

# Office of Inspector General Corporation for National and Community Service

**AGREED-UPON PROCEDURES OF CORPORATION  
FOR NATIONAL AND COMMUNITY SERVICE GRANTS  
AWARDED TO THE CIVIC VENTURES**

**OIG REPORT 09-13**



Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

Prepared by:

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This report was issued to Corporation management on May 08, 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 November 06, 2009 and complete its corrective actions by May 07, 2010. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



## OFFICE OF INSPECTOR GENERAL

May 8, 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 09-13, *Agreed-Upon Procedures of Corporation for National and Community Service Grants Awarded to Civic Ventures*

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 *Civic Ventures (Civic)*. 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 2, 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 Civic'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 November 6, 2009. Notice of final action is due by May 7, 2010.

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

### Attachment

cc: Ann Bowers, Audit Committee Chairman  
Marc Freedman, Chief Executive Officer  
Doug Braley, Vice President of Finance  
Michelle Hynes, Experience Corps, Vice President  
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  
Joe Chen, Mayer Hoffman McCann P.C., Audit Manager



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**AGREED-UPON PROCEDURES OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE  
GRANTS AWARDED TO CIVIC VENTURES**

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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 Civic Ventures.

### Results

As a result of applying our procedures, we questioned claimed Federal-share costs of \$29,194 and education awards of \$3,750. 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 detailed cost results of our agreed-upon procedures are presented in the Consolidated Schedule of Award and Claimed Costs.

Civic Ventures claimed total Federal costs of \$5,377,881 from October 1, 2006, through September 30, 2008, under the Grant Nos. 05NDHCA001 and 02ADNCA002. As a result of testing a judgmentally selected sample of transactions, we questioned costs claimed, as shown in the following table.

Description of Questioned Costs	Federal Share	Education Award
Grant No. 05NDHCA001		
Inadequate controls to monitor living allowances paid to AmeriCorps members	\$ 19,649	\$ 2,500
Improper allocation of program costs	3,892	-
Administrative cost exceeded 5% limitation	2,099	-
Missing member's service agreement	<u>3,554</u>	<u>1,250</u>
Total	<u>\$ 29,194</u>	<u>\$ 3,750</u>

The amounts shown above were the exceptions found during our testing. Our testing also revealed \$3,642 of questioned match costs. However, we did not question any match costs because Civic Ventures fulfilled its match obligation.

We have only tested the cumulative matching requirement for the entire grant period and adequacy of match for Grant No. 02ADNCA002. The procedures we performed did not result in questioned match costs.

AmeriCorps members who successfully complete terms of service are eligible for education awards funded by the National Service Trust. These award amounts are not funded by Corporation grants and thus are not costs claimed by Civic Ventures. As part of our agreed-upon procedures, however, we determined the effect of audit findings on eligibility for education awards. Using the same criteria described above, we questioned education awards of \$3,750 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 in the Compliance and Internal Control section. Issues identified included:

- Living allowances were not paid in accordance with AmeriCorps provisions;
- Missing or inadequate eligibility and enrollment documentation for members;
- Non-Compliance with AmeriCorps provisions, including late submission of members' forms and FSRs; administrative costs claimed exceeded 5 percent; members' service term exceeded 12 months; members incurred service hours before signing a contract agreement; and
- Improper cost allocation methodology and missing supervisor signature on staff timesheets.

### **Agreed-Upon-Procedures Scope**

We performed our agreed-upon procedures during the period October 20, 2008, through January 16, 2009. The agreed-upon procedures covered the allowability, allocability, and reasonableness of financial transactions claimed between October 1, 2006, and September 30, 2008, under Grant No. 05NDHCA001, with an award period of September 1, 2005, to January 30, 2009. We also performed tests to determine compliance with grant terms and provisions. In addition, for Grant No. 02ADNCA002, we performed limited tests to determine if the cumulative matching requirement for the entire grant period was met and the adequacy of match claimed between October 1, 2006, and December 31, 2006.

The procedures we performed are based on the OIG's agreed-upon-procedures program, dated July 2008 and are 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 Civic Ventures, and other entities to assist in the creation of full-time and part-time national and community service programs.

Civic Ventures was organized in 1997 as a California Nonprofit Public Benefit Corporation to engage in charitable and educational activities that are designed to redefine the second half of life as a source of social and individual renewal. AmeriCorps members serve in the Experience Corps program developed by Civic Ventures and its collaborating partners.

Federal costs claimed at the parent organization consisted of program personnel salaries and administrative costs. Payroll was handled by outside consulting firms. Administrative costs were allocated based on an indirect cost pool.

Civic Ventures' subgrantees are independent organizations operating nationwide. There were 14 subgrantees in Program Year 2006-2007 and 11 subgrantees in Program Year 2007-2008. On a semiannual basis, Civic Ventures completes the required Financial Statement Reports (FSRs) by using the cost data in the organization's accounting records and the Periodic Expense Reports (PERs) and FSRs submitted by its subgrantees. Civic Ventures' FSRs include the information for all subgrantees and the parent organization.

As illustrated in the following table, Civic Ventures received Federal grant funds of \$10,949,312 for various Corporation programs and claimed Federal costs of \$5,377,881 during the period we tested from October 1, 2006, through September 30, 2008.

	Funding Authorized	Claimed Within Testing Period
05NDHCA001 – National Direct	\$ 5,505,419	3,434,008
02ADNCA002 – National Direct	<u>5,443,893</u>	<u>1,943,873</u>
Total – Grants Administered	<u>\$ 10,949,312</u>	<u>5,377,881</u>

We compared the inception-to-date drawdown amounts with the amounts reported in the most recent FSR and determined that the drawdown amounts were reasonable.

### **Exit Conference**

The contents of this report were discussed with the Corporation and Civic Ventures at an exit conference held in San Francisco, CA, on February 12, 2009. In addition, we provided a draft of this report to Civic Ventures and to the Corporation for comment on March 18, 2009. In its response, Civic Ventures did not dispute any of the questioned costs and noted that nearly all of the recommended adjustments had already been made. However, Civic Ventures took issue with the recommendation that they should develop more effective policies and procedures to monitor its subgrantees or develop more effective controls with respect to subgrantee compliance. Civic Ventures believes their current policies and procedures with respect to subgrantee monitoring are adequate and it is more a matter of continued diligence in training, evaluating, and monitoring with respect to the existing controls to ensure full compliance. Civic Ventures and the Corporation's responses are included within Appendices A and B, respectively, and are summarized in each finding.



**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 October 1, 2006, and September 30, 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 Civic Ventures for the awards and periods listed below, with a combined award period of September 1, 2002 through January 30, 2009. Civic Ventures' management is responsible for the accounting records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards. The sufficiency of these procedures is solely the responsibility of the OIG. Consequently, we make no representation regarding the sufficiency of the procedures 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	05NDHCA001	09/01/05 – 01/30/09	10/01/06 – 09/30/08
AmeriCorps National Direct	02ADNCA002	09/01/02 – 12/31/06	10/01/06 – 12/31/06

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 Civic Ventures and its subgrantee monitoring processes; reconciling Federal costs claimed and match costs to the accounting systems of Civic Ventures and of selected subgrantees; reviewing subgrantee member files to verify that the records supported member eligibility to serve and allowability of living allowances and education awards; and testing compliance of Civic Ventures and a sample of subgrantees with selected grant provisions and award terms and conditions.

We also tested claimed grant costs and match costs of Civic Ventures and a sample of subgrantees to ensure: (i) Proper recording of the AmeriCorps grants; (ii) Costs were properly matched; and (iii) Costs were allowable and supported in accordance with applicable regulations, OMB circulars, grant provisions, and award terms and conditions. The procedures that we performed for Grant No. 02ADNCA002 were limited to determining if the cumulative matching requirement for the entire grant period was met and the adequacy of match claimed between October 1, 2006, and December 31, 2006.

## **Results – Costs Claimed**

The results of costs testing are summarized in the Consolidated Schedule of Award and Claimed Costs and the schedules that follow. The schedules also identify instances of questioned education awards. These awards are funded by the National Service Trust, not 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 service hour data and eligibility exceptions on these awards.

**CONSOLIDATED SCHEDULE OF AWARD AND CLAIMED COSTS  
(Grant No. 05NDHCA001)**

**Civic Ventures**

**October 1, 2006 through September 30, 2008**

	<u>Claimed Costs</u>	<u>Questioned Federal Costs</u>	<u>Questioned Education Awards</u>	<u>Reference</u>
Civic Ventures – Parent Organization	\$ 243,332	-	-	
Greater Homewood Community Corporation – Baltimore, MD	563,012	-	-	
Working in the Schools – Chicago, IL	71,899	-	-	
RSVP of Greater Cleveland – Cleveland, OH	231,098	-	-	
Make a Difference – Mesa, AZ	39,798	-	-	
Volunteers of America – Minneapolis, MN	231,888	-	-	
Community Service Society of New York, NY *	464,142	\$ 17,837	\$ 3,750	Schedule A-1
Temple University – Philadelphia, PA *	763,880	11,357	-	Schedule A-2
Metropolitan Family Services – Portland, OR	140,435	-	-	
Sunset Neighborhood Beach Center – San Francisco, CA	95,942	-	-	
City of Tempe – Tempe, AZ	32,780	-	-	
Volunteer Center of Southern Arizona – Tucson, AZ	148,946	-	-	
Volunteer Center of Washington County – St. George, UT	58,957	-	-	
CentroNia – Washington DC *	288,768	-	-	Schedule A-3
Big Brothers / Big Sisters of Central Indiana	59,131	-	-	
Total	<u>\$ 3,434,008</u>	<u>\$ 29,194</u>	<u>\$ 3,750</u>	

\* - Subgrantee selected for application of agreed-upon procedures

## **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 Civic Ventures. The information presented in the schedules has been prepared from reports submitted by Civic Ventures to the Corporation and accounting records of Civic Ventures' 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 match share of costs for the period within our review scope.

### **Inventory**

Minor materials and supplies were charged to expense during the period of purchase.

Schedule of Award and Claimed Costs  
Community Service Society of New York

October 1, 2006 through September 30, 2008

	<u>Questioned</u>	<u>Notes</u>
Sub-award Federal Cost 05NDHCA0010010	<u>\$ 573,024</u>	1
Claimed Federal Costs 05NDHCA0010010	<u>\$ 464,142</u>	2
Questioned Federal Costs:		
Living allowances paid to non-member	\$ 774	3
Individuals not enrolled in WBRS	6,192	4
Members enrolled in wrong program year	7,317	5
Missing members contract	<u>3,554</u>	6
Total Questioned Federal Costs:	<u>\$ 17,837</u>	
Questioned Education Award:		
Members enrolled in wrong program year	\$ 2,500	5
Missing member's service agreement	<u>1,250</u>	6
Total Questioned Education Awards:	<u>\$ 3,750</u>	

Notes

1. The amount, shown above as sub-award Federal cost, represents the total funding to Community Service Society of New York according to the subgrantee agreement.
2. Claimed costs are Federal expenditures reported by Community Service Society of New York for the period October 1, 2006, through September 30, 2008.
3. Living allowances were mistakenly paid to an individual who was not an AmeriCorps participant, resulting in questioned living allowance and related FICA costs totaling \$774 (see Finding No. 1).
4. Four individuals received living allowance payments but were never enrolled as members. Questioned living allowances and related FICA total \$6,192 (see Finding No. 1).

**Schedule of Award and Claimed Costs**  
**Community Service Society of New York**

**October 1, 2006 through September 30, 2008**

5. Three members performed services in Program Year (PY) 2005-2006 but were erroneously enrolled in WBRS as members for PY 2006-2007. Questioned living allowances and related FICA, and education awards total \$7,317 and \$2,500, respectively (see Finding No. 1).
6. Member contract was missing for one member. Questioned living allowances and related FICA, and education awards total \$3,554 and \$1,250, respectively (see Finding No. 2).

Schedule of Award and Claimed Costs  
Temple University

October 1, 2006 through September 30, 2008

		<u>Questioned</u>	<u>Notes</u>
Sub-award Federal Cost 05NDHCA0010005	<u>\$ 955,039</u>		1
Claimed Federal Costs 05NDHCA0010005	<u>\$ 763,880</u>		2
Questioned Federal Costs:			
Living allowances paid to non-member		\$ 214	3
Extra living allowance installments		856	4
Living allowances in wrong program year funds		2,584	5
Living allowances double claimed		1,712	6
Administrative costs exceeded 5%		2,099	7
Improper allocation of program costs		<u>3,892</u>	8
Total Questioned Federal Costs:		<u>\$ 11,357</u>	

Notes

1. The amount, shown above as sub-award Federal cost, represents the total funding to Temple University according to the subgrantee agreement.
2. Claimed costs are Federal expenditures reported by Temple University for the period October 1, 2006, through September 30, 2008.
3. One individual received a living allowance payment but did not serve in the program and was not enrolled in AmeriCorps. Our review determined that the person completed part of the enrollment process but failed the pre-assessment exam and was therefore not enrolled. Questioned living allowances and related FICA total \$214 (see Finding No.1).
4. Two members in PY 2007-2008 received living allowance payments after they were exited from the program. Questioned living allowances and related FICA total \$856 (see Finding No.1).
5. Three PY 2006-2007 members' living allowances of \$2,584 were paid with the PY 2007-2008 grant funds. The living allowances should be removed from PY 2007-2008 and claimed to PY 2006-2007 (see Finding No. 1).

**Schedule of Award and Claimed Costs  
Temple University**

**October 1, 2006 through September 30, 2008**

6. Four PY 2007-2008 members' living allowances were claimed twice in April 2008 due to system and clerical errors. Questioned living allowances and related FICA total \$1,712 (see Finding No. 1).
7. Total administrative costs claimed for PY 2006-2007 exceeded five percent, which resulted in questioned costs of \$2,099 (see Finding No.3).
8. The improper allocation of catering charges for a year-end graduation event resulted in \$3,892 of Federal costs being over-claimed (see Finding No. 4).

Schedule of Award and Claimed Costs  
CentroNia

October 1, 2006 through September 30, 2008

Sub-award Federal Cost 05NDHCA0010014	<u>\$ 310,388</u>	<u>Notes</u> 1
Claimed Federal Costs 05NDHCA0010014	<u>\$ 288,768</u>	2

Notes

1. The amount, shown above as sub-award Federal cost, represents the total funding to CentroNia according to the subgrantee agreement.
2. Claimed costs are Federal expenditures claimed by CentroNia for the period October 1, 2006, through September 30, 2008.

## Results - Compliance and Internal Control

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

### **Finding 1. Living allowances were not paid in accordance with AmeriCorps provisions.**

#### **Living allowances paid to non-members**

During our testing of member living allowances at Community Service Society of New York (CSS), we discovered \$774 of living allowances were erroneously paid to an individual who was not an AmeriCorps member. CSS officials indicated this was due to lack of oversight.

Our testing at CSS also revealed four individuals who were not enrolled in WBRS as AmeriCorps members but who received living allowances. CSS stated this was due to clerical errors. Questioned living allowances and related FICA total \$6,192.

During our testing at Temple University, we noted an individual received a living allowance payment but did not serve in the program and was not enrolled in AmeriCorps. Temple University stated the person completed a portion of the enrollment process but failed the pre-assessment exam. Questioned living allowances and related FICA total \$214.

#### Criteria

2006 AmeriCorps Special Provisions, Section IV.C.1. *Member Enrollment Procedures*, states:

- 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 WBRS.

2006 AmeriCorps Special Provisions, Section IV.L.1. *Record Keeping*, states:

The grantee must maintain records specified in the Financial Management Standards (Section B) of the General Provisions below that document each member's eligibility to serve pursuant to the member eligibility requirements in the definitions section of these provisions. The records must be sufficient to establish that the individual was eligible to participate in the program and that the member successfully completed the program requirements.

#### **Extra living allowance installments paid to members who exited the Program**

During our testing at Temple University, two members in PY 2007-2008 received living allowance payments after they exited the program. Temple officials stated that its staff exited the members in WBRS, but forgot to inform the payroll department, resulting in additional payments being paid. Questioned living allowances and related FICA total \$856.

## Criteria

2007 AmeriCorps Special Provisions, Section IV.I.1., *Living Allowance Distribution* states:

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.

### **Member's living allowances were paid with incorrect program year funds and members enrolled in wrong program year**

During our testing at Temple University, we discovered that living allowances totaling \$2,584 for three members in PY 2006-2007 were paid with PY 2007-2008 grant funds. The subgrantee indicated that the error was due to the lack of oversight. The living allowances should be adjusted out from PY 2007-2008 and claimed to PY 2006-2007, if the subgrantee did not fully utilize its budgeted living allowance in PY 2006-2007.

During our testing at CSS, we discovered three members who served during PY 2005-2006 but were erroneously enrolled in WBRS as members for PY 2006-2007. CSS stated it had forgotten to enroll the members for PY 2005-2006 and Civic Ventures had instructed it to instead enroll the members in PY 2006-2007. Questioned living allowances and related FICA, and education awards total \$7,317 and \$2,500, respectively.

## Criteria

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,

### **Members' living allowances were double-claimed to the Corporation**

During our testing at Temple University, four members' allowances were claimed twice in April 2008 due to system and clerical errors. Questioned living allowances and related FICA total \$1,712.

## Criteria

2007 AmeriCorps General Provisions, Section V.B.1. *Financial Management Standards*, states:

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 living allowances and recover any disallowed costs and the applicable administrative costs;
- 1b. Disallow and recover, if used, education awards;
- 1c. Adjust the \$2,594 of living allowance at Temple University, which was erroneously claimed to PY 2007-2008, to PY 2006-2007;
- 1d. Re-enroll the three members at CSS, who were erroneously enrolled in PY 2006-2007, to PY 2005-2006; and
- 1e. Ensure that Civic Ventures develops more effective policies and procedures to monitor its subgrantees and ensure living allowance payments conform to all AmeriCorps provisions.

## Civic Ventures' Response

Civic Ventures agreed with the questioned amounts and stated that it had properly adjusted the amounts questioned in its accounting records.

In addition, Civic Ventures indicated the subgrantees have designed new preventive and detective controls to expose potential human errors when exiting and reenrolling eligible members.

Civic Ventures' response also questioned whether exiting the three CSS members from PY 2006-2007 in order to enroll them in PY 2005-2006 is an appropriate remedy for this error. Civic Ventures noted that following the auditors' recommendations would mean completing the members' enrollment in WBRS nearly three years after the program year in which they served – thereby creating additional compliance issues. Civic Ventures is awaiting further guidance from the Corporation concerning this recommendation.

Finally, Civic Ventures does not agree with the recommendation to “develop more effective policies and procedures to monitor its subgrantees”. Civic Ventures believes that effective policies and procedures are already in place and that the conditions noted in the finding were due to human errors.

#### Auditor's Comment

Civic Ventures indicated that it had properly adjusted the questioned living allowances in its accounting system. The Corporation should follow up with Civic Ventures to ensure the adjustments were correctly made.

The Corporation should work with Civic Ventures to determine if re-enrolling the three members at CSS is an appropriate remedy. Re-enrolling the members does not result in another compliance issue because this is a corrective action recommendation. Should the Corporation determine re-enrolling the members is not an appropriate corrective action; the members' living allowance would not be resolved and should be questioned.

Although Civic Ventures indicated that effective procedures and controls to monitor its subgrantees are already in place, we believe that if such policies and procedures were effective, there would only be minimal or isolated errors occurring. However, our review results, which are based only on a small sample tested, do not support that conclusion. As such, we believe more effective policies and procedures should be developed by Civic Ventures. The Corporation should follow up with Civic Ventures to determine whether the proposed actions were implemented and are effective.

#### **Finding 2. Missing or inadequate eligibility and enrollment documentation for members.**

##### **Missing eligibility documentation**

During our review of the 45 member files at Temple University, we discovered one enrolled member did not have any documentation to support eligibility. The subgrantee stated that the documentation was misplaced. No costs are questioned because no living allowance or education award was paid to the individual.

##### **Missing or inadequate enrollment documentation**

Of the 45 member files reviewed at Temple University, three members, who were enrolled in PY2006-2007, signed a PY 2007-2008 member contract. Temple University stated that these members enrolled late and erroneously signed the contract for the wrong program year.

During our review of the 26 member files at CSS, we discovered four members in PY 2006-2007 did not have documentation that criminal background checks had been performed. CSS stated background checks on these members were not conducted due to their late enrollment. We did not question costs because the members were enrolled before the 45 CFR revisions of National Service Criminal History Checks, effective November 27, 2007.

In addition, we discovered one member did not have a signed contract on file. CSS stated that the contract might have been misplaced. As such, we questioned \$3,554 of Federal

costs paid for the member's living allowances and related FICA. In addition, we questioned the member's education award of \$1,250.

### Criteria

2007 AmeriCorps Special Provisions, Section IV.C.1. *Member Enrollment Procedures*, states:

- 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 WBRIS.

2007 AmeriCorps Special Provisions, Section IV.C.7. *Criminal Background Checks*, states:

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.

2007 AmeriCorps Special Provisions, Section IV.L.1. *Record Keeping*, states:

The grantee must maintain records specified in the Financial Management Standards (Section B) of the General Provisions below that document each member's eligibility to serve pursuant to the member eligibility requirements in the definitions section of these provisions. The records must be sufficient to establish that the individual was eligible to participate in the program and that the member successfully completed the program requirements.

### Recommendations

We recommend that the Corporation:

- 2a. Resolve the questioned living allowances and recover any disallowed costs and the applicable administrative costs;
- 2b. Disallow and recover, if used, the education award for the member who was missing a contract; and
- 2c. Ensure Civic Ventures develops more effective controls to ensure its subgrantees obtain and maintain all AmeriCorps eligibility and enrollment documentation, including member contracts, citizenship and background check evidence.

### Civic Ventures' Response

Civic Ventures requests that the Corporation not question the living allowance and education award for the member who was missing the member agreement since there was other adequate eligibility documentation maintained.

Civic Ventures does not agree with the recommendation to “develop more effective policies and procedures to monitor its subgrantees”. Civic Ventures believes that effective policies and procedures are already in place and the issue of a single missing member contract discovered in an audit sample is an isolated error.

### Auditor's Comment

Notwithstanding the other eligibility documentation maintained by Civic Ventures for the individual in question, a member agreement binds an AmeriCorps member to the program and, without such an agreement, the individual is not an AmeriCorps member. The Corporation should follow up with Civic Ventures to see if the missing agreement can be located and, if not, Civic Ventures should repay the living allowance claimed for this individual.

The auditor agrees that the missing member contract is an isolated occurrence and the monitoring system Civic Ventures has in place is effective. However, our review results also identified other instances of missing eligibility documentation and non-compliance issues such as missing background checks, eligibility documentation, and incorrect contracts signed by AmeriCorps members. We believe that a more effective system of subgrantee monitoring and controls will prevent these conditions from occurring in the future. Therefore, we recommend that the Corporation follow up with Civic Ventures to develop a more effective system of subgrantee monitoring and controls.

**Finding 3. Non-Compliance with AmeriCorps provisions, including late submission of member forms and FSRs; administrative costs claimed exceeded 5 percent; members' service terms exceeded 12 months; and members incurred service hours before signing a contract agreement.**

#### **Late submissions**

Our testing found that the following subgrantees submitted required forms late, as shown below:

Temple University (ranges from 1 to 443 days late)

- 35 of 45 Enrollment Forms.
- 49 of 50 Change-of-Status Forms.
- 28 of 45 Member Exit Forms.

CSS (ranges from 1 to 225 days late)

- 35 of 45 Enrollment Forms.
- 49 of 50 Change-of-Status Forms.
- 28 of 45 Member Exit Forms.
- 3 of 12 FSRs.

CentroNia (ranges from 6 to 195 days late)

- 8 of 16 Enrollment Forms.
- 4 of 16 Change-of-Status Forms.
- 7 of 16 Exit Forms.

Temple University indicated that member forms were submitted late due to lack of oversight.

CSS indicated that, due to the rapid expansion of its AmeriCorps program, it lacked adequate staff to process forms in a timely manner. It also attributed the late submission of FSRs to computer problems.

CentroNia indicated it relocated during PY 2006-2007 and could not access WBRS for several months. In PY2007-2008, late enrollment reporting was impacted by a backlog of work caused by its problems in PY 2006-2007.

#### Criteria

2007 AmeriCorps Special Provisions, Section IV.N.2. *AmeriCorps Member-Related Forms*, states:

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. Programs 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 finishes his/her term of service.

2006-2007 Service Agreement between Civic Ventures and CSS states in part, "Projects are required to submit biannual Financial Status Reports no later than 25 days after the end of each six month period."

#### **Administrative Costs exceeded the 5 percent limitation**

Based on testing at Temple University, administrative costs claimed in PY2006-2007 exceeded the prescribed limit of 5 percent, as detailed below:

Total administrative costs claimed	\$ 21,034
Total Corporation funds expended	<u>378,707</u>
Percentage of administrative costs claimed	5.55%

Temple University claimed the entire 5 percent of administrative costs based on its budget during the original term of the program year. However, it did not expend the total awarded amount, which resulted in over-claimed administrative costs. Temple University stated that this was done based on instructions from Civic Ventures. Excess costs claimed to the administrative cost category at the subgrantee level may affect the overall computation of the allowable costs claimed at the grantee level, causing noncompliance with program provisions. As a result, \$2,099 of administrative costs is questioned.

Criteria:

45 C.F.R § 2521.95, *To what extent may I use grant funds for administrative costs?* states:

- (a) Not more than five percent of the grant funds provided under this part for any fiscal year may be used to pay for administrative costs, as defined in § 2510.20 of this chapter.
- (b) The distribution of administrative costs between the grant and any subgrant will be subject to the approval of the Corporation.

**Members' service terms exceeded 12 months**

During our review of member service agreements at Temple University, we found the stated length of the term of service in 38 out of 45 member contracts exceeded one year. The members were quarter time. Temple University indicated that there are three summer months each year during which members cannot serve because the school is closed. This situation was considered by Temple officials as a compelling circumstance to support the suspension period and not to provide a partial education award. Therefore, the members were allowed to return to serve the AmeriCorps program when school resumed in the fall.

The members' term of service as stated in the members' agreement, were not in compliance with the AmeriCorps provisions, but the members' living allowances for the last two months were not questioned since they were suspended and reinstated due to compelling circumstances. The living allowances were not paid during the time the members were suspended.

Criteria

2006 AmeriCorps Special Provisions, Section IV.E.1. *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 requirements as defined below.

\* \* \*

d. **Quarter-Time Members.** Quarter-time members must serve at least 450 hours over a time not to exceed one year.

### **Members incurred service hours before signing a contract**

At CSS, we reviewed hours served by 26 AmeriCorps members and determined that seven members had incurred service hours before signing an AmeriCorps contract. CSS indicated that the members had completed their paperwork and training and had submitted timesheets for the period in question; however, the service agreements had not been signed due to an oversight.

At CentroNia, we reviewed hours served by 16 AmeriCorps members and determined that six members had incurred service hours before signing a contract. CentroNia indicated that problem was due to staff oversight.

### Criteria

2006 AmeriCorps Special Provisions, Section IV.C.1. *Member Enrollment, Member Enrollment Procedures*, states:

Member recruitment, selection and enrollment requirements are in the Corporation's regulations at 45 C.F.R. Part 2522. In addition, the following apply:

- 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 WBRS.

### Recommendations

We recommend that the Corporation:

- 3a. Resolve the questioned costs and recover any disallowed costs,
- 3b. Ensure that Civic Ventures' subgrantees (1) develop alternative procedures for updating members' status in WBRS or other applicable systems, (2) inform the Corporation when technical problems prevent updating member status in WBRS, and (3) use alternative means to submit FSRs when technical problems arise;
- 3c. Instruct Civic Ventures to train and monitor Temple University program officials to ensure administrative costs claimed are within the prescribed limit of 5 percent;

- 3d. Ensure Civic Ventures provides adequate training to its subgrantees so they are familiar with the AmeriCorps requirements for the twelve month member service term. The member slots could be converted to minimum time in order to complete service within the 12-month period.
- 3e. Ensure Civic Ventures has its subgrantees sign member contracts before service begins.

#### Civic Ventures' Response

Civic Ventures stated that it had extended CSS' internal deadline for their submission of two FSRs to October 30, 2006. In addition, Civic Ventures stated it was unclear on the recommendation "to use alternative means to submit FSRs when technical problems arise".

Civic Ventures agreed with the other recommendations and stated that corrective actions have been implemented.

#### Auditor's Comment

The auditors did not receive any written documentation to support the extension of the deadline for the two FSRs to October 30, 2006. In addition, of the three late FSRs, one was due on April 25, 2008 and was submitted by CSS on April 28, 2008. The auditors recommended alternative means to submit FSRs, including postmarked mail, fax, or delivery in person, if possible.

The auditor concurs with Civic Ventures' other corrective action plans and recommends that the Corporation follow up with the grantee to ensure they have been implemented.

#### **Finding 4. Improper cost allocation methodology and missing supervisor signature on staff timesheets.**

##### **Improper cost allocation methodology for program costs claimed to the Corporation**

Temple University claimed \$6,490 of catering service charges for 400 attendees at a year-end graduation event which included both AmeriCorps members and other volunteers. Temple University stated that there were many similar events during the program year that AmeriCorps members had attended. The costs for those events were paid with Temple University's own funds. Therefore, Temple University believed that it was reasonable to claim the entire cost of this event to Federal share and it was unaware that the cost needed to be allocated for every event. We requested the subgrantee to recalculate the amount based on the number of AmeriCorps members who attended. Temple University's recalculation resulted in questioned costs of \$3,892.

#### Criteria:

OMB Circular No. 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.

### **Missing supervisor signatures on staff timesheets**

During payroll testing at CentroNia, we discovered that timesheets were not signed by a supervisor for four of the six staff timesheets we reviewed. CentroNia stated that there was some confusion during the month tested as CentroNia was relocating its offices and timesheets had been left unsigned.

#### Criteria

CentroNia Finance and Accounting Policies and Procedures Manual states, in part:

#### D. Preparation of the Payroll

Upon receipt of timesheets, the person responsible for processing payroll will:

- Ensure that both the employee and supervisor have signed the timesheet.

#### Recommendations

We recommend that the Corporation:

- 4a. Resolve the questioned costs and recover any disallowed costs and the applicable administrative costs;
- 4b. Ensure Civic Ventures provides training to its subgrantees to establish an equitable allocation methodology for program costs claimed; and
- 4c. Ensure Civic Ventures oversees its subgrantees to strengthen controls over timesheet preparation.

Civic Ventures' Response

Civic Ventures agreed with the amount questioned and stated that it has adjusted its accounting systems and the PER to reflect the proper amount.

Civic Ventures stated that finding concerning staff timesheets at one sub-grantee is an isolated incident and disagreed with the recommendation to work with subgrantees to "strengthen controls over timesheet preparation" Instead, Civic Ventures intends to continue to instruct subgrantees to develop, review, and adapt policies as necessary to ensure its policies are compliant with OMB A-122 regulations.

Auditor's Comment

Noncompliance with internal policies and procedures are reported to management to assist the organization in processing transactions consistent with management's intent. Civic Ventures should either revise its timesheet policies to require a single signature from either the employee or supervisor, or strengthen its current practice to ensure compliance with its' existing timesheet policies. We recommend that the Corporation follow up with Civic Ventures to ensure that corrective actions have been implemented and are effective.

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

*Mayer Hoffman McCann P.C.*

Irvine, California  
March 2, 2009

## Consolidated Schedule of Recommendations and Questioned Costs

Recommendation	Questioned Costs		Funds Put to Better Use <sup>3</sup>
	Unallowable <sup>1</sup>	Unsupported <sup>2</sup>	
1	\$ 19,649	-	\$ 2,500
2	3,554	3,554	1,500
3	2,099	-	-
4	3,892	-	-
Total	\$ 29,194	3,554	\$ 3,500

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<sup>1</sup> Questioned Cost means a cost that is unallowable because of:

1. an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
2. a finding that, at the time of the audit, such cost is not supported by adequate documentation; or
3. a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

<sup>2</sup> 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.

<sup>3</sup> 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:

1. reductions in outlays;
2. deobligation of funds from programs or operations;
3. withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
4. costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee;
5. avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or
6. any other savings which are specifically identified.

**APPENDIX A**  
**CIVIC VENTURES RESPONSES TO DRAFT REPORT**



April 16, 2009

Mr. Richard Samson  
Audit Manager, Office of the Inspector General  
Corporation for National and Community Service  
1201 New York Avenue NW, Suite 830  
Washington, DC 20525

Dear Mr. Samson:

Civic Ventures appreciates the opportunity to respond to Mayer Hoffman McCann's report on their Agreed-Upon Procedures Review of our AmeriCorps grants identified as 05NDHCA001 and 02ADNCA002. As you know, these AmeriCorps grants supported part-time service by older adult participants in Civic Ventures' Experience Corps program.

Our responses to each of the auditors' findings, and to their recommendations for resolution, are shown in the document following this letter. This document represents input from Experience Corps's program staff, Civic Ventures' finance staff, and each of the tested subgrantees.

As you will see, we are not disputing any of the questioned costs. In response to the auditors' findings, nearly all of the recommended adjustments have already been made in subgrantee PERs and related payments. Our internal financial procedures, which only allow draw-downs for the AmeriCorps subgrants on a reimbursement basis, allowed us to quickly recover unqualified funds.

However, we are raising questions and concerns about the auditors' broadly-stated recommendations that Civic Ventures should "develop more effective policies and procedures to monitor its subgrantees" or "develop more effective controls" with respect to subgrantee compliance. While we readily acknowledge the existence of human error in some of the subgrantee procedures, and welcome feedback that will strengthen how we work with AmeriCorps subgrantees, we have noted that it is not an issue of "more and better" controls and procedures, but rather it is an issue of continued diligence in training, evaluating, and monitoring with respect to the existing controls to ensure full compliance.

We shared with the auditors during their initial planning visit, and throughout their fieldwork, what we believe are well-developed monitoring systems and controls. The fact that there are no findings from the fieldwork at the parent organization supports our assertion that our basic systems and controls are sound. We look forward to a conversation with the Corporation about this during the resolution phase.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Michelle E. Hynes", with a long horizontal flourish extending to the right.

Michelle E. Hynes  
Vice President, Civic Ventures

*Copies:* Marc Freedman, CEO, Civic Ventures  
Doug Braley, VP for Finance and Administration, Civic Ventures  
Amy Zandarski-Pica, Director of Programs, Experience Corps  
Claire Moreno, Corporation for National and Community Service



**CIVIC VENTURES RESPONSE  
TO CNCS OIG AUDIT FINDINGS  
Submitted April 16, 2009**

From October 2008-January 2009, at the request of the CNCS Office of Inspector General, a team of auditors from Mayer Hoffman McCann conducted an Agreed Upon Procedures Review (AUPR) of Civic Ventures' AmeriCorps grants identified as 05NDHCA001 and 02ADNCA002. These AmeriCorps grants support part-time service by older adults who are participants in Civic Ventures' Experience Corps program.

Civic Ventures' oversight and management of the federal awards and related sub-grantee use of funds has and continues to be conducted with exceptional rigor and professionalism. The findings noted by the OIG-assigned auditors in this report represent 0.5% of the claimed funds for the testing period and 0.26% of the total authorized federal funding, supporting Civic Ventures' classification as a low-risk auditee.

The types of costs questioned by the OIG-assigned auditors are associated with human error and are not evidence of problems systemic throughout the national network of sub-grantees. Further, Civic Ventures lowers financial-loss risk by requiring all of its sub-grantees to draw federal funds down on a reimbursement basis only. As a result, any questioned costs, whether through this review or Civic Ventures own internal audits, have been recovered through a credit against funds drawn on future monies earned. With respect to the questioned costs associated with this AUPR, accounting adjustments referenced below are reflected in subgrantee PERs for the last quarter of 2008 and will therefore be included in Civic Ventures' FSR due to CNCS on April 30<sup>th</sup>, 2009.

Civic Ventures uses its own internal control procedures, as well as financial management policies, as a baseline in evaluating sub-grantees. Civic Ventures, the parent, had its financial systems and records examined by the OIG-assigned auditors with no findings reported. Where findings point to potential gaps in knowledge or practices by sub-grantee staff, Civic Ventures will, as it has consistently in the past, devote necessary resources to ensure complete compliance by providing additional training and implementing corrective controls.

***Finding 1. Living allowances were not paid in accordance with AmeriCorps provisions.***

1a, b. Civic Ventures does not dispute the questioned costs associated with this finding. PERs and associated payments for the two sub-grantees have been adjusted according to the auditors' recommendations, resulting in recovered costs. As of the date of this report, as reported by the CNCS Trust, the education awards had not been claimed by the individuals.

1c. The sub-grantee has properly recorded the living allowance amount erroneously claimed to PY 2007-2008 to the correct grant year, PY2006-2007 (accounting entry only; no questioned costs involved). In addition, the sub-grantee has designed new preventive and detective controls to expose potential human error when exiting and reenrolling eligible members.

1d. Civic Ventures questions whether exiting the three CSSNY members from PY 2006-2007 in order to enroll them in PY 2005-2006 is an appropriate remedy for this error. Following the auditors' recommendations would mean completing the members' enrollment in WBRS nearly three years after the program year in which they served – thereby creating additional compliance issues. We are awaiting further guidance from CNCS concerning this recommendation.

1e. Civic Ventures does not agree that the recommendation to “develop more effective policies and procedures to monitor its sub-grantees” appropriately responds to the findings. Civic Ventures, as the parent, has designed and regularly implements a detailed monitoring process for all of its sub-grantees, as shared with the OIG-assigned auditors and described below. Civic Ventures, as the grantee, does adhere to the Financial Management Standards in the AmeriCorps General Provisions and expects, reviews, and tests that sub-grantees do the same.

The findings stated in the report do not represent a systemic situation that warrants a change in what are already well-defined and well-executed monitoring policies and practices. Nor will more policies and procedures ever completely eliminate risk from human error. Civic Ventures has, and will continue to, monitor the adherence to such policies; audit the financial and programmatic data as it relates to those policies and procedures; and when errors occur will reinforce the effective policies and procedures already in place.

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## **PROGRAM AUDIT PROCEDURES**

Each year the Experience Corps national staff conducts an audit (review) of each local project's AmeriCorps member files and financial systems. The goal is to ensure compliance with the Corporation and state regulations, policies, and grant provisions. Review and testing of local project procedures and practices is a critical component of the national office's obligations to both funders and Experience Corps' governing body.

Because the audit review involves personnel and operating costs for both the national office and the local project, the Experience Corps national office is committed to conducting the process in the most efficient means possible. Program audits may be conducted as desk audits, on-site audits, or a combination of both. Local projects are risk assessed by national office staff at least annually.

In assessing a local project's risk rating (low, moderate, or high), national office staff will rely on the following:

- prior year audit findings and project's capacity to resolve issues;
- review of national EC program staff site-visit reports and recommendations;
- turnover of local project staff;
- size of local project and/or number of AmeriCorps slots;
- red flags identified in WBRS and other project reports;

- local project transfer to new organization;
- project's technical assistance and training needs; and,
- local project's ability to meet performance measures.

If a local project is assigned a **low risk** assessment rating, national staff may use the following procedures:

1. Project notified of low risk assessment rating.
2. Date and time scheduled for desk audit.
3. AmeriCorps monitoring tool sent to project at least 2 weeks prior to audit.
4. Program Manager conducts audit via telephone. Requested documents faxed backed to Program Manager within designated timeframe.
5. Audit findings and recommendation are submitted to local project via audit tracking form, which includes steps for resolution, responsible staff and timeframe.
6. Resolution of findings as soon as possible.
7. Identification of technical assistance and training opportunities.
8. Implementation of corrective action as necessary.

Although national staff may elect to test local project compliance through a desk audit process, future on-site appointments with low-risk local projects may still involve some audit procedures based on the results of the above process or if the national office believes such action is warranted.

Local projects assigned a **moderate or high-risk** rating may be subject to both desk and on-site processes. Basic steps for an on-site process include:

#### **Before the visit**

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- Schedule time with project and financial staff as needed to review the files
- At larger organizations (e.g. universities) be sure access to the appropriate files is secured
- Send letter and project visit protocol in advance
- Review all prior and current documents related to the local project, including prior audit and program reports
- Prepare sampling data and audit tools to use on-site

#### **During the visit**

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- Begin and end by meeting with senior project person, first to set expectations and then to give feedback
- Schedule time with "CEO" at larger organization – that is, the senior project person's supervisor unless that person is the Executive Director

#### **After the visit**

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- Project report
- Thank you letters
- Copy of findings to San Francisco business office
- Obtain missing documents by 30 day deadline

Whether desk or on-site procedures are followed, any findings will result in immediate suspension of future project grant payments until issues are resolved and national staff can verify that procedures and policies are in place to avoid future problems.

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The audit protocol is guided by an **On-Site Monitoring Tool**:

Please provide a copy of the email correspondence detailing the purpose and expectations of this audit and this page (financial management systems) to your finance staff in advance of the Civic Ventures project visit. Civic Ventures staff will spot-check items that are on the **Financial Census** to ensure strong fiscal management at the lead agency level, emphasizing the following

components:

- ✓ Background Documentation (e.g. receipts, invoices, payroll journals, etc.) for Financial Status Reports (FSR), Periodic Expense Reports (PER) and/or Project Financial Reports (PFR). (Civic Ventures will request background documentation for specific months' expenditures.)
- ✓ Signed and dated Staff Timecards showing appropriate time/hour allocations to AmeriCorps and other projects. (Project must indicate how much of staff time is AmeriCorps eligible and indicate a proper match for the other time. We will look at Experience Corps budget, AmeriCorps Budget, and/or overall organizational budget and payroll records during audit to verify time allocation.)
- ✓ Documentation of Program "Match" Funds (e.g. foundation letters): Using Grant Year-specific guidelines, determine that sufficient non-federal matching funds are available for Minimum Member Support; Minimum Operating Costs; and Minimum Overall Share percentages.
- ✓ Experience Corps program financial statements (indicating year-to-date and month-to-date income and expenditures) demonstrate that expenses meet or exceed the combined corporation share and match as reported in WBRs. Obtain copy of most recent financial statement.
- ✓ Determine whether the program is receiving sufficient financial oversight and/or guidance from lead agency (e.g. receiving regular financial statements)
- ✓ Request and review a copy of independent lead agency audit and any required or supplementary schedules (such as the A-133 Audit Report). Note if findings are listed and incorporate such findings, regardless of program audited, into future sub-grantee monitoring protocol.
- ✓ Where management letter from auditor has been prepared, request and review a copy, incorporating any auditor feedback into future sub-grantee monitoring protocol.

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Our goal is to identify and correct not only mistakes that may occur because of human error or staff turnover, but also to flag any systemic problems or misunderstandings about AmeriCorps procedures. We utilize the findings of our annual reviews to inform and improve our technical assistance and training for each sub-grantee as well as our processes at the national level. Since September 2007, when CNCS announced the phase-out of WBRs, we constructed and enforce the use of a monthly member and financial management reporting system designed to be a more robust detective control aimed at eliminating the type of errors associated with this finding.

Civic Ventures, as the parent, has a responsibility to sample sub-grantee data to determine that the collection and reporting of data is accurate and follows proper procedures. When errors are detected, all parties are informed of the errors; preventive and detective controls are reviewed and evaluated; and corrective controls are discussed. Any discovered errors that result in improper access of federal funds result in an immediate financial adjustment that provides for the return of funds related to unqualified costs. Civic Ventures further reduces risk by requiring that all sub-grantee requests for

federal funds be processed on a reimbursement basis. As a result, recovered costs are obtained through a credit to future funds earned and owed.

***Finding 2. Missing or inadequate eligibility and enrollment documentation for members.***

2a, b. Civic Ventures does not dispute that the member’s contract is missing. Based on the fact that the member’s file is otherwise complete – including all required enrollment forms, background checks, member performance evaluation forms, and time logs -- we associate the missing contract with human error. The member’s file includes documents that make the terms and conditions of service clear; and there is no question that the member served. We are requesting that CNCS not disallow the living allowance and education award for this member.

2c. Civic Ventures disagrees that instruction to Civic Ventures to “develop more effective controls” appropriately responds to the findings. The broadly-written recommendation is neither informative nor relevant. In this case, the issue of a single missing member contract discovered in an audit sample does not translate into too few or ineffective controls.

Civic Ventures uses its own internal control procedures, as well as its established financial management policies, as a baseline in training and evaluating sub-grantees. Civic Ventures, the parent, had its financial systems and records examined by the OIG-assigned auditors with no findings reported.

Further, as shared with the OIG-assigned auditors, Civic Ventures devotes significant resources to (a) train sub-grantees on proper procedures with respect to what information belongs in each member’s file, as articulated in the following checklist; (b) implement an annual auditing/document review process as described above in response to ***Finding 1***; and (c) identify and report to the sub-grantee staff when their controls appear weak or nonexistent, requesting corrective action and appropriate corrective control documentation.

**Member File Required Documents Checklist**

Member Application	Emergency Notification Information
Signed and Dated Member Agreement	Signed Self-Certification on Member Enrollment Form of High School Diploma, GED, or Other Educational Status.
Signed and Dated Member Enrollment Form (All 3 pages)	Members (tutors) WITHOUT High School Diploma / GED must pass a proficiency test. (Please provide documentation of test and results).
Interview Questions and Notes	Members (tutors) must have appropriate supervision by individuals with expertise in tutoring. (Please list supervisor’s name and title.)
Notes from Calls to References	Current, Signed & Dated Member Time Sheets and Activity Logs in Chronological Order
National Service Criminal History Checks <input type="checkbox"/> State Criminal Registry Check	Member Time Sheets have direct and indirect activities separated? Yes/No

<input type="checkbox"/> National Sex Offender Public Registry Check	
Documentation of Eligibility (please indicate document reviewed)	Member Performance Evaluation Forms (Mid-term and End-of-term)
New I-9 Form and Documentation being used (please indicate document(s) reviewed)	Member Correspondence/ Documentation of Any Disciplinary Action
W-4 Form	Photo, Personal Story and Name Use Release and Consent Form (recommended)

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## Member Training & Orientation

Experience Corps National staff will ask to review your member training and orientation materials during the project visit. Each Experience Corps/ AmeriCorps member must be trained in what it means to participate in Experience Corps and AmeriCorps, opportunities and requirements of each program, expectations of the lead agency and placement sites, along with any other information pertinent to the local lead agency. AmeriCorps members **should receive a copy** of their signed member agreement and a member “handbook/ packet of information” which includes the following information:

- ✓ Overview of Civic Ventures and Experience Corps
- ✓ Overview of AmeriCorps
- ✓ Signed Copy and an Overview of the Member Agreement and Provisions, including:
  - Terms of Service (including explanation of terms and limits)
  - Living Allowance (stipend) information and how taxes and benefits may be affected
- ✓ Prohibited Program Activities
- ✓ Disciplinary Procedures
- ✓ Grievance Procedures
- ✓ Release from Participation
- ✓ Education Award Information
- ✓ Liability and Safety Issues
- ✓ Sexual Harassment and other nondiscrimination issues
- ✓ Reasonable Accommodations
- ✓ Drug-Free Workplace
- ✓ Local Contact Information (where to go/ to whom a member should speak with if there is a problem)
- ✓ Citizenship Training Materials
- ✓ Literacy and/or Mentoring Training Materials

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As noted in Finding 1, Civic Ventures, as the parent, has a responsibility to sample sub-grantee data to determine that the collection and reporting of data is accurate and follows proper procedures. When errors are detected, all parties are informed of the errors; preventive and detective controls are reviewed and evaluated; and corrective controls are discussed. Any discovered errors that result in non-compliant transactions and/or improper access of federal funds result in an immediate financial adjustment that provides for the return of funds related to unqualified costs. Civic Ventures further reduces risk by requiring that all sub-grantee requests for federal funds be processed on a reimbursement basis. As a result, recovered costs are obtained through a credit to future funds earned and owed.

***Finding 3. Non-compliance with AmeriCorps provisions, including late submission of members forms and FSRs; administrative costs claimed exceeded 5 percent; members' service terms exceeded 12 months; and members incurred service hours before signing a contract agreement.***

3a. The over-claimed administrative costs (\$2,099 federal share at sub-grantee) have been accounted for in an accounting adjustment, including an adjustment to the related PER. This error was a result of claiming administrative costs based on the budget rather than on the expended direct costs. However, the sub-grantee was still eligible to recover the full federal share, and did legitimately claim and draw down the amount for the four-month period, September-December 2008.

3b. Civic Ventures agrees that timely enrollment and exiting of members, compliant with the "30-day rule," must occur. As noted in the auditors' report, sub-grantee staff turnover and understaffing have contributed to some enrollment and exit delays. With respect to the auditors' specific recommendations:

(1) *develop alternative procedures for updating members' status.* Starting in September 2007, Civic Ventures developed a reporting system that allows for the national office to track member enrollment, exiting, change of status, and time served. Data in the tracking system is submitted at the same time as a financial report, which must be submitted on a monthly basis and no later than quarterly. Civic Ventures conducted a training via webinar on March 30, 2009, focused on timely and accurate reporting. The training emphasized compliance with the 30-day rule and was attended by all 11 current sub-grantees.

(2) *inform CNCS when technical problems prevent updating member status.* Civic Ventures agrees that we should inform CNCS in a timely way of any technical issues at the grantee or sub-grantee level that may interfere with timely reporting. However, we disagree with the auditors' recommendation, which does not appropriately respond to the findings or the causes that were described to them during fieldwork. There has been no late submission of FSRs from Civic Ventures to CNCS that was not explicitly negotiated in advance with the grants officer; nor does the finding from this AUPR refer to any late reporting from sub-grantees to Civic Ventures that affected timely reporting to CNCS. Despite Civic Ventures' explanation that we had extended our internal deadline for the FSR due on 10/30/2006 because of technical problems reported to us in advance by a sub-grantee, the auditors insisted on including the internal late-submission finding related to that sub-grantee.

(3) *use alternative means to submit FSRs when technical problems arise.* Civic Ventures is unclear on the intent of this recommendation. If there is a legitimate technological barrier to submitting data, then Civic Ventures follows all available options for communicating with appropriate CNCS representatives for official guidance.

3c. Civic Ventures reviews each sub-grantee's budget before submission to ensure it is compliant with AmeriCorps regulations, provides information and training to program and financial staff at least annually, and monitors spending by each sub-grantee at least quarterly. We have discussed the administrative cost finding with sub-grantee officials, clarifying the rules pertaining to claiming these costs.

3d. Civic Ventures reviews AmeriCorps provisions each year, includes these in our annual written agreement with each sub-grantee, and provides training to each sub-grantee before a new program year begins. This finding at one sub-grantee resulted from an error in implementation of member contract procedures rather than a lack of understanding of the 12-month term. Clarification has been provided to sub-grantee program staff and related procedures have been adjusted to ensure compliance with the AmeriCorps requirements.

With respect to the issue of converting slots to minimum time, Civic Ventures has already undertaken an internal review of data related to member completion rates. Because the review demonstrated that a large number of members were not completing 450-hour terms within twelve months, in September 2008 we applied for, received, and assigned a portion of slots as minimum-time rather than quarter-time. We will continue this practice in the future and will request conversion of current quarter-time slots to minimum-time as needed.

3e. Civic Ventures provides training to its sub-grantees at least annually about compliance with AmeriCorps rules related to member contracts and other enrollment documentation. We provide a template for the member contract to each sub-grantee each program year, and we monitor its inclusion in member files as well as the timing of signatures through our regular monitoring process described above. The findings here are not associated with any questioned costs and the auditors note the issue is largely associated with staff error rather than any misunderstanding of proper procedures. As a result, Civic Ventures, during its next training opportunity, will re-emphasize to the sub-grantees the importance of ensuring that members sign their contracts prior to beginning service. In addition, sub-grantees with member contract-related errors will continue to experience increased monitoring by our national staff in this area.

***Finding 4. Improper cost allocation methodology and missing supervisor signature on staff timesheets.***

4a. Civic Ventures does not dispute the questioned cost associated with this finding. The PER and associated payment for the sub-grantee has been adjusted according to the auditors' recommendations, resulting in recovered costs.

4b. Civic Ventures does require, as stated in its grant agreement with sub-grantees, that all activity be conducted in accordance with OMB Circulars, including A-122 and its cost allocation provisions. Civic Ventures will continue to emphasize the necessity of having and abiding by an appropriate allocation policy.

4c. This finding concerning staff timesheets at one sub-grantee is an isolated incident not found across the tested sub-grantees. The auditors cite non-compliance with the sub-grantee's *own internal* written policies, not federal regulations. The timesheets the auditors reviewed were present, were signed by the employees, and thus were in compliance with OMB Circular A-122. We disagree that we need to work with sub-grantees to "strengthen controls over timesheet preparation." Rather, we intend to continue to instruct sub-grantees to develop, review, and adapt policies as necessary to ensure such policies are compliant with regulations. This includes making sure that time activity reports supporting grant-funded personnel are signed by the employee OR the supervisor (per A-122 guidelines), which these referenced timesheets were.

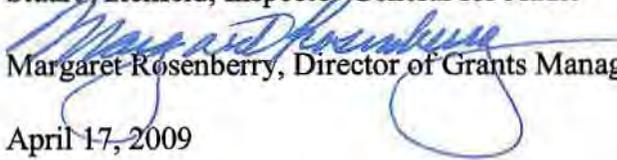
In conclusion, Civic Ventures appreciates the opportunity to provide this response. We look forward to the Corporation's feedback on the findings and the auditors' recommendations.

Thank you.

**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:** April 17, 2009  
**Subject:** Response to OIG Draft of Agreed-Upon Procedures of Grants Awarded to Civic Ventures

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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 Civic Ventures (CV). We will work with CV to ensure its corrective action plan adequately addresses the findings and recommendations. We will respond with the management decision after we have reviewed the audit working papers and the CV corrective action plan.

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