

**Office of Inspector General
Corporation for National and
Community Service**

**AGREED-UPON PROCEDURES OF CORPORATION FOR
NATIONAL AND COMMUNITY SERVICE GRANTS
AWARDED TO NATIONAL COUNCIL OF LA RAZA**

OIG REPORT 09-09



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

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This report was issued to Corporation management on March 31, 2009. 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 September 30, 2009 and complete its corrective actions by March 31, 2010. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



OFFICE OF INSPECTOR GENERAL

March 31, 2009

TO: Lois Nembhard
Acting Director, AmeriCorps*State and National

Margaret Rosenberry
Director, Office of Grants Management

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

SUBJECT: Report 09-09, *Agreed-Upon Procedures of Corporation for National and Community Service Grants Awarded to the National Council of La Raza*

We contracted with the independent certified public accounting firm of Mayer Hoffman McCann, P.C. (MHM) to perform agreed-upon procedures in its review of Corporation grants awarded to *National Council of La Raza (NCLR)*. The contract required MHM to conduct its review in accordance with generally accepted government auditing standards.

MHM is responsible for the attached report, dated March 31, 2009, and the conclusions expressed therein. We do not express opinions on MHM's Consolidated Schedule of Awards, and Claimed and Questioned Costs, conclusions on the effectiveness of NCLR's 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 September 30, 2009. Notice of final action is due by March 31, 2010.

If you have questions pertaining to this report, please call me at 202-606-9356.

Attachment

cc: Janet Murguía, NCLR, President and Chief Executive Officer
Gerald Borenstein, NCLR, Vice President and Chief Financial Officer
Rogelio Quintanar, NCLR, AmeriCorps Assistant Director
Claudia Rosario, NCLR, Controller
William Anderson, Acting Chief Financial Officer
Rocco Gaudio, Deputy Chief Financial Officer, Grants and Field Financial Management
Claire Moreno, Senior Grants Officer
Sherry Blue, Audit Resolution Coordinator
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**AGREED-UPON PROCEDURES OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GRANTS AWARDED TO THE NATIONAL COUNCIL OF LA RAZA**

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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 the National Council of La Raza (NCLR).

Results

As a result of applying our procedures, the auditors questioned claimed Federal-share costs of \$7,694. 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.

NCLR claimed total costs of \$2,861,529 from October 1, 2005, through March 31, 2008. As a result of testing a judgmentally selected sample of transactions, the auditors questioned costs claimed, as shown below.

<u>Description of Questioned Costs</u>	<u>Grant Number</u>	<u>Federal Share</u>
Cost Transaction Not Properly Supported	04NDHDC003	\$ 120
Living Allowance Payment Made as Lump Sum	04NDHDC003	1,808
Member Served Second Term Without Having an End-of-Term Evaluation Performed on Previous Term	07NDHDC007	<u>5,766</u>
Total		<u>\$ 7,694</u>

The auditors also found unallowable match costs of \$1,486 related to both grants but did not question these costs under grant 04NDHDC003 because, after subtracting these costs, NCLR would still meet its match obligation. Additionally, grant 07NDHDC007 is still open and the grantee has until the end of the grant to fulfill 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 NCLR. 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, we did not question any education awards.

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 during payroll allocation and over reporting and recording of Federal–share and match costs;
- Lack of adequate procedures and controls to ensure criminal background checks are performed;
- Lack of adequate procedures and controls to ensure living allowances are paid in equal increments;
- Late submission of Financial Status Reports, progress reports, member enrollment and member exit forms; and
- Missing member evaluations, member orientation not performed and incomplete member contracts.

Agreed-Upon-Procedures Scope

The auditors performed the agreed-upon procedures during the period August 19 through November 21, 2008. The agreed-upon procedures covered the allowability, allocability, and reasonableness of financial transactions claimed by NCLR between October 1, 2005, and March 31, 2008. The auditors also performed tests to determine NCLR’s compliance with terms and provisions for the following grants:

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Testing Period</u>
AmeriCorps National Direct	04NDHDC003	09/01/04 to 08/31/07	10/01/05 to 08/31/07
AmeriCorps National Direct	07NDHDC007	09/01/07 to 08/31/10	09/01/07 to 03/31/08

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

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 NCLR, and other entities to assist in the creation of full-time and part-time national and community service programs.

NCLR, based in Washington, DC, is a non-profit National Direct grantee that utilizes AmeriCorps members from its various subgrantees to provide tutoring services to middle and high school students, work on substance abuse prevention programs, work with neighborhood groups, and assist in youth mentoring programs.

NCLR awarded funds to 17 AmeriCorps subgrantees overall during our audit period. NCLR funded 12 annual AmeriCorps subgrantees during each of the three program years, 2005-2006, 2006-2007 and 2007-2008, under audit. All subgrantees maintain their own supporting documentation related to claimed costs and member files. NCLR received grant

Awards of \$6,217,205, and claimed Federal costs of \$2,861,529 for the period of October 1, 2005, through March 31, 2008.

Exit Conference

The contents of this report were discussed with representatives from NCLR and the Corporation at an exit conference held in Washington, DC on January 26, 2009. In addition, a draft of this report was provided to officials of NCLR and the Corporation for their comment on February 25, 2009. Representatives of NCLR and the Corporation agreed with most of the issues within each finding. They disagreed with the questioned costs associated with a member who served in a subsequent program year without receiving a required end-of-term evaluation for the prior program year. NCLR disagreed that the costs should have been questioned and the Corporation stated it would allow the costs. NCLR and the Corporation's responses are included verbatim as Appendices A and B, respectively, and are summarized in each finding.



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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 October 1, 2005, and March 31, 2008. 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 NCLR for the awards and periods listed below, with a combined award period of September 1, 2004, to August 31, 2010. 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.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Testing Period</u>
AmeriCorps National Direct	04NDHDC003	09/01/04 to 08/31/07	10/01/05 to 08/31/07
AmeriCorps National Direct	07NDHDC007	09/01/07 to 08/31/10	09/01/07 to 03/31/08

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 NCLR and its subgrantee 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 NCLR 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. Grant drawdowns were compared for consistency to the Federal share reported on NCLR's Financial Status Reports.

Results – Costs Claimed

The testing results of costs are summarized in the schedules and exhibits below.

**Consolidated Schedule of Awards and Claimed Costs
Corporation for National and Community Service Awards
National Council of La Raza**

October 1, 2005, to March 31, 2008

<u>Award Number</u>	<u>Program</u>	<u>Awarded</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Reference</u>
04NDHDC003	AmeriCorps – National Direct	\$ 3,795,847	\$ 2,293,795	\$ 1,928	Exhibit A
07NDHDC007	AmeriCorps – National Direct	<u>2,421,358</u>	<u>567,734</u>	<u>5,766</u>	Exhibit A
	Totals	<u>\$ 6,217,205</u>	<u>\$ 2,861,529</u>	<u>\$ 7,694</u>	

Notes to Consolidated Schedule of Awards and Claimed Costs

Basis of Accounting

The accompanying schedules have been prepared to comply with provisions of the grant agreements between the Corporation and NCLR. The information presented in the schedules has been prepared from reports submitted by NCLR to the Corporation and accounting records of NCLR and its 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 A

**Schedule of Awards and Claimed Costs by Grant
National Council of La Raza
October 1, 2005, to March 31, 2008**

<u>Awards</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Reference</u>
<u>04NDHDC003 – National Direct</u>			
NCLR *	\$ 369,875	\$ -	
Association House of Chicago	185,253	-	
Centro de Salud Familiar La Fe, Inc.*	160,814	-	
Instituto de Progreso Latino	184,125	-	
Luz Social Services, Inc.*	163,956	-	
The MAAC Project	182,222	-	
Midland Community Development Corporation	155,304	-	
La Academia Partnership Charter School- Spanish American Civic Association*	165,216	1,928	Schedule A-1
Tejano Center for Community Concern	213,486	-	
Unity Council	157,909	-	
Youth Development, Inc.	232,019	-	
Voice of Calvary Ministries	56,454	-	
Neighborhood Housing Resources of New Orleans	<u>67,162</u>	<u>-</u>	
Sub-total	\$ 2,293,795	\$ 1,928	
<u>07NDHDC007 – National Direct</u>			
NCLR *	\$ 93,126	\$ -	
Association House of Chicago	62,515	-	
Centro de Salud Familiar La Fe, Inc.*	45,754	-	
Instituto de Progreso Latino	33,302	-	
Luz Social Services, Inc.*	42,737	-	
Latin American Youth Center	53,304	-	
Mexican American Unity Council	40,786	-	
La Academia Partnership Charter School- Spanish American Civic Association*	22,366	5,766	Schedule A-1
Youth Policy Institute	41,296	-	
Unity Council	45,375	-	
Youth Development, Inc.	15,233	-	
Camino Nuevo Charter Academy	29,421	-	
Information Referral Resources Assistance, Inc.	<u>42,519</u>	<u>-</u>	
Sub-total	\$ 567,734	\$ 5,766	
Total	<u>\$ 2,861,529</u>	<u>\$ 7,694</u>	

*Selected for Application of Agreed-Upon Procedures

**Schedule of Award and Claimed Costs
Spanish American Civic Association (SACA)**

Awards 04NDHDC003 and 07NDHDC007

		<u>Reference</u>
Awarded	<u>\$272,923</u>	Note 1
Claimed Federal Costs	<u>\$187,582</u>	Note 2
<u>Questioned Costs</u>		
Unsupported Cost (04NDHDC003)	\$120	Note 3
Living Allowance Payments Made as Lump Sum (04NDHDC003)	1,808	Note 4
Second Term Without End-of-Term Evaluation For Previous Term (07NDHDC007)	<u>5,766</u>	Note 5
Total Questioned Costs	<u>\$7,694</u>	

Notes

1. The amount shown represents the total funding to SACA according to the subgrantee agreements.
2. Claimed costs represent SACA's reported Federal expenditures for the period October 1, 2005, through March 31, 2008.
3. One Federal-share costs transaction was not properly supported (see Finding 1).
4. Two members received lump-sum living allowance payments (see Finding 3).
5. One member served a second term without having an end-of-term evaluation performed for the previous term (see Finding 5).

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:

Finding 1. Lack of controls or controls not implemented during payroll allocation and over reporting and recording of Federal–share and match costs.

Payroll Allocation

NCLR's personnel costs were not allocated properly to the program and are not claimed at actual costs. We could not determine the allocation methodology used to charge personnel costs to the program. NCLR was able to provide a payroll analysis for the period tested to determine that payroll expenses were being under claimed to the program. Therefore, we did not question any costs associated with personnel costs.

NCLR stated that it did not know that personnel costs were not being properly claimed to the program. NCLR stated that it is in the process of creating a new allocation system to properly account for these charges.

Criteria

OMB Circular A-122, Attachment B, Section 7. *Compensation for personal services*, states in part:

m. Support of salaries and wages.

(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 the cognizant agency.

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members 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). Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:

(a)The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

(b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.

(c) The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.

(d) The reports must be prepared at least monthly and must coincide with one or more pay periods.

Unsupported Costs

One of the three AmeriCorps subgrantees we tested charged and claimed unsupported costs to the Corporation programs. In addition, one of the 15 Federal-share costs transactions and one of the 10 sub-grantee match costs transactions reviewed at SACA were not supported. As a result, we questioned Federal-share costs of \$120 during Program Year 2006-2007. We did not question \$111 of match costs because, when we deducted the amount from the total match costs claimed by the grantee, NCLR still met its matching requirements.

SACA indicated that supporting documentation had been filed in a different location and that the cost and effort of retrieving the support exceeded the benefit.

Criteria

Corporation regulations at 45 C.F.R. § 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.

2006 AmeriCorps General Provisions, Section V.E. *Retention of Records*, states:

The grantee must retain and make available all financial records, supporting documentation, statistical records, evaluation and program performance data, member information and personnel records, for 3 years from the date of the submission of the final Financial Status Report (SF 269A). If an audit is started prior to the expiration of the 3-year period, the records must be retained until the audit findings involving the records have been resolved and final action taken.

Costs Charged to the Incorrect Grant Program Year

A portion of the living allowance cost that Luz Social Services claimed for Program Year 2005-2006 should have been claimed for Program Year 2004-2005. We found that one AmeriCorps member who served in Program Year 2004-2005, had her contract extended past the regular ending date for the program year because she had a compelling reason for temporarily leaving the program. Change of status forms were filed to reflect the departure of the member and her reinstatement when she returned to complete her service hours. As a consequence of the service extension, the member received, and Luz Social Services claimed, five living allowance payments totaling \$2,428 during Program Year 2005-2006. These payments should have been claimed within Program Year 2004-2005. This caused the living allowance cost reporting for program years 2004-2005 and 2005-2006 to be understated and overstated, respectively, by \$2,428. We did not question the erroneous payment as both program years were part of the same grant.

The subgrantee indicated that the member requested a medical leave of absence during Program Year 2004-2005. When the member returned during Program Year 2005-2006 she was re-instated so that she could fulfill the requirements and obligations of the AmeriCorps program. Luz Social Services was not aware that a no-cost extension could have been requested from NCLR prior to the granting of the leave of absence; did not know the procedure on how to claim costs that extended beyond the program year for the member's living allowance, resulting in an incorrect posting of costs in the program period.

Criteria

Corporation regulations at 45 C.F.R. § 2543.28 *Period of availability of funds*, states:

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.

The 2005 (revised in 2006) AmeriCorps General Provisions, Section V.B. *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. §2543) or A-110 and its implementing regulations (45 C.F.R. §2541), as applicable.

Recommendations

We recommend that the Corporation:

- 1a. Resolve the questioned costs, \$120, and recover disallowed costs;
- 1b. Ensure that NCLR develops an effective allocation methodology to charge payroll expenses to the appropriate program; and
- 1c. Ensure that NCLR emphasizes, during its subgrantee training, the need to maintain adequate support for Federal and match costs claimed and to develop control procedures so that only allowable and documented Federal and match costs are claimed and are within the proper grant and program period.

NCLR's Response

NCLR stated that it is in agreement with the unsupported costs in the finding and also stated it has included language in its subgrantee agreements and policy manual requiring operating sites to keep a systemic and detailed record of all expenditures that relate to this grant.

NCLR also acknowledges that it did not use an effective allocation methodology to charge payroll expenses to the appropriate program. NCLR stated it will correct the allocation and is in the process of finalizing that procedure.

Finally, NCLR stated it has provided AmeriCorps-specific fiscal and program management training to its grantees and will work with the Corporation to identify any additional best practices applicable to this issue.

Corporation's Response

The Corporation is in agreement with the questioned costs and stated it will recover the amount through debt collection. Additionally, the Corporation stated that it will review the new allocation methodology when finalized, as well as the content of NCLR's subgrantee training concerning allowable and proper documentation of match costs and adherence to proper grant and program periods.

Auditor's Comment

The Corporation should consider the actions proposed by NCLR and follow up to ensure those actions are implemented and effective. Also, as a clarification, the correct questioned cost is \$120, not \$111 as identified in the draft report.

Finding 2. Lack of adequate procedures and controls to ensure criminal background checks are performed.

Criminal Background Checks

Four of the eight member files reviewed at SACA did not have evidence that criminal background checks had been performed on those members. These members had access to children and/or other vulnerable individuals on a recurring basis. Without obtaining required background check documentation, the subgrantee cannot ensure that potential members are eligible to participate in the program in accordance with the AmeriCorps provisions and may also place service recipients in jeopardy. The individual who served as SACA's AmeriCorps program director when this problem occurred is no longer employed by SACA; therefore, we could not determine the cause of the lack of background checks.

Criteria

The 2005(revised in 2006) 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.

Recommendations

We recommend that the Corporation ensure that NCLR:

- 2a. Emphasizes, during its subgrantee training, the requirement for criminal background checks; and
- 2b. Develop internal procedures to formally document this requirement.

NCLR's Response

NCLR concurs that one of its subgrantees was not able to produce the results of criminal background check requested by the auditors. NCLR stated that it will create a checklist for use by all of its programs to provide guidance on background check compliance.

Corporation's Response

The Corporation stated that it will confirm that NCLR is monitoring its grantees for compliance with background checks. Furthermore, the Corporation stated it will ensure that NCLR has written policies and procedures for background checks that are adequately designed and implemented.

Auditor's Comment

The Corporation should consider the actions proposed by NCLR and follow up to ensure the actions are implemented and effective.

Finding 3. Lack of adequate procedures and controls to ensure living allowances are paid in equal increments.

Living Allowance

For Program Year 2006-2007, we found that two of the four member files reviewed at SACA received lump sum living allowance payments at the end of their service. These members concluded terms of service before the originally agreed-upon date and were provided "lump sum" living allowance payments representing the balance of the living allowance budgeted. As a result, we questioned the Federal share of the living allowances, and related fringe benefits, of \$1,808. We did not question the grantee share of the living allowance representing \$316, because when we deducted the amount from the total grantee claimed costs, NCLR still met its matching requirement.

SACA stated it was not aware that it could not pay the remaining living allowance balances to members if they completed their term of service earlier than expected.

Criteria

2006 AmeriCorps Special Provisions, Section IV.I. *Living Allowances, Other In-Service Benefits and Taxes*, states in part:

- 1. Living Allowance Distribution.** A living allowance is not a wage. Programs must not pay a living allowance on an hourly basis. Programs should pay the living allowance in regular increments, such as weekly or bi-weekly, paying an increased increment only on the basis of increased living expenses such as food, housing, or transportation. Payments should not fluctuate based on the number of hours served in a particular time period, and must cease when a member concludes a term of service.

If a member serves 1700 hours but is permitted to conclude a term of service before the originally agreed-upon date, the program may not provide a "lump sum" payment to the member. Similarly, if a member enrolls after the program's start date, the program must provide regular living allowance payments from the member's start date and may not increase the member's living allowance incremental payment or provide a lump sum to "make up" any missed payments.

Recommendations

We recommend that the Corporation:

- 3a. Resolve the questioned costs of \$1,808, and recover disallowed costs; and
- 3b. Ensure that NCLR emphasizes, during its annual subgrantee training, the need to follow living allowance requirements and to develop procedures to fulfill these requirements.

NCLR's Response

NCLR believes that this is an isolated event and not a systematic issue. However, it stated it will develop a test that will improve its ability to monitor living allowance distribution during their site visits. NCLR will also work with the Corporation to identifying best practices that relate to this finding.

Corporation's Response

The Corporation agreed that the questioned costs should be disallowed and will recover them in debt collection. Additionally, the Corporation stated it will review the content of subgrantee training to ensure NCLR covers compliance with living allowance requirements and monitors grantees to ensure compliance.

Auditor's Comment

The Corporation should consider the actions proposed by NCLR and follow up to ensure they are implemented and effective.

Finding 4. Late submission of Financial Status Reports, progress reports, member enrollment and member exit forms.

Late Submission

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

Location	Description of Non-Compliance
NCLR Headquarters	<ul style="list-style-type: none"> • 1 of 5 FSRs submitted late
Centro de Salud Familiar La Fe, Inc.	<ul style="list-style-type: none"> • 1 of 21 tested enrollment forms submitted late • 5 of 21 tested exit forms submitted late
Luz Social Services, Inc.	<ul style="list-style-type: none"> • 1 of 21 tested enrollment forms submitted late • 1 of 21 tested exit forms submitted late
Spanish American Civic Association	<ul style="list-style-type: none"> • 2 of 8 tested exit forms submitted late

If NCLR 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. NCLR’s AmeriCorps director stated that the FSR was delayed due to the untimely completion of the data integration related to NCLR’s conversion to new accounting software. In addition, NCLR was waiting for some reports from its subgrantees to be included within the final report.

Centro de Salud Familiar La Fe stated that the delay in the submission of the enrollment form for one member was due to an oversight. The delay in submitting exit forms for five members was due to the following reasons: (1) two members had temporarily left the program for health issues and the subgrantee was uncertain if they would return to resume service, (2) one member left the program shortly after starting service and returned a couple months later to sign exit forms, and (3) two members discontinued service without notifying the program and did not return to sign exit forms.

Luz Social Services stated the untimely submission of the enrollment form was caused by a delay in receiving approval from the Corporation for a slot conversion change. The Program Director had requested the combination of two quarter-time slots into one half-time slot and experienced what was termed an unusually long delay obtaining approval from the Corporation. The untimely submission of the exit form was because the member did not finish their term of service and could not be reached to complete the end-of-service documents.

SACA stated that the exit forms were late due to a clerical error.

These delays resulted in the Corporation not having current information on subgrantees, members and programs.

Criteria

The 2005(revised in 2006) AmeriCorps Special Provisions, Section IV.N.2. *Reporting Requirements, AmeriCorps Member-Related Forms*, states in part:

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 ...
- 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 2005(revised in 2006) AmeriCorps Special Provisions, Section IV.N.1. *Reporting Requirements, Financial Status and Progress Reports*, states in part:

- a. **Financial Status Reports.** Grantee shall submit semi-annual cumulative financial status reports, summarizing expenditures during the reporting period using eGrants. Financial Status Report deadlines are as follows:

Due Date

April 30
October 31

Reporting Period Covered

Start of grant through March 31
April 1 - September 30

* * * *

Recommendations

We recommend that the Corporation ensure that NCLR:

- 4a. Develops effective control procedures so that its staff meets submission deadlines for FSRs; and
- 4b. During its annual subgrantee training, provide guidance to subgrantees on proper completion of entrance and exit forms so they are completed and submitted in a timely manner.

NCLR's Response

NCLR acknowledged that the FSR was submitted late, citing the fact that it recently upgraded its accounting system/software and that this was the first FSR due after the change. Also, NCLR acknowledged that it needs to work with sites to improve the submission rates of required forms. NCLR will continue to place emphasis, during training

and other monitoring activities, on timely submissions and provide subgrantees with detailed reports of their submission performance.

Corporation's Response

The Corporation stated that all subsequent FSRs submitted by NCLR have been on time. It also stated that it will ensure that NCLR adequately trains subgrantees on timely completion of exit and entrance forms.

Auditor's Comment

The Corporation should consider the actions proposed by NCLR and follow up to ensure the actions are implemented and effective.

Finding 5. Missing member evaluations, member orientation not performed and incomplete member contracts.

Member Evaluations

Two of three tested AmeriCorps subgrantees did not perform end-of-term and mid-term evaluations for some of its members. We found that three of 21 member files reviewed at Centro de Salud Familiar La Fe did not have a mid-term or an end-of-term evaluation performed during Program Year 2005-2006. Also, four of the eight members reviewed at SACA did not have a mid-term or an end-of-term evaluation performed. As a result, these members were also ineligible to serve a second AmeriCorps term of service. Centro de Salud Familiar Le Fe stated that the end-of-term evaluations were not performed because one member discontinued her service without notifying the program and the other two members had health issues that would not allow them to return to complete a final evaluation. The mid-term evaluations for all three members were not completed due to an oversight.

SACA stated that the AmeriCorps Program Director is supposed to perform mid-year evaluations on all full-time members, as well as end-of term evaluations of all members, regardless of their status and hours performed. The person who served as program director during the audited period is no longer employed by SACA; therefore, we could not determine the cause of this issue.

All four member files reviewed for Program Year 2006-2007 lacked documentation of a mid-term or an end-of-term evaluation. When an evaluation is not performed, there is no way to determine if the member satisfactorily completed the term of service and is therefore eligible to serve a second term.

We found that one of the SACA members served during subsequent Program Year 2007-2008. We questioned the Federal share of the member's living allowance and related fringe benefits, totaling \$5,766¹. We did not question the grantee share of \$1,059 as the related

¹ Question Federal share only relates to the living allowances and related fringe benefits within our audit scope ending March 31, 2008.

grant is still open and the grantee has until the end of the grant period to fulfill its match obligation.

Criteria

The 2005(revised in 2006) 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.

45 CFR § 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 . . .

Member Contract Did Not Contain Required Elements

The contract for one of the eight members reviewed at SACA did not clearly specify the minimum number of service hours to be performed. SACA stated that the service agreement in use at the time did not provide for the ability to specifically annotate the minimum hours to be service by the member. Therefore, the contract did not adhere to the AmeriCorps Special Provisions.

Criteria

2005 AmeriCorps Special Provisions, Section IV.E. *Training, Supervision, & Support*, states in part:

2. **Member Contracts.** The grantee must require that members sign contracts that at a minimum, stipulate the following:
 - a. The minimum number of service hours and other requirements (as developed by the Program) necessary to successfully complete the term of service and to be eligible for the education award;
 - b. Acceptable Conduct;
 - c. Prohibited activities, including those specified in the regulations;

- d. Requirements under the Drug-Free Workplace Act (41 U.S.C. 701 et seq.);
- e. Suspension and termination rules;
- f. The specific circumstances under which a member may be released for cause;
- g. The position description;
- h. Grievance procedures; and
- i. Other requirements as established by the Program.

Member Orientation Not Performed

Two of the eight members reviewed at SACA did not attend orientation prior to the start of service. SACA indicated that it was not aware of the cause and that the person serving as AmeriCorps director during that time is no longer employed. Without completing an orientation, the members may not have the knowledge needed to carry out their duties within the requirements of the AmeriCorps Special Provisions.

Criteria

2005 AmeriCorps Special Provisions, Section IV.D. *Training, Supervision and Support*, states in part:

- 3.** Consistent with the approved budget, the grantee must provide members with the training, skills, knowledge and supervision necessary to perform the tasks required in their assigned project positions, including specific training in a particular field and background information on the community served.

The grantee must conduct an orientation for members and comply with any pre-service orientation or training required by the Corporation. This orientation should be designed to enhance member security and sensitivity to the community. Orientation should cover member rights and responsibilities, including the Program's code of conduct, prohibited activities (including those specified in the regulations), requirements under the Drug-Free Workplace Act (41 U.S.C. 701 *et seq.*), suspension and termination from service, grievance procedures, sexual harassment, other non-discrimination issues, and other topics as necessary.

Recommendations

We recommend that the Corporation:

- 5a. Resolve the questioned costs, \$5,766, and recover disallowed costs; and
- 5b. Ensure that NCLR provides guidance, during its annual subgrantee training, to ensure required member orientations and evaluations are completed, and member contracts include all of the required elements.

NCLR's Response

NCLR does not concur with the \$5,766 in questioned costs. While agreeing that a final evaluation is important, NCLR states that the exit form and all other supporting documentation retained in the member's file also serve as a notification that the member successfully completed the first term of service. NCLR stated it will take corrective action to ensure that programs conduct all evaluations and maintain them in member files.

Additionally, NCLR stated it has implemented corrective actions to ensure that subgrantees are providing members with orientation. Subgrantees are required to submit agendas of their orientation to NCLR before the beginning of the program year. Also, NCLR stated it will develop an additional member contract monitoring checklist. Lastly, NCLR will make it a practice to automatically review first-year files of any members serving a second term to ensure that all relevant documents are present.

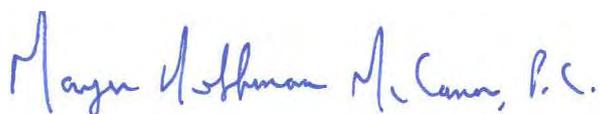
Corporation's Response

The Corporation stated it will allow the \$5,766 in questioned costs. While agreeing that a final evaluation is an important compliance requirement, it stated that the exit form submitted to the Corporation also served as an adequate notification that the member successfully completed the first term. The Corporation further stated that it will verify implementation of NCLR's proposed new procedures.

Auditor's Comment

The Corporation should consider the actions proposed by NCLR and follow up to ensure they are implemented and effective. Regarding the exit evaluation, we maintain our position as the AmeriCorps provisions which apply in this instance clearly state that a "Performance Review" must be performed to validate the satisfactory performance of the exiting member.

This report is intended for the information and use of the Office of Inspector General, Corporation, management, NCLR, 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 D. Hoffman, P.C." The signature is written in a cursive style.

Bethesda, Maryland
March 30, 2009

Consolidated Schedule of Recommendations and Questioned Costs

Recommendation	Questioned Costs		Funds Put to Better Use ³
	Unallowable ¹	Unsupported ²	
1a.		\$120	
3a.	\$1,808		
5a.	\$5,766		

Consolidated List of Recommendations

-
1. Questioned Cost means a cost that is unallowable because of:
 - a. an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
 - b. a finding that, at the time of the audit, such cost is not supported by adequate documentation; or
 - c. a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

 2. Unsupported Cost means a cost that is questioned because at the time of the audit, such cost is not supported by adequate documentation. Unsupported costs are included in the total of unallowable costs.

 3. Recommendation that funds put to better use means a recommendation that funds could be used more efficiently if management takes actions to implement and complete the recommendation, including:
 - a. reductions in outlays;
 - b. deobligation of funds from programs or operations;
 - c. withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
 - d. costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee;
 - e. avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or
 - f. any other savings which are specifically identified.

APPENDIX A

National Council of La Raza's Response to Draft Report



Janet Murguía, President

National Office
Raul Yzaguirre Building
1126 16th Street, N.W.
Washington, DC 20036
Phone: 202.785.1670
Fax: 202.776.1792
www.nclr.org

March 25, 2009

Stuart Axenfeld
Assistant Inspector General for Audit
Corporation for National and Community Service
1201 New York Avenue, NW, Suite 830
Washington, DC 20525

Dear Mr. Axenfeld:

Enclosed please find comments from the National Council of La Raza (NCLR) to the Office of Inspector General on the agreed-upon procedures for grants awarded to NCLR by the Corporation for National and Community Service. It has been a pleasure working with you and your team during this process.

If you would like to request additional information, please feel free to contact Claudia Rosario, Controller, at (202) 776-1742 or crosario@nclr.org.

Sincerely,

Janet Murguía
President and CEO

Enclosure

cc: Wilfredo Corps, Audit Manager, Mayer Hoffman McCann P.C.

NCLR Response

Finding 1. Lack of controls or controls not implemented during payroll allocation and over reporting and recording of federal-share and match costs.

- 1a. Resolve the questioned costs, \$111, and recover disallowed costs.
- 1b. Ensure that NCLR develops an effective allocation methodology to charge payroll expenses to the appropriate program.
- 1c. Ensure that NCLR emphasizes, during its subgrantee training, the need to maintain adequate support for federal and match costs claimed and to develop control procedures so that only allowable and documented federal and match costs are claimed and are within the proper grant and program period.

NCLR's Response

1a and 1c: NCLR is in agreement that documentation was not available for the auditors to review and determine if the \$111 was allowable or not. NCLR has included language in its subgrant agreements and program policy manual stating that the operating sites shall keep a systematic and detailed record of all expenditures that relate to this grant. This means being able to show that expenditures are allowable based on the cost principles detailed in the appropriate Office of Management and Budget's (OMB) circulars for nonprofits. Additionally, NCLR provides, and has provided, AmeriCorps-specific fiscal and program management training to our grantees. The training is conducted by Corporation-approved trainers. We look forward to working with the Corporation on identifying any additional best practices applicable to these findings.

1b: NCLR is in agreement that it did not use an effective allocation methodology to charge payroll expenses to the appropriate program. NCLR will work on correcting the allocation and is in the process of finalizing that procedure.

Finding 2. Lack of adequate procedures and controls to ensure criminal background checks are performed.

- 2a. Emphasize, during NCLR's subgrantee training, the requirement for criminal background checks.
- 2b. Develop internal procedures to formally document this requirement.

NCLR's Response

2a and 2b: NCLR concurs that one of its subgrantees was not able to produce the results of a background check request. Spanish American Civic Association (SACA)'s long-time program director is no longer employed at the agency and was unavailable to comment on the status of the background checks of the four out of eight member files that were tested. During site visits conducted by NCLR, SACA produced background checks that were filed with the appropriate government agency. It should be noted that at no time were members left unsupervised and in charge of serving with vulnerable populations. SACA has also developed a centralized system through its human resources department to handle the background check request. NCLR continues to provide thorough monitoring activities to ensure that grantees are in compliance

with background checks. During site visits, NCLR reviews member files to ensure that files are in compliance. Additionally, NCLR reviews critical provisions during monthly calls with the program director and updates grantees accordingly. NCLR will create a checklist to use with all of its programs to provide guidance on background check compliance. NCLR welcomes the opportunity to work with the Corporation in identifying additional best practices aimed at tightening our monitoring activities.

Finding 3. Lack of adequate procedures and controls to ensure living allowances are paid in equal increments.

- 3a. Resolve the questioned costs, \$1,808, and recover disallowed costs.
- 3b. Ensure that NCLR emphasizes, during its annual subgrantee training, the need to follow living allowance requirements and to develop procedures to fulfill these requirements.

NCLR's Response

NCLR believes that this is an isolated event and not a systematic issue. However, we will also develop a test that will better allow us to monitor living allowance distribution during site visits and the program year. NCLR, through its annual training, has provided an overview on how to distribute the living allowance. Corporation-approved trainers have also worked with our grantees on developing an appropriate system to ensure compliance with AmeriCorps provisions. NCLR will use this audit report to highlight the importance of this provision. We welcome the opportunity to work with the Corporation on identifying best practices that relate to this finding.

Finding 4. Late submission of financial status reports (FSRs), progress reports, member enrollment, and member exit forms.

- 4a. Develops effective control procedures so that its staff meets submission deadlines for FSR.
- 4b. During NCLR's annual subgrantee training, provide guidance to subgrantees on proper completion of entrance and exit forms so they are completed and submitted in a timely manner.

NCLR's Response

NCLR concurs with the late submission of one of its FSRs due on April 30, 2006. NCLR had recently upgraded its accounting system/software and this was the first report that was due after the change. Integration of the data between the two systems needed to be completed to generate the FSR and this took longer than normal. Since that time NCLR has submitted their FSR's on time. NCLR acknowledges that it needs to work with sites to improve their submission rates of required forms. During trainings and other monitoring activities NCLR will continue to place emphasis on timely submissions and provide grantees with detailed reports of their submission performance. Lastly, NCLR will use this audit report to emphasize the importance of compliance with on time submissions.

Finding 5. Missing member evaluations, member orientation not performed, and incomplete member contracts.

- 5a. Resolve the questioned costs, \$5,766, and recover disallowed costs.
- 5b. Ensure that NCLR provides guidance, during its annual subgrantee training, to ensure required member orientations and evaluations are completed, and member contracts include all of the required elements.

NCLR's Response

NCLR does not concur with the \$5,766 in questioned costs. NCLR agrees that a final evaluation is important in evaluating successful completion of a member's term; however, the exit form and all other supporting documentation found in the member's file also serve as a notification that a member has successfully completed its first term. NCLR will take corrective action to ensure that programs conduct all evaluations and maintain them in the appropriate member files.

Additionally, NCLR has implemented corrective action plans to ensure that grantees are providing orientations. Grantees are required to submit agendas of their orientation to NCLR before the beginning of the program year. Also, NCLR will work on developing an additional member contract monitoring checklist. The list will detail the important parts and information that, at a minimum, should be found in the contract. Lastly, NCLR will make it a practice to automatically review first-year member files of any individuals serving a second term to ensure that all relevant information can be found in the files.

APPENDIX B

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

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

To: Stuart Axenfeld, Inspector General for Audit
From: Margaret Rosenberry, Director of Grants Management
Date: March 25, 2009
Subject: Response to OIG Draft of Agreed-Upon Procedures of Grants Awarded to the National Council of La Raza, Inc.

Thank you for the opportunity to review the Office of the Inspector General draft Agreed-Upon Procedures report of the Corporation's grants awarded to the National Council of La Raza, Inc. (NCLR). The Corporation reviewed the OIG report, met with the auditors and the grantee and reviewed the NCLR draft response to the audit. We are addressing all draft findings at this time.

The Corporation concurs with Findings 1 through 4 and will work with NCLR to implement the associated recommendations. The Corporation concurs with Finding 5, but declines to accept the monetary recommendation presented by the OIG. Our response to each finding and recommendation is described below.

Finding 1. Lack of controls or controls not implemented during payroll allocation and over-reporting and recording of Federal share and match costs.

The auditors recommend the Corporation ensure that NCLR:

- 1a. Resolve the questioned costs, \$111, and recover disallowed costs;
- 1b. Ensure that NCLR develops an effective allocation methodology to charge payroll expenses to the appropriate program; and
- 1c. Ensure that NCLR emphasizes, during its subgrantee training, the need to maintain adequate support for Federal and match costs claimed and to develop control procedures so that only allowable and documented Federal and match costs are claimed and are within the proper grant and program period.

Corporation Response: The Corporation and NCLR agree that the \$111 cost was not supported and is disallowed. The Corporation will recover the amount through debt collection. In regards to 1b, NCLR is finalizing a new allocation process for payroll expenses which the Corporation will review when it is completed. The Corporation will also review the content of NCLR subgrantee training concerning allowable and proper documentation of match costs and adherence to proper grant and program periods.

Finding 2. Lack of adequate procedures and controls to ensure criminal background checks are performed.

The auditors recommend the Corporation ensure that NCLR:

- 2a. Emphasizes, during its subgrantee training, the requirement for criminal background checks; and
- 2b. Develop internal procedures to formally document this requirement.

Corporation Response: The Corporation will confirm that NCLR monitors grantees for compliance with background checks and that it updates and reviews critical provisions during monthly program directors' calls. Furthermore, the Corporation will ensure that NCLR's subgrantee training on this issue adequately addresses the audit recommendation. In regards to 2b, the Corporation will ensure NCLR has written policies and procedures for background checks that are adequately designed and implemented to strengthen compliance with requirements for criminal background checks.

Finding 3. Lack of adequate procedures and controls to ensure living allowances are paid in equal increments.

The auditors recommend the Corporation ensure that NCLR:

- 3a. Resolve the questioned costs, \$1,808, and recover disallowed costs; and
- 3b. Ensure that NCLR emphasizes, during its annual subgrantee training, the need to follow living allowance requirements and to develop procedures to fulfill these requirements.

Corporation Response: The Corporation and NCLR agree the \$1,808 in living allowance costs are disallowed and will recover them in debt collection. In its response to the draft audit, NCLR stated it includes language related to the living allowance distribution in its policy and procedures manual. The Corporation will review the language and the content of subgrantee training to ensure NCLR covers compliance with living allowance requirements and monitors grantees to ensure compliance.

Finding 4. Late submission of Financial Status Reports, progress reports, member enrollment and member exit forms.

The auditors recommend the Corporation ensure that NCLR:

- 4a. Develops effective control procedures so that its staff meets submission deadlines for FSRs; and
- 4b. During its annual subgrantee training, provide guidance to subgrantees on proper completion of entrance and exit forms so they are completed and submitted in a timely manner.

Corporation Response: In its response to the draft, NCLR noted that the one FSR that was late was due when NCLR was upgrading its accounting system software. The Corporation verified that since that time the FSRs have been on time. The Corporation will ensure NCLR adequately trains subgrantees on timely completion of exit and entrance forms.

Finding 5. Missing member evaluations, member orientation not performed and incomplete member contracts.

The auditors recommend the Corporation ensure that NCLR:

- 5a. Resolves the questioned costs, \$5,766, and recover disallowed costs; and
- 5b. Ensures that NCLR provides guidance, during its annual subgrantee training, to ensure required member orientations and evaluations are completed, and member contracts include all of the required elements.

Corporation Response: The Corporation will allow the \$5,766 in questioned costs. The auditors questioned living allowance and related benefits paid to one member serving a second term because there was no written evidence that an end-of-term evaluation was conducted. The Corporation's regulations state that members aren't eligible for a second term unless they successfully complete the first term. The Corporation agrees that a final evaluation is an important program compliance requirement, but the exit form submitted to the Corporation also serves as a notification that a member successfully completed the first term. Therefore, we will allow the second term costs. However, NCLR must ensure evaluations are completed. NCLR stated it will revise monitoring procedures to review first-year member files for all individuals serving a second term. NCLR will also require subgrantees to submit agendas of their orientation to NCLR before the beginning of the program year. The Corporation will verify implementation of the procedures.

Cc: William Anderson, Acting Chief Financial Officer for Finance
Frank Trinity, General Counsel
Kristin McSwain, Director of AmeriCorps
Sherry Blue, Audit Resolution Coordinator