Executive Summary

*The findings in this report are evidence of the rigor and compliance that Jumpstart for Young Children, Inc. maintains with the programmatic and financial requirements associated with the federal awards that it receives.*

First and foremost, the scarcity of costs that were questioned is a good indication that these findings were not systemic throughout Jumpstart but rather one-off errors. Whereas the scope of the audit was \$4,920,581 in awards that Jumpstart received over 3 years, the audit only questioned costs of \$23,732, representing less than .5% of the awarded amount. Similarly, of the approximately \$1,450,000 that Jumpstart Corps members were awarded from the National Service Trust for the 2005-2006 and 2006-2007 grant years, only \$11,500 were questioned.

Further, the types of costs that were questioned by the auditors were mostly manual entry errors or human error issues. This is further indication that these problems were not systemic throughout the organization but rather isolated instances. *Nevertheless, one year before these costs were questioned, Jumpstart had already implemented new systems and processes that would have reduced 2/3<sup>rd</sup>s of the questioned costs.*

Finally, and most significantly, the scarcity of errors and types of errors uncovered in the report indicate that Jumpstart upheld and fulfilled the spirit of its fiscal objectives.

## QUESTIONED COSTS AT JUMPSTART

In addition to the corrective actions listed below, Jumpstart holds annual trainings for all of its affiliate partners to ensure that its affiliates are aware of the requirements associated with its federal grants. These trainings, which are done via conference call, are supplemented with documentation and reference to all of the relevant OMB circulars that must be adhered to. Further, Jumpstart does an annual spot check of all of its affiliates once a year. Contrary to what was stated in the Inspector General report, these spot checks are then followed up by a random spot check at some point during the year of those affiliates that Jumpstart believes may have inadequate controls.

### *Finding #1: Unsupported Costs*

Lost Invoice: As listed on page 17 of the report, "at Jumpstart...one of the 21 Federal-share cost transactions reviewed...were not supported." Jumpstart is in agreement that the invoice associated with this expense could not be found. This questioned cost was due to human error. After the initial invoice was entered into Jumpstart's Accounts Payable (AP) system and placed in storage, it was later taken out of the filing system in order to allocate its expense to different grants. After allocating the expense out to different grants within the General Ledger, the invoice was either never returned to the file or placed in the wrong file. After attempting to contact the vendor to obtain a new copy of the invoice, Jumpstart was informed by the vendor that they do not maintain their records for more than 2 years. The fact that only 1 of 21 cost transactions could not be supported is an indication that this was a one-off error and not a systemic problem with Jumpstart's filing system.

St. Johns University: One of the 20 Federal-share costs transactions that were reviewed at St. John's University was not properly supported. The University went back and reviewed all related information from the fiscal year but could not find the supporting documentation for the cost. Jumpstart's Regional Coordinator of the Mid-Atlantic region trained all finance and site staff at St. John's on proper procedures for filing paperwork and accounting for costs. In the future, St. John's will conduct periodic checks throughout the year to verify that their systems are compliant and that all costs have the supporting documentation. To maintain joint communication and support for the site, the Site Managers will maintain back up copies of information that documents costs for purchases in a binder at the office. The finance office will also have documentation and will be responsible for checking the costs documented to the receipts and confirming that the information is being reported accurately.

Long Island University: Two of the 40 Federal-share cost transactions reviewed at Long Island University (LIU) were not supported. LIU reviewed all related information from the fiscal year but could not find the supporting documentation for the cost. The Regional Coordinator for the Mid-Atlantic region trained all finance and site staff at LIU on proper procedures for filing paperwork and accounting for costs. In the future, the site will conduct periodic checks throughout the year to verify that their systems are compliant and that all costs have the supporting documentation. To maintain joint communication and support for the site, the Site Managers will maintain back up copies of information that documents costs for purchases in a binder at the office. The finance office will also have documentation and will be responsible for checking the costs documented to the receipts and confirming that the information is being reported accurately.

*Finding #1: Unallowable Costs*

St. John's University: Two of the 20 Federal-share cost transactions reviewed at St. John's University were unallowable because the purposes of the transactions were unrelated to the grant. St. John's has reviewed its protocol for coding and made changes so that this will not happen in the future. All costs will be documented by the finance staff separately from any other grant. The site staff has been made aware of the grant code that should accompany all documentation.

Texas Tech University: Six of the 38 Federal-share cost transactions reviewed at Texas Tech University (TTU) were unallowable. To ensure unallowable expenditures like these do not occur in the future, Jumpstart will include language in the Cooperative Agreement with TTU to limit travel expenditures to Site Managers, Corps members and staff associated with Jumpstart. Furthermore, travel will be limited to the previously mentioned persons participating in training and/or service events for Jumpstart. Jumpstart will also include language in the Cooperative Agreement pertaining to research related to the Jumpstart program, and will explicitly state that other sources of funds must be used in conjunction with research-related activities.

In addition, Jumpstart regional and finance staff will continue to review periodic expense reports and request clarification of any expenses that are either unclear or questionable. In the budgeting process for sites during the preceding program year, Jumpstart staff will also review challenges and findings from this audit with all sites to provide guidance that should help sites guard against any expenses that may not be allowable or may need further documentation to be allowed.

Long Island University: Five of the 40 Federal-share cost transactions reviewed at LIU were unallowable. The Regional Coordinator for the Mid-Atlantic region train all finance and site staff at LIU on proper procedures for accounting for costs and what is allowable. In the future, LIU will conduct periodic checks throughout the year to verify that their systems are compliant and that all costs are allowed. The Site Manager will also review all costs with the finance team before the costs are planned for or made so that it can be confirmed to be in line with procedures.

Finding #1: Personnel costs: Personnel Benefits

The largest questioned cost in the report is listed on page 20 and is attributable to Jumpstart's allocation methodology for health insurance, workers compensation and 401(k) plans. This issue alone accounts for \$15,611 of the \$23,723 in questioned costs, which is equal to 2/3<sup>rd</sup>'s of all of questioned costs in the report.

Jumpstart utilized its allocation methodology because it had been reviewed by several auditors and state agencies in the past. The tacit approval of the auditors and state agencies of this methodology, given their review of the allocation methodology, is an indication that the methodology was in keeping with the spirit, if not the letter, of federal regulations. The methodology allocated insurance, workers compensation and 401(k) costs to grants based on the amount of time worked on the grant by a given department, instead of itemizing on an individual-by-individual basis. Nevertheless, given the rigor with which Jumpstart complies with federal guidelines, *Jumpstart made the determination to stop utilizing this allocation methodology a year before it was flagged as a questioned cost by the Inspector General. Jumpstart no longer includes these costs in its grants.*

Of equal importance is the fact that the sum of \$15,611 greatly overestimates the full extent of the error. This sum represents the full extent of *all* of health insurance, workers compensation and 401(k) costs applied to the award. To question all of these costs would imply that Jumpstart did not incur any health insurance, workers compensation or 401(k) costs associated with the grant. After some preliminary analysis, Jumpstart has determined that its allocation methodology led to overstating costs on its grants by \$4,000 or roughly 25% of the total. That is to say, that Jumpstart's actual allocation, as proposed by the Inspector General, may have led to an allowable cost of \$11,611, instead of the \$15,611 that Jumpstart initially claimed.

Upon learning of the "non-compliance" of its allocation methodology by the Inspector General, Jumpstart chose not to itemize the allocation because the determination was made that the effort involved to reallocate all of the health insurance, workers compensation and 401(k) expenses over three years for all of the individuals involved would have been unduly time consuming, given the limited resources that Jumpstart has to dedicate to this undertaking.

Jumpstart's methodology allocated all of the insurance, workers compensation and 401(k) costs for a given department and then divided it out based on the pro-rated share of the hours worked on a given grant. See equation below:

$$\frac{\text{Sum of all Insurance, Workers Comp, 401(k) costs incurred by a given dept.}}{\text{Total hrs worked by dept.}} \times \frac{\text{Hrs worked by dept. on a given grant}}{\text{Total hrs worked by dept.}} = \text{Dept. costs allocated to a given grant}$$

Meanwhile, the cost allocation recommended by the Inspector General is as follows:

$$\begin{array}{l}
 \text{Sum of the} \\
 \text{following} \\
 \text{equation for all} \\
 \text{individuals in a} \\
 \text{department}
 \end{array}
 \left( \begin{array}{l}
 \text{Insurance,} \\
 \text{Workers Comp,} \\
 \text{401(k) costs} \\
 \text{incurred by a} \\
 \text{given individual} \\
 \text{in dept.}
 \end{array} \right)
 \times
 \frac{
 \begin{array}{l}
 \text{Hrs worked by} \\
 \text{individual on a} \\
 \text{given grant}
 \end{array}
 }{
 \begin{array}{l}
 \text{Total hrs} \\
 \text{worked by} \\
 \text{individual}
 \end{array}
 }
 =
 \begin{array}{l}
 \text{Dept. costs} \\
 \text{allocated to a} \\
 \text{given grant}
 \end{array}$$

As evidenced by the above explanation, it is clear that by using either method, the resulting differences would be rather minimal.

Jumpstart has chosen to change the methodology it uses in determining personnel benefits and has done so for the past year. It does not seem appropriate to question the full amount of costs, considering that by either method there were actual personnel expenses being incurred.

*Finding #1: Personnel Costs: Time and Attendance Records*

As listed in the report,

Jumpstart did not maintain time and attendance records for one employee in our sample whose personnel costs were charged to [the] grant...This timesheet could not be located for this individual for the pay period. As a result, we questioned \$547 of Federal-share costs.

Jumpstart is in agreement that the timesheet for this individual could not be found. This timesheet corresponded to the last pay period that this person was on Jumpstart's payroll. As a result, it is possible, through human error, that this timesheet, which was a manual-entry paper timesheet, was lost. Jumpstart has human resource documentation, including ADP payroll records, a severance agreement, and an exit letter submitted to the employee, that prove the employee did in fact work through the time she was paid.

In order to avoid manual-entry or human errors such as this, *Jumpstart implemented an online timesheet system two years before this cost was questioned.* This new system is in full compliance with federal regulations and maintains every timesheet submitted by our employees. It is integrated into Jumpstart's payroll/ADP systems and accounting software. The software's integration into the accounting system ensures that only those costs that have compliant timesheets are reported, and that all timesheets are maintained electronically. As a result, errors such as this one will not occur again.

*Finding #2: Pre-Contract Service Hours*

Three of six AmeriCorps subgrantees tested permitted applicants to record service hours before member service agreements were signed. While Jumpstart acknowledges that this was an error and has made corrective action plans to

alleviate this occurrence in the future, it does not feel that the \$8,500 should be questioned. First, all 16 of the Corps members who signed their Corps member contracts late did in fact serve either 300 or 450 hours. This was a procedural error, similar to not enrolling a Corps member in the required 30 days, and as such should not result in a questioning of the education awards.

Additionally, during Jumpstart's exit interview, it was stated that the Inspector General's Office and the Corporation for National and Community Service's Grants Office are not in agreement that questioning the education awards is the correct measure of action that should be taken in this instance. As this is being decided by these two parties, Jumpstart does not feel it should be held to this current measure of action.

In order to ensure that all Corps member contracts are signed prior to or on the first day of a Corps member's service, Jumpstart has trained all site and regional staff about the importance of this rule, as well as the other findings of this report. This training was delivered as part of each region's September Leadership Institute.

#### *Finding #2: Criminal Background Checks*

After the period tested in these findings, the Corporation for National and Community Service has significantly changed the criminal background check rule. As a result of these changes, Jumpstart has decided to centralize the criminal background check process. By centralizing the process, Jumpstart's National Human Resources department is solely responsible for ensuring that all criminal background checks are conducted and that all of the applicable state and federal rules are followed in conducting the background checks.

#### *Finding #2: Member Service Hours*

During the audit, the Inspector General found two instances of individuals receiving Education Awards despite not having completed sufficient hours. As a result, they questioned \$2,000 in Education Awards. These instances occurred with one Corps member at St. Johns University and one Corps member at Howard University.

As part of the corrective action plan, program managers are conducting weekly meetings with the respective site manager. Monthly meetings are also occurring between the Program Director and the Campus Champion of each site specifically related to the site's performance with compliance and data entry.

#### *Finding #3: Late Submission*

Jumpstart and the six AmeriCorps subgrantees did not always submit required reports by the dates due. Jumpstart had 2 late Financial Status Reports (FSRs) during the time period tested. One of the FSR's was submitted late because of staff turnover in a key position right before the FSR was due. As a result, the finance staff was left short-handed and did not have the manpower to submit the FSR on a timely basis. The other FSR was submitted late, albeit within one week of the due date. In the future, Jumpstart will put controls in place to ensure that the FSR's are submitted on a timely basis.

Jumpstart acknowledges that it needs to work with sites to ensure that timely submissions of enrollment and exit forms are a top priority. Jumpstart created a training that all site and regional staff received during their September Leadership Institutes which occurred during the month of September 2008. As part of that training, all of the Inspector General audit findings were reviewed and action steps

were discussed so sites are aware of what needs to occur in the coming year to make sure timely submissions occur.

*Finding #3: Member Evaluations*

*As of September 18, 2008, the Corporation for National and Community Service changed the rule relating to Corps member evaluations. Jumpstart will be sending guidance to all sites and regions relating to the new rule, and will ensure through its site management that the rule is being followed in the correct manner.*

*Finding #3: Excessive Member Service Hours*

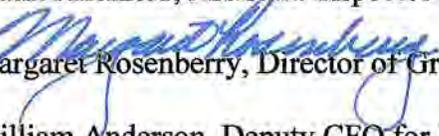
One of the 25 members reviewed at St. John's had excessive hours recorded on the last time sheet of the program year. As a result, the Inspector General questioned this Education Award. To prevent this from occurring in the future, the Site Managers received additional training on what is acceptable and not acceptable for logging service hours. In addition, Jumpstart has created new support systems to be able to track and remind Site Managers and Corps members about what times they are allowed to work. The policy has been put in place such that any Corps member working over 6-8 hours in a day must have documentation about their service during that time. Additionally, it is important to note that this was only one Corps member out of 114 tested, and this was a unique error and not indicative of a systemic problem at Jumpstart.

**APPENDIX B**

**Corporation for National and Community Service's Response to Draft Report**

Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

**To:** Stuart Axenfeld, Assistant Inspector General for Audit

**From:**   
Margaret Rosenberry, Director of Grants Management

**Cc:** William Anderson, Deputy CFO for Finance  
Sherry Blue, Audit Resolution Coordinator  
Rocco Gaudio, Deputy CFO for Grants Management  
Kristin McSwain, Director of AmeriCorps

**Date:** September 29, 2008

**Subj:** Response to OIG Draft of Agreed-Upon Procedures of Grants Awarded to Jumpstart for Youth Children

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Thank you for the opportunity to review the draft Agreed-Upon Procedures report of the Corporation's grants awarded to Jumpstart for Young Children. We are addressing only one finding at this time. We will respond to all findings and recommendations in our management decision when the final audit report is issued.

As we have noted in other audits, the Corporation considers the member contract or agreement to be an important compliance component. Programs must have them in place as members begin service so they understand their rights and responsibilities. Jumpstart must take corrective action to ensure its operating sites have contracts in place and monitor the sites to ensure they implement the requirements. However, the date the contract is signed should not be a criterion for disallowing otherwise legitimate service hours performed before the date the member signed the contract. The Corporation will allow the education awards.

The Corporation generally agrees with the recommendations in the report and will work with Jumpstart on its corrective action plan. We will need to review Jumpstart's plan before we can complete our management decision. Therefore, the Corporation will address the remaining questioned costs and other findings during audit resolution after the audit is issued as final and we have worked with Jumpstart to implement appropriate action.