

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

**AGREED-UPON PROCEDURES FOR CORPORATION  
GRANTS AWARDED TO SERVE ILLINOIS**

**OIG REPORT 16-08**

Office of Inspector General

Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

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**This report was issued to Corporation management on August 19, 2016. 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 February 20, 2017, and complete its corrective actions by August 21, 2017. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.**

**AGREED-UPON PROCEDURES FOR CORPORATION GRANTS  
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## Executive Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with CliftonLarsonAllen LLP (CLA), an independent certified public accounting firm, to perform agreed-upon procedures (AUP) on grant costs incurred by the Serve Illinois Commission (SI) and three of its subgrantees. SI is the State Commission through which AmeriCorps State grants are provided. SI also received State Administrative grant funds to support AmeriCorps State programs. CLA tested SI's compliance with Corporation policies and applicable regulations for Corporation-funded Federal assistance.

Our testing revealed the following deficiencies:

### Monitoring Findings

- Grantee's assessment of grant applicants and monitoring of subgrantees was inadequate (Finding 1).
  - The subgrantee selection process did not document its assessment of the adequacy of the applicant's financial management system (Finding 1.a.);
  - The grantee did not continuously monitor the subgrantees' single audits (Finding 1.b.); and
  - The grantee did not question and recover subgrantee's costs for non-compliance (Finding 1.c.).

### National Service Criminal History Check Findings

- Subgrantee initiated State criminal registry after employee started working on the grant (Finding 2.a.);
- Subgrantee initiated FBI search after member started working on the grant (Finding 2.a);
- FBI search results were missing from the member files (Finding 2.b.);
- Subgrantee conducted the member's State criminal registry search more than four months prior to the service start date (Finding 2.c.);
- Subgrantee did not conduct the National Sex Offender Public Registry search before employees started working on the grant (Finding 2.d.); and
- Subgrantee did not obtain authorization documentation from an employee to conduct the National Service Criminal History Check as required by Federal regulations (Finding 2.e.).

### Financial Management System Findings

- Subgrantee's financial management did not substantially meet federal financial management system standards (Finding 3.a.).
  - Subgrantee fully charged salary and benefit costs to other non-Corporation program accounts in the general ledger, but claimed a portion of those costs against the Corporation grants. These claimed costs were not recorded in the general ledger account for those grants (Finding 3.a.i.);
  - Subgrantee provided no reconciliation for certain claimed costs to the general ledger to support costs were incurred for the Corporation grants (Finding 3.a.ii.);
- Subgrantee did not consistently record in-kind match costs in its general ledger (Finding 3.b.); and
- Subgrantee recorded Federal grants from two Federal agencies within the same account number in its general ledger (Finding 3.c.).

#### Labor Cost/Payroll Findings

- Subgrantee did not have timesheets to support staff costs for program year 2012 (Finding 4.a.); and
- Subgrantee approved employees' timesheet hours before employee performed the work (Finding 4.b.).

#### Other Direct Cost Findings

- Subgrantee did not provide supporting documentation for certain claimed costs (Finding 5.a.);
- Grantee and subgrantee claimed lodging costs that were not in compliance with their travel policies and procedures (Finding 5.b.); and
- Subgrantee claimed the same Federal and match costs twice (Finding 5.c.).

#### Member Service Hours Findings

- One member's fundraising hours exceeded ten percent maximum allowed (Finding 6.a.); and
- Subgrantee certified member service hours not supported by member's timesheets (Finding 6.b.).

#### Reporting Finding

- Subgrantee's final Federal Status Report for program year 2012 was submitted late (Finding 7).

The questioned costs shown above are related primarily to deficiencies in the procedures used by subgrantees to conduct the National Service Criminal History Checks for its members and staff. This deficiency resulted in \$235,341 out of the \$422,535 (approximately 56 percent) of the audit's total questioned costs. City Year has questioned Federal costs of \$99,886, and match costs of \$105,052. LSSI has questioned Federal costs of \$8,157, match costs of \$691 and \$5,550 in education awards. LBDNH has questioned Federal costs of \$3,351 and \$12,654 in education awards.

A significant internal control weakness we found concerns SI not ensuring that its subgrantees' financial management systems complied with the requirements of Title 45 Code of Federal Regulations (CFR) §2541.200, *Standards for financial management systems*. Reliance on single audit reports alone is not sufficient to ensure that subgrantees' financial management systems are compliant as such audits may not actually test the programs in question. This issue is further exacerbated by SI not monitoring and reviewing its subgrantees' single audits reports. This noncompliance with the standards resulted in \$149,607 out of \$422,535 (approximately 35 percent) of the audit's total questioned costs. LSSI has questioned Federal costs of \$25,228 and match costs of \$124,379 related to this issue of noncompliance with the standards for financial management systems.

SI's response to the draft report did not directly address the challenging and significant LSSI issues found in this report. The LSSI findings and related recommendations although difficult need thoughtful attention and corrective action; however SI's response merely made excuses for these long-standing weaknesses. For example, in response to the serious LSSI's financial management system weaknesses, SI simply stated that LSSI was never afforded an onsite audit. It was explained to both SI and LSSI, on numerous occasions, that the site visit was not performed because of LSSI's severe financial management weaknesses. LSSI was unable to reconcile its accounting records to the claimed costs, and therefore the auditors could not perform any testing of LSSI's transactions. The OIG

concluded with the CLA decision to cancel the site visit because only limited auditing could be performed. Several discussions were held to guide LSSI through the information request, but ultimately LSSI was unable to provide the evidence to support LSSI's claimed costs.

In another very troubling response to the draft report, SI stated it did not agree with the finding regarding lack of timesheets and "LSSI staff were confused regarding which grant years fell into the scope of work. Once they realized the actual dates in question, the timesheets were submitted." This is not factual and also misleading because there was no confusion. LSSI indicated during the months of audit fieldwork beginning with the entrance conference on August 5, 2015, and ending with the exit conference on April 22, 2016, that it did not have timesheets to support staff costs for program year 2012. SI was involved in these discussions and also previously requested the timesheets in its monitoring for program year 2013. SI's monitoring report had indicated that salary and fringe benefit costs were not based on actual time worked, but charged based on an allocation of budgeted costs. It was not until the exit conference that LSSI claimed the timesheets for program year 2012 were found in a warehouse. We addressed each of SI's responses in more detail in the Detailed Findings section of the report.

The remaining \$37,587 out of \$422,535 (approximately 9 percent) of the audit's total questioned costs (\$21,204 in Federal, \$15,208 match and a \$1,175 education award) resulted from documentation errors for claimed costs and other financial reporting and compliance issues. Further details on each subgrantee's claimed and questioned costs are at Schedules C, D, and E. Compliance findings and recommendations are discussed in the Detailed Findings section of this report beginning at page 17.

### **AGREED-UPON PROCEDURES SCOPE**

We applied the agreed-upon procedures to the period January 1, 2013, through March 31, 2015. The procedures covered the allowability, allocability, and reasonableness of the financial transactions reported for the following grants and AUP periods:

#### **Active Awards During AUP Period**

<b>Award No.</b>	<b>AUP Periods</b>
11AFHIL001	April 1, 2013 to June 30, 2014
12ACHIL001	April 1, 2013 to June 30, 2014
14AFHIL001	August 7, 2014 to March 31, 2015
14ACHIL001	July 10, 2014 to March 31, 2015
13CAHIL001	January 1, 2013 to July 14, 2014
14CAHIL001	July 14, 2014 to December 31, 2014

We also performed tests to determine SI's and its selected subgrantees' compliance with certain grant terms and provisions. The procedures were based on the OIG's "Agreed-Upon Procedures for Corporation Awards to Grantees (including Subgrantees), dated February 2015."

In addition to reviewing SI's administration of these grant funds, we selected the following SI subgrantees from a total of 31 for detailed testing:

- Lutheran Social Services of Illinois (LSSI)
- City Year, Inc. (City Year)
- Lessie Bates Davis Neighborhood House (LBDNH)

These subgrantees were judgmentally selected based on an assessment of overall risk to SI and the Corporation. The assessment included consideration of several factors, namely the amount of costs claimed by each subgrantee, the results of subgrantee monitoring reports, and findings, if any, contained in Office of Management and Budget (OMB) Circular A-133 (now Title 2 Code of Federal Regulations, Subpart F-Audit Requirements) single audit reports for each entity.<sup>1</sup> Our procedures resulted in total questioned grant costs of \$422,535 consisting of \$157,826 in Federal costs, SI subgrantee match costs of \$245,330, and education award costs of \$19,379.

We performed procedures at SI and three of its subgrantees: City Year, LSSI, and LBDNH. We tested SI transactions of \$143,815. We also tested subgrantee transactions totaling \$280,354 for City Year and \$1,013,064 for LBDNH. We were unable to perform cost testing with LSSI due to LSSI's inability to provide a complete reconciliation of its costs claimed to its accounting records.

## **INTRODUCTION**

The Corporation, under the authority of the National Community Service Trust Act of 1993 (as amended), awards grants and cooperative agreements to State commissions, nonprofit entities, and tribes and territories to assist in the creation of full- and part-time national and community service positions. AmeriCorps members perform service activities to meet educational, human, environmental and public safety needs. In return, eligible members may receive a living allowance and post-service education benefits.

Funds received by SI have been sub-awarded to thirty one non-profits or institutions of higher education to provide services towards recruiting, training and placing AmeriCorps members to meet critical community needs in education, employment services, family support services, civil judicial assistance, public safety, health, and the environment. Some examples of program activities that AmeriCorps members have performed include tutoring, mentoring, parental workshops, developing emergency preparedness plans, providing job training, and education on environmental stewardship. Subgrantees are required to provide matching funding as stipulated within their grant agreements. The required match funding is based on the subgrantee's budget narrative submitted with the grant application and the match requirement varies amongst the subgrantees.

## **BACKGROUND**

The enabling legislation of the SI Commission (PA98-0692, 20 ILCS 2330) charges the Commission to promote and support community service in public and private programs to meet the needs of Illinois citizens, to stimulate new volunteerism and community service initiatives and partnerships, and to serve as a resource and advocate within the Department of Public Health for community service agencies, volunteers, and programs which utilize State and private volunteers.

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<sup>1</sup> The new audit requirements are not applicable until the first fiscal year starting on or after December 26, 2014, which for SI would not be until July 1, 2015. This is outside the scope of the AUP period.

The subgrantees use the funds to support their program operations and are required to maintain supporting documentation for the claimed costs. In addition, subgrantees are required to provide monthly expense reports and semi-annual financial reports to SI as dictated in the sub-grant agreement. SI prepares the aggregate Federal Financial Report (FFR)<sup>2</sup> for the grants by accumulating the expenses reported by the subgrantees and submits its FFR through the Corporation's online eGrants system. The Corporation and grantees use the online eGrants system to manage the grants using this system to process grant applications, awards and FFRs.

SI monitors its subgrantees through a risk assessment process to develop a monitoring plan for each sub-grantee based on certain risk factors. SI performs desk-based monitoring and site visits. Programmatic and financial site visits are conducted based on the risk assessment and are done annually for each subgrantee one-time per grant cycle, one-time per year, or more often as deemed appropriate. Desk-based monitoring is used throughout the year to review the subgrantee's progress on performance measures, ensure timeliness of reporting, reviewing subgrantee's participation in required training, checking subgrantee's progress on member recruitment and retention, and tracking members' progress in completing service hours.

The following table identifies the number of members and employees charged to the grants and the grant program objectives.

<b>Subgrantee</b>	<b># of Members</b>	<b># of Employees</b>	<b>Grant Program Objectives</b>
City Year	572	24 to 29	Provide in-school and after-school tutoring and mentoring for 5 <sup>th</sup> -10 <sup>th</sup> grade students who are at risk to drop out in Chicago public schools
LSSI	84	3 to 8	Help returning citizens (ex-offenders) assess and create their life plans and prepare them for employment
LBDNH	316	4 to 10	Provide a range of services including: high quality early childhood education; comprehensive youth services; family support services; employment and job training services; services to the elderly; social action and advocacy; and housing and economic development programs

### **EXIT CONFERENCE**

We provided a summary of the findings to be included in the draft report and discussed its contents with officials of the Corporation, SI, and applicable subgrantees at an exit conference on April 27, 2016. Responsive comments to the draft report from SI and the Corporation are included as appendices in this report.

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<sup>2</sup> The FFR is a standardized, consolidated report of Federal grant awards and associated Federal share and match costs claimed which are required to be reported by grantees to the Corporation on a semi-annual basis.

## SUMMARY OF RESULTS

The results of our agreed-upon procedures are summarized in the Consolidated Schedule of Claimed and Questioned Costs (Schedule A).

SI claimed the following Federal and match costs:

Grant No.	Federal	Match	AUP Period
11AFHIL001	\$4,867,137	\$5,352,633	April 1, 2013 to June 30, 2014
12ACHIL001	3,478,123	3,002,093	April 1, 2013 to June 30, 2014
14AFHIL001	2,184,229	1,397,762	August 7, 2014 to March 31, 2015 <sup>3</sup>
14ACHIL001	1,915,120	1,957,849	July 10, 2014 to March 31, 2015 <sup>3</sup>
13CAHIL001	238,033	238,033	January 1, 2013 to July 14, 2014
14CAHIL001	183,450	180,806	July 14, 2014 to December 31, 2014 <sup>3</sup>
<b>Totals</b>	<b>\$12,866,092</b>	<b>\$12,129,176</b>	

Based on testing a judgmentally selected sample of transactions, we questioned claimed costs as detailed in the following table:

Type of Questioned Costs <sup>4</sup>	Federal Share	Match Share	Education Awards	Totals
Subgrantee initiated State criminal registry and/or FBI search after employee/member started working on the grant	\$103,237	\$105,052	\$12,654	\$220,943
Subgrantee fully charged salary and benefit to other non-Corporation program accounts in the general ledger, but claimed a portion of those costs against Corporation grants which were not recorded in the general ledger for those grants	16,427	65,512	-	81,939
Subgrantee did not provide supporting documentation for certain claimed costs	14,680	1,250	-	15,930
Subgrantee provided no reconciliation for certain claimed costs to the general ledger to support that those costs were incurred for the Corporation grants	8,801	58,867	-	67,668
Subgrantee did not have timesheets supporting staff costs for Program Year 2012	4,752	13,472	-	18,224
FBI search results were missing from the member files	8,157	691	5,550	14,398
Grantee and subgrantee claimed lodging costs that were not in compliance with travel policies and procedures	1,283	-	-	1,283
Subgrantee claimed the same Federal and match costs twice	290	356	-	646

<sup>3</sup> The SI Commission was moved from the Illinois Department of Human Services (DHS) to the Illinois Department of Public Health (DPH). As a result, the grants with DHS were closed out and new grants were issued to DPH for the SI Commission to continue the grant programs.

<sup>4</sup> A questioned cost is an alleged violation or non-compliance with grant terms and/or provisions of laws and regulations governing the expenditures of funds; or a finding that, at the time of testing, adequate documentation supporting a cost item was not readily available.

Type of Questioned Costs <sup>4</sup>	Federal Share	Match Share	Education Awards	Totals
Subgrantee approved employees' timesheet hours before employee performed the work	199	130	-	329
Member's fundraising hours exceeded ten percent maximum allowed	-	-	1,175	1,175
<b>Totals</b>	<b>\$157,826</b>	<b>\$245,330</b>	<b>\$19,379</b>	<b>\$422,535</b>

Participants who successfully complete their AmeriCorps term of service are eligible for education awards and, in some cases, accrued interest awards funded by the Corporation's National Service Trust. These award amounts are not funded by the Corporation grants and, as a result, are not included in the claimed grant costs. However, when the grant award is made, the education awards become obligations of the Corporation's National Service Trust. Therefore, as part of our AUP in applying the same criteria used for the grantee's claimed costs, we determined the effect of our findings on AmeriCorps members' entitlement to education and accrued interest awards.

We questioned \$19,379 in education awards because of the National Service Criminal History Check issues that resulted in the members having insufficient hours to be eligible for an award or being ineligible to receive an award.

We compared SI's inception-to-date drawdown amounts with the amounts reported in its most recent FFR for the period tested and noted no discrepancies.

Details of the questioned costs, grant awards, non-compliance with grant provisions, applicable laws and regulations are presented in the section of this report titled, *Detailed Findings* (Schedule F) that follows the results of our agreed-upon procedures.



## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Office of Inspector General  
Corporation for National and Community Service

We have performed the procedures, detailed in the "Agreed-Upon Procedures for Corporation Awards to Grantees (including Subgrantees) dated February 2015," not included herein. These procedures were agreed to by the Corporation for National and Community Service (Corporation) Office of Inspector General (OIG) solely to assist you in evaluating certain information reported by the Serve Illinois Commission (SI) in accordance with its Corporation grant terms and provisions, and applicable laws and regulations, for the Agreed-Upon Procedures (AUP) periods from January 1, 2013, through March 31, 2015.

### **Grantee's Responsibility**

SI and its sub-grantees are responsible for the accuracy and completeness of the reported information. In addition, they are also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting their entities involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the CNCS grants. Their responsibilities include informing us of their knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, grantors, regulators, or others. They are also responsible for identifying and ensuring that their entities comply with applicable laws, regulations, contracts, and grant agreements, and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

### **Auditors' Responsibility**

We conducted the AUP engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for agreed-upon procedures contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of the procedures, described in the "Agreed-Upon Procedures for Corporation Awards to Grantees (including Subgrantees) dated February 2015," not included herein, is solely the responsibility of the Corporation's OIG. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested, or for any other purpose.

The results of our procedures are described in the Detailed Findings section of this report.

The agreed-upon procedures listed in the "Agreed-Upon Procedures for Corporation Awards to Grantees (including Subgrantees) dated February 2015," not included herein, do not constitute an examination or review, the objective of which would be the expression of an opinion on SI's reported grant information. Accordingly, we do not express such an opinion

or limited assurance on the amount of Federal assistance expended by SI. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the OIG, the Corporation, and SI, and should not be used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

Calverton, Maryland  
May 4, 2016

## Schedule A

**Corporation for National and Community Service  
Serve Illinois  
Consolidated Schedule of Claimed and Questioned Costs**

<u>Award No.</u>	<u>Program</u>	<u>Approved Budget</u>	<u>Claimed</u>	<u>Questioned Cost</u>			<u>Schedule</u>
			<u>Federal Cost</u>	<u>Federal Cost (a)</u>	<u>Match Cost (b)</u>	<u>Education Awards (c)</u>	
13CAHIL001	ADMIN	\$253,033	\$238,033	\$ 1,183	\$ -	\$ -	B
14CAHIL001	ADMIN	594,931	183,450	-	-	-	B
12ESHIL001	Fixed State	813,422	-	-	-	-	
14ESHIL001	Fixed State	1,346,653	-	-	-	-	
12ACHIL001	<i>City Year, Inc.</i> AmeriCorps			92,855	96,632	-	C
12ACHIL001	Competitive Total	5,493,609	3,478,123	92,855	96,632	-	
14ACHIL001	<i>City Year, Inc.</i> AmeriCorps			22,200	10,156	-	C
14ACHIL001	Competitive Total	3,977,647	1,915,120	22,200	10,156	-	
11AFHIL001	<i>Lutheran Social Services of IL</i>			27,137	80,684	5,550	D
11AFHIL001	<i>Lessie Bates Davis Neighborhood House</i> AmeriCorps			3,451	-	8,279	E
11AFHIL001	Formula Total	6,597,838	4,867,137	30,588	80,684	13,829	
14AFHIL001	<i>Lutheran Social Services of IL</i>			11,000	57,858	-	D
14AFHIL001	<i>Lessie Bates Davis Neighborhood House</i> AmeriCorps			-	-	5,550	E
14AFHIL001	Formula Total	5,617,019	2,184,229	11,000	57,858	5,550	
<b>Total</b>		<b>\$24,694,152</b>	<b>\$12,866,092</b>	<b>\$157,826</b>	<b>\$245,330</b>	<b>\$19,379</b>	
				<b>Total Questioned Costs (a+b+c)</b>		<b>\$422,535</b>	

**Schedule B**

**Schedule of Award and Claimed Costs  
For Period January 1, 2013, through July 14, 2014  
Serve Illinois – 13CAHIL001**

			<b>Reference</b>
Authorized Budget (Corporation Funds)		\$253,033	Note 1
Claimed Federal Costs		\$238,033	Note 2
Authorized Match Budget		\$286,493	Note 3
Claimed Match Costs		\$238,033	Note 4
Questioned Federal Costs:			
Grantee claimed lodging costs that were not in compliance with travel policies and procedures	1,183		
Total Questioned Federal Costs		<u>\$ 1,183</u>	Note 5
Questioned Match Costs		<u>\$0</u>	

**Notes**

1. The authorized budget amount represents the funding to SI according to the Notice of Grant Award.
2. Claimed costs represent SI's reported Federal expenditures for the period January 1, 2013 through July 14, 2014.
3. The authorized match budget represents SI's funding in accordance with the Notice of Grant Award.
4. Claimed match costs represent SI's reported match expenditures for the period January 1, 2013, through July 14, 2014.
5. Federal costs of \$1,183 were questioned because costs claimed were not in compliance with travel policies and procedures (See Finding 5.b.).

**Schedule of Award and Claimed Costs:  
City Year, Inc. – 12ACHIL001  
AUP Period April 1, 2013, through June 30, 2014**

			<u>Reference</u>
Authorized Budget (Federal Funds)		\$4,662,400	Note 1
Authorized Match Budget		\$4,662,400	Note 2
Questioned Federal Costs:			
Subgrantee initiated State criminal registry and/or FBI search after employee started working on the grant	91,574		Note 3
Subgrantee did not provide supporting documentation for certain claimed costs	1,082		Note 4
Subgrantee approved employees' timesheet hours before employee performed the work	<u>199</u>		Note 5
Total Questioned Federal Costs		<u>\$92,855</u>	
Questioned Match Costs:			
Subgrantee initiated State criminal registry and/or FBI search after employee started working on the grant	95,252		Note 3
Subgrantee did not provide supporting documentation for certain claimed costs	1,250		Note 4
Subgrantee approved employees' timesheet hours before employee performed the work	<u>130</u>		Note 5
Total Questioned Match Costs		<u>\$96,632</u>	

**Notes**

1. The authorized amount represents the Federal funding to City Year in accordance with the sub-grant agreement budget.
2. The authorized match represents the City Year funding to be provided in accordance with the sub-grant agreement budget.
3. Federal costs of \$91,574 and match costs of \$95,252 were questioned because the State criminal registry and/or FBI search was initiated after employee started working on the grant (See Finding 2.a.).
4. Federal costs of \$1,082 and \$1,250 in match costs were questioned because no supporting documentation was provided for certain claimed costs (See Finding 5.a.).
5. Federal costs of \$199 and \$130 in match costs were questioned because employees' hours were approved before work was performed (See Finding 4.b.).

**Schedule of Award and Claimed Costs:  
City Year, Inc. – 14ACHIL001  
AUP Period July 10, 2014, through March 31, 2015**

			<u>Reference</u>
Authorized Budget (Federal Funds)		\$2,331,200	Note 1
Authorized Match Budget		\$2,331,200	Note 2
Questioned Federal Costs:			
Subgrantee did not provide supporting documentation for certain claimed costs	13,598		Note 3
Subgrantee initiated State criminal registry and/or FBI search after employee started working on the grant	8,312		Note 4
Subgrantee claimed the same Federal cost twice	<u>290</u>		Note 5
Total Questioned Federal Costs		<u>\$ 22,200</u>	
Questioned Match Costs:			
Subgrantee initiated State criminal registry and/or FBI search after employee started working on the grant	9,800		Note 4
Subgrantee claimed the same Match cost twice	<u>356</u>		Note 5
Total Questioned Match Costs		<u>\$ 10,156</u>	

**Notes**

1. The authorized amount represents the Federal funding to City Year in accordance with the sub-grant agreement budget.
2. The authorized match represents the City Year funding to be provided in accordance with the sub-grant agreement budget.
3. Federal costs of \$13,598 were questioned because no supporting documentation was provided for certain claimed costs (See Finding 5.a.).
4. Federal costs of \$8,312 and match costs of \$9,800 were questioned because the State criminal registry and/or FBI search was initiated after employee started working on the grant (See Finding 2.a.).
5. Federal costs of \$290 and match costs of \$356 were questioned because the costs were claimed twice (See Finding 5.c.).

**Schedule of Award and Claimed Costs**  
**Lutheran Social Services of IL – 11AFHIL001**  
**AUP Period April 1, 2013, through June 30, 2014**

			<u>Reference</u>
Authorized Budget (Federal Funds)		\$236,939	Note 1
Authorized Match Budget		\$167,697	Note 2
<b>Questioned Federal Costs:</b>			
Subgrantee fully charged salary and benefit costs to other non-Corporation program accounts in the general ledger, but claimed a portion of those costs against Corporation grants which were not recorded in the general ledger account for those grants	7,205		Note 3
Subgrantee provided no reconciliation for certain claimed costs to the general ledger to support that those costs were incurred for the Corporation grants	7,023		Note 4
Subgrantee did not have timesheets supporting staff costs for program year 2012	4,752		Note 5
FBI search results were missing from the member files	8,157		Note 6
Total Questioned Federal Costs		<u>\$27,137</u>	
<b>Questioned Match Costs:</b>			
Subgrantee fully charged salary and benefit costs to other non-Corporation program accounts in the general ledger, but claimed a portion of those costs against Corporation grants which were not recorded in the general ledger account for those grants	28,847		Note 3
Subgrantee provided no reconciliation for certain claimed costs to the general ledger to support that those costs were incurred for the Corporation grants	37,674		Note 4
Subgrantee did not have timesheets supporting staff costs for program year 2012	13,472		Note 5
FBI search results were missing from the member files	691		Note 6
Total Questioned Match Costs		<u>\$80,684</u>	
<b>Questioned Education Awards:</b>			
FBI search results were missing from the member files	5,550		Note 6
Total Questioned Education Awards		<u>\$5,550</u>	

**Notes**

1. The authorized amount represents the Federal funding to LSSI in accordance with the sub-grant agreement budget.
2. The authorized match represents LSSI's funding to be provided in accordance with the sub-grant agreement budget.
3. Federal costs of \$7,205 and match costs of \$28,847 were questioned because salary and benefit costs were fully charged to other non-Corporation program accounts in the general ledger, but a portion of those costs were claimed against the Corporation grants which were not recorded in the general ledger account for those grants (See Finding 3a(i)).
4. Federal costs of \$7,023 and match costs of \$37,674 were questioned because no reconciliation to the general ledger was provided for certain claimed costs to support that those costs were incurred for the Corporation grants (See Finding 3a(ii)).

5. Federal costs of \$4,752 and match costs of \$13,472 were questioned because the subgrantee did not have timesheets supporting the staff costs claimed (See Finding 4a).
6. Federal costs of \$8,157, match costs of \$691 and an education award of \$5,550 were questioned because the FBI search results were missing from the member files (See Finding 2b).

**Schedule of Award and Claimed Costs  
Lutheran Social Services of IL – 14AFHIL001  
AUP Period August 7, 2014, through March 31, 2015**

			<b>Reference</b>
Authorized Budget (Federal Funds)		\$265,797	Note 1
Authorized Match Budget		\$226,420	Note 2
<b>Questioned Federal Costs:</b>			
Subgrantee fully charged salary and benefit costs to other non-Corporation program accounts in the general ledger, but claimed a portion of those costs against the Corporation grants which were not recorded in the general ledger account for those grants	9,222		Note 3
Subgrantee provided no reconciliation for certain claimed costs to the general ledger to support that those costs were incurred for the Corporation grants	1,778		Note 4
<b>Total Questioned Federal Costs</b>		<u>\$11,000</u>	
<b>Questioned Match Costs:</b>			
Subgrantee fully charged salary and benefit costs to other non-Corporation program accounts in the general ledger, but claimed a portion of those costs against the Corporation grants which were not recorded in the general ledger account for those grants	36,665		Note 3
Subgrantee provided no reconciliation for certain claimed costs to the general ledger to support that those costs were incurred for the Corporation grants	21,193		Note 4
<b>Total Questioned Match Costs</b>		<u>\$57,858</u>	

**Notes**

1. The authorized amount represents the Federal funding to LSSI in accordance with the sub-grant agreement budget.
2. The authorized match represents LSSI's funding to be provided in accordance with the sub-grant agreement budget.
3. Federal costs of \$9,222 and match costs of \$36,665 were questioned because salary and benefit costs were fully charged to other non-Corporation program accounts in the general ledger, but the subgrantee claimed a portion of those costs against the Corporation grants which were not recorded in the general ledger account for those grants (See Finding 3.a.i.).
4. Federal costs of \$1,778 and match costs of \$21,193 were questioned because the subgrantee provided no reconciliation to the general ledger to support that those costs were incurred for the Corporation grants (See Finding 3.a.ii.).

**Schedule of Award and Claimed Costs:  
 Lessie Bates Davis Neighborhood House – 11AFHIL001  
 AUP Period April 1, 2013, through June 30, 2014**

			<b>Reference</b>
Authorized Budget (Federal Funds)		\$1,116,379	Note 1
Authorized Match Budget		\$1,627,594	Note 2
<b>Questioned Federal Costs:</b>			
Subgrantee initiated FBI search after member started working on the grant	3,351		Note 3
Subgrantee claimed lodging costs that were not in compliance with travel policies and procedures	100		Note 4
Total Questioned Federal Costs		<u>\$3,451</u>	
<b>Questioned Education Awards:</b>			
Subgrantee initiated FBI search after member started working on the grant	7,104		Note 3
Member's fundraising hours exceeded ten percent maximum allowed	1,175		Note 5
Total Questioned Education Awards		<u>\$8,279</u>	

**Notes**

1. The authorized budget amount represents the Federal funding to LBDNH in accordance with the sub-grant agreement.
2. The authorized match budget represents the LBDNH funding to be provided in accordance with the sub-grant agreement.
3. Federal costs of \$3,351 and \$7,104 in education awards were questioned because FBI search was initiated after members started working on the grant (See Finding 2a).
4. Federal costs of \$100 were questioned because the lodging costs claimed exceeded the cost allowable under the Illinois Department of Central Management Services - Travel Guide. (See Finding 5b).
5. An education award of \$1,175 was questioned because the member's fundraising hours exceeded the ten percent maximum allowed (See Finding 6a).

**Schedule of Award and Claimed Costs:  
 Lessie Bates Davis Neighborhood House – 14AFHIL001  
 AUP Period April 1, 2013, through June 30, 2014**

			<b>Reference</b>
Authorized Budget (Federal Funds)		\$451,379	Note 1
Authorized Match Budget		\$918,710	Note 2
Questioned Education Awards:			
Subgrantee initiated the FBI search after the member started working on the grant	5,550		Note 3
Total Questioned Education Awards		<u>\$5,550</u>	

**Notes**

1. The authorized budget amount represents the Federal funding to LBDNH in accordance with the sub-grant agreement budget.
2. The authorized match budget represents the LBDNH funding to be provided in accordance with the sub-grant agreement budget.
3. The \$5,550 education award was questioned because the FBI search was initiated after the member started working on the grant (See Finding 2a).

## Detailed Findings

## Finding 1 – Monitoring Findings

**Grantee's Assessment Of Grant Applicants And Monitoring Of Subgrantees Was Inadequate**

We found that SI was deficient in how it assessed the capabilities of its grant applicants and how it monitored its subgrantees as follows:

**a. The Grantee's Subgrantee Selection Process Did Not Document The Assessment Of The Adequacy Of The Applicant's Financial Management System**

We judgmentally selected a sample of four sub-grantees to determine whether the SI review process addressed the adequacy of the applicant's financial systems. We determined that SI's sub-grant application analysis was limited to reviewing the applicant's financial statement audits. The evaluation documentation only focused on three areas: (1) Program Design, (2) Organizational Capability, and (3) Cost Effectiveness and Budget Adequacy. There was no indication in the evaluation guidance or documentation that SI addressed the adequacy of the applicant's financial systems.

SI's policies and procedures are insufficient to ensure that an applicant's financial management system is adequately assessed to determine if the system will meet the required standards for financial management and financial reporting. By not ensuring that that the applicant's systems met the required standards, the sub-grantee may not be able to properly classify Federal and matching costs, and record transactions in sufficient detail to make them auditable as reported in findings 3.a.i. and 3.a.ii. below.

**b. The Grantee Did Not Continuously Monitor Subgrantees' Single Audits**

We noted that SI did not obtain all relevant single audit reports for its sub-grantees for monitoring purposes as follows:

Subgrantee	Recent Single Audit on File by Fiscal Year	Single Audits By Fiscal Year Not on File
Asian Human Services	2012	2013, 2014
Academy for Urban School Leadership	2013	2014
Children's Home	2013	2014
City Year	2012	2013, 2014
Greater Chicago Food Depository	2013	2014
Illinois Coalition for Immigrant and Refugee Rights	2010	2011 - 2014
Illinois Public Health Association	2012	2013, 2014
Jumpstart	2010	2011 - 2014
Lessie Bates Davis Neighborhood House	2012	2013, 2014
Literacy Volunteers of Illinois	2012	2013, 2014
Lutheran Social Services of Illinois	2012	2013, 2014
Northwestern University Settlement Association	2013	2014
PCC Community Wellness Center	2012	2013, 2014

<b>Subgrantee</b>	<b>Recent Single Audit on File by Fiscal Year</b>	<b>Single Audits By Fiscal Year Not on File</b>
Public Health Institute of Metropolitan Chicago	2010	2011 - 2013
Public Allies	2012	2013, 2014
Rend Lake College	2013	2014
Sauk Valley Community College	2013	2014
Springfield Urban League	2012	2013, 2014
Southwestern Illinois College	2013	2014
Teach for America	2012	2013, 2014
The American National Red Cross	2012	2013, 2014
Up2Us Inc.	2012	2013, 2014
West Suburban PADS	2012	2013, 2014
Western Illinois University	2013	2014
YMCA of Rock River Valley	2012	2013, 2014
Youth Organization Umbrella	2013	2014

SI indicated that it was aware of the single audit monitoring requirements; however, the lack of evidence of such single audit monitoring indicates that it was not consistently performed or in some cases, it was not documented. SI's policies and procedures do not address the requirement to conduct and document the single audit monitoring of its subgrantees.

By not reviewing the single audit reports, SI cannot properly monitor its subgrantees nor take timely action to address reported deficiencies, which could result in financial loss to the Federal government.

**c. Grantee Did Not Question And Recover Subgrantee's Costs For Non-Compliance**

We noted the following instances where SI did not question and recover any costs regarding non-compliances noted during its monitoring reviews:

1. The 2014 site visit for Teach for America identified 14 members that had timesheets that were not dated by the member, not dated by the supervisor, or not dated by the member and the supervisor. Timesheets were done on a monthly basis. SI allowed the subgrantee to retroactively date the timesheets and resubmit them after the fact. Two of the timesheets were not dated by the member, one was not dated by the supervisor, and 17 that were not dated by the member or the supervisor. There was no evidence of a resubmission of timesheets for one member where it was noted that the timesheets were not dated by the member and the supervisor.
2. The 2014 site visit for YMCA of Rock River Valley identified three members that had timesheets that were not signed and dated by the member and the supervisor or were not dated by the supervisor. Six weekly timesheets for one member were not signed and dated by the member and the supervisor. Four timesheets for two members were not dated by the supervisor. SI allowed the member and supervisors to retroactively sign and date them after the fact.
3. The 2014 site visit for Lutheran Social Services of Illinois found ten members without FBI background checks on April 22, 2015. Four of those members started service in September 2014, one started October 2014, three started November 2014 and two

started February 2015. The SI monitoring report indicated that all FBI checks were in process as of May 14, 2015, and all members were under direct supervision at all times. However, the report did not indicate when the FBI checks were initiated. The last follow-up documented by SI was performed on May 21, 2015, and it indicated that SI was still waiting for the FBI background checks.

SI only took action to have the sub-grantees perform administrative corrections to the timesheets and to conduct FBI background checks as soon as possible for the members rather than to question and recover the subgrantees' costs due to non-compliance with Federal regulations. The 2015 SI Policy and Procedure Manual, Site Monitoring, Action Steps, states the following,

*Commission staff will follow up and provide written feedback relating to the monitoring visit to the program detailing any deficiencies that need (to be) corrected or documentation that needs to be produced. Programs have ten working days to correct deficiencies and to produce missing documentation. Commission staff will review the program's response and review any documentation for accuracy. Commission staff will provide a response to the program. If additional information is needed or if a corrective action plan is appropriate, this directive will be given to the program. The program again has ten working days to respond. All communications, findings and documentation for each visit will be stored by Commission staff in both hard copy and electronically in the program's monitoring file.*

The procedures do not address what should be done when issues of non-compliance with Federal regulations that have financial implications are found. As a result, SI only requested corrections to the documentation or that FBI background checks be conducted.

By allowing subgrantees to alter the timesheets after the fact, there is no assurance that the members actually worked the hours indicated on those timesheets. As a result, the members may have received living allowance payments and education awards that they were not entitled to receive. Additionally, those members with no documentation of an FBI check in their members' files were ineligible to serve. As a result, they received living allowance payments and education awards that they were not entitled to receive.

### **Criteria**

45 C.F.R., §2541.200, *Standards for Financial Management Systems*, subsections (b) and (c) (October 2012, 2013, and 2014), states,

*(b) The financial management systems of other grantees and sub-grantees must meet the following standards:*

- (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or sub-grant.*
- (2) Accounting records. Grantees and sub-grantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations,*

*unobligated balances, assets, liabilities, outlays or expenditures, and income.*

- (4) Budget control. Actual expenditures or outlays must be compared with budgeted amounts for each grant or sub-grant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or sub-grant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.*
- (c) An awarding agency may review the adequacy of the financial management system of any applicant for financial assistance as part of a pre-award review or at any time subsequent to award.*

Although not applicable for these sub-grant agreements, we are also presenting the current requirements under 2 C.F.R., §200.302, *Financial Management, subsection (b)* (January 2014), which states,

*The financial management system of each non-Federal entity must provide for the following:*

- (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.*
- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §200.327 Financial reporting and 200.328 Monitoring and reporting program performance.*
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.*
- (5) Comparison of expenditures with budget amounts for each Federal award.*

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart D-Federal Agencies and Pass-Through Entities, §400(d) *Pass-through entity responsibilities*, subsections (2)-(6) states:

*A pass-through entity shall perform the following for the Federal awards it makes:*

- (2) Advise sub-recipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.*
- (3) Monitor the activities of sub-recipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.*

- (4) *Ensure that sub-recipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the sub-recipient's fiscal year have met the audit requirements of this part for that fiscal year.*
- (5) *Issue a management decision on audit findings within six months after receipt of the sub-recipient's audit report and ensure that the sub-recipient takes appropriate and timely corrective action.*
- (6) *Consider whether sub-recipient audits necessitate adjustment of the pass-through entity's own records*

Although not applicable for these sub-grant agreements, we are also presenting the current requirements under 2 C.F.R., §200.331, *Requirements for pass-through entities*. (January 2014), which states,

*All pass-through entities must:*

- (d) *Monitor the activities of the sub-recipient as necessary to ensure that the sub-award is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the sub-award; and that sub-award performance goals are achieved. Pass-through entity monitoring of the sub-recipient must include: (1) Reviewing financial and performance reports required by the pass-through entity. (2) Following-up and ensuring that the sub-recipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the sub-recipient from the pass-through entity detected through audits, on-site reviews, and other means. (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the sub-recipient from the pass-through entity as required by § 200.521 Management decision.*
- (f) *Verify that every sub-recipient is audited as required by Subpart F – Audit Requirements of this Part when it is expected that the sub-recipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in 200.501 Audit requirements.*
- (g) *Consider whether the results of the sub-recipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.*

AmeriCorps State and National Grant Provisions (June 2012, 2013 and 2014), IV. *AmeriCorps Special Provisions, D. Supervision and Support, 6. Timekeeping*, states,

*The grantee is required to ensure that time and attendance recordkeeping is conducted by the AmeriCorps member's supervisor. This time and attendance record is used to document member eligibility for in-service and post-service benefits. Time and attendance records must be signed and dated both by the member and his/her supervisor.*

45 C.F.R., §2540.204, *When must I conduct a National History Criminal History Check on an individual in a covered position?*, subsection (a)(2) (October 2013 and 2014), states,

*You must initiate state registry or FBI criminal history checks required under § 2540.203 before an individual in a covered position begins work or starts*

*service. You may permit an individual in a covered position to begin work or start service pending the receipt of results from state registry or FBI criminal history checks as long as the individual is not permitted access to children age 17 years or younger, to individuals age 60 years or older, or to individuals with disabilities, without being in the physical presence of an appropriate individual, as described in §2540.205(g) of this chapter.*

45 C.F.R., §2540.206 *What documentation must I maintain regarding a National Service Criminal History Check for a covered position?*, subsection (b) (October 2013 and 2014), states,

*Maintain the results, or a results summary issued by a State or Federal government body, of the NSOPW check and the other components of each National Service Criminal History Check, unless precluded from doing so by State or Federal law or regulation. You must also document in writing that an authorized grantee representative considered the results of the National Service Criminal History Check in selecting the individual.*

**Recommendations:**

We recommend that the Corporation:

1. Ensure that SI strengthens its subgrantee monitoring by establishing procedures for the following:
  - a. Verifying that grant applicants are able to meet the financial management standards under 45 C.F.R., §2541.200 prior to receiving an award.
  - b. Following-up on the single audits of all of its subgrantees for the period covered by those sub-grants as required under 2 C.F.R, §200.331.
  - c. Questioning subgrantee costs when monitoring reviews identify non-compliance issues that have financial implications and record the outcome in SI's monitoring documentation to hold the subgrantee accountable for its use of grant funds.

**SI Response:**

SI does not concur with finding 1a; however, SI agrees that the documentation was not adequate as it only had the reviewer checking that certain documents had been reviewed. SI has developed a new financial review checklist and grant applicants are now required to fill out an Internal Financial Control Questionnaire and a Programmatic Risk Assessment. The Illinois Department of Public Health and SI staff will evaluate this information prior grant award.

SI does not concur with finding 1b indicating that SI utilized online systems to monitor single audits, which is why there was no documentation. However, SI agrees that more detailed documentation was needed to track these reviews. Hard copies of the audits are now printed for each of the applicants during the review.

SI does not concur with finding 1c indicating that costs were questioned and SI determined that corrective action could be taken to eliminate the need for recoupment of costs. Teach for America was utilizing an electronic timesheet that did not populate with the date and signature. SI found that hours were correct and allowed the program to fix the

documentation. The subgrantee also corrected the issue to ensure the dates print correctly. For YMCA of Rock River Valley, SI determined the timesheet issues were due to clerical error. Many of the errors were caused by using the electronic timekeeping through the OnCorps system. SI discontinued the use of the OnCorps system and requires subgrantees to utilize in-house systems to complete timesheets. SI indicated the hours served were correct, so the subgrantee was allowed to correct the errors. LSSI determined that their members did not interact with vulnerable populations, so FBI background checks were not required and SI did not question the costs. However, SI informed LSSI that whether or not it believes members have access to vulnerable populations, the program's focus on incarcerated and returning populations adds a level of interaction needing an FBI check, so now all members receive that check.

**Auditor's Comments:**

For finding 1a, there was no indication in the evaluation guidance or documentation provided that SI had addressed the adequacy of the applicant's financial management system, nor has SI's response provided any evidence that it did.

For finding 1b, SI did not provide verifiable documentation that it continued to review the single audits of its subgrantees. SI indicated in its response that more detailed documentation was needed to track these single audit reviews.

For finding 1c, SI indicated that it had determined that the hours served were correct and allowable. However, SI did not provide any evidence to show how it independently determined that those hours were correct and allowable. In regards to the FBI background checks, SI provided no documentation to support that it had verified that the subgrantee's members do not have recurring access to vulnerable populations.

The Corporation should follow-up with SI during audit resolution to ensure that corrective actions have been taken to address the findings.

**Finding 2 – National Service Criminal History Check Findings**

We reviewed various samples of subgrantees' employee and member files to verify that the National Service Criminal History Check was conducted and documented as required under Federal regulations. The samples reviewed are noted in the following table:

<b>Grant No.</b>	<b>Subgrantee</b>	<b>No. Employees Tested</b>	<b>No. Members Tested</b>
06AFHIL001	LSSI	4	6
11AFHIL001	LSSI	3	7
14AFHIL001	LSSI	8	4
11AFHIL001	LBDNH	4	15
14AFHIL001	LBDNH	4	10
12ACHIL001	City Year	23	19
14ACHIL001	City Year	12	6
	<b>Totals</b>	<b>58</b>	<b>67</b>

Based on our testing, we had the following exceptions:

**a. Subgrantees Initiated State Criminal Registry and/or FBI Search After Employee/Member Started Working On The Grant**

For four of the 58 employee files tested, City Year did not initiate a State Criminal Registry check, or a FBI fingerprint check for employees with access to vulnerable populations, before the employees started working on the grant. City Year did not have procedures and controls in place to ensure that State criminal registry and/or FBI search were initiated before the employee started working on the grant.

For seven of the 67 member files tested, LBDNH did not initiate the FBI searches for member access to vulnerable populations until after the members started service on the grant. LBDNH did not have procedures and controls in place to ensure that the FBI search was initiated before the member started serving on the grant.

Federal and match costs incurred prior to initiating the searches were questioned along with any service hours charged to the grant. Education awards were questioned if the net service hours were insufficient to earn the education award.

<b>Grant No. 12ACHIL001</b>		
<b>City Year Employee No.</b>	<b>Questioned</b>	
	<b>Federal</b>	<b>Match</b>
41	\$16,119	\$16,849
47	29,781	31,739
60	20,385	19,789
67	25,289	26,875
<b>Total City Year</b>	<b>\$91,574</b>	<b>\$95,252</b>
<b>Grant No. 14ACHIL001</b>		
47	\$8,312	\$9,800
<b>Total City Year</b>	<b>\$8,312</b>	<b>\$9,800</b>

<b>Grant No. 11AFHIL001</b>		
<b>LBDNH Member No.</b>	<b>Questioned</b>	
	<b>Federal</b>	<b>Education Award</b>
2	\$2,011	\$5,550
7	1,340	379
9	-	1,175
<b>Total LBDNH</b>	<b>\$3,351</b>	<b>\$7,104</b>
<b>Grant No. 14AFHIL001</b>		
24	-	5,550
<b>Total LBDNH</b>	<b>\$ -</b>	<b>\$5,550</b>

For grant No. 12ACHIL001, we questioned \$91,574 in Federal costs and \$95,253 in match costs for City Year. For grant No. 14ACHIL001, we questioned \$8,312 in Federal costs and \$9,800 in match costs for City Year. For grant No. 11AFHIL001, we questioned \$3,351 in Federal costs and \$7,104 in education awards for LBDNH. For grant No. 14AFHIL001, we questioned an education award of \$5,550.

**b. FBI Search Results Were Missing From The Member Files**

For two of the 17 member files tested for LSSI, the FBI search results were missing from the member’s file. LSSI indicated that the program did not include any vulnerable populations (i.e., children age 17 or younger, individuals age 60 or older, or individuals with disabilities), so they did not believe that FBI search was required for its members. LSSI provided demographics on the clients that it served, however the demographics indicated that LSSI had access to minors (2014-2015). In addition, the demographic information that LSSI collected did not attempt to identify individuals with disabilities that were served by LSSI. There was no category in the demographic information to identify such individuals. We questioned Federal and match costs for the members along with their education awards.

<b>Grant No. 11AFHIL001<sup>5</sup></b>			
<b>LSSI Member No.</b>	<b>Questioned</b>		
	<b>Federal</b>	<b>Match</b>	<b>Education Award</b>
2012-2 <sup>^</sup>	\$3,905	\$372	\$2,775
2012-5 <sup>£</sup>	4,252	319	2,775
<b>Total LSSI</b>	<b>\$8,157</b>	<b>\$691</b>	<b>\$5,550</b>

<sup>^</sup> Costs were also questioned in finding 2.c.

<sup>£</sup> Education award was also questioned in finding 6.b.

For grant No. 11AFHIL001, we questioned \$8,157 in Federal, \$691 in match and \$5,550 in education awards for LSSI.

**c. Subgrantee Conducted Member’s State Criminal Registry Search More Than Four Months Prior To The Service Start Date**

For one of the 17 member files tested for LSSI, the State Criminal Registry Search was conducted more than four months prior to the member starting service. The Corporation has provided guidance indicating that it can be initiated from the point of application to when the member starts service, but no time limit was established regarding this process. In this case, the State Criminal Registry Search was completed more than four months prior to the member starting service. The concern here is that there is a four month period where activity involving this member is unknown to the subgrantee. The Federal regulations indicate that if an individual serves consecutive terms of service and does not have a break in service that exceed 120 days, then no additional National Service Criminal History Check is needed. In this case, the member’s start date was November 21, 2012, and the State Criminal Background search was completed on July 12, 2012, or 132 days before the member’s start date. The time frame exceeds 120 days and there is no specific requirement for an additional National Service Criminal History Check. However, there was more than 120 days since the check was completed before the member started service. Given the referenced Federal regulation, the search was considered to be too old to be acceptable. The Federal and match cost along with the education award for this member were already questioned in finding 2.b.

<sup>5</sup> LSSI had several sub-grant awards under this grant. Subgrant award 06AFHIL0010045 and 11AFHIL0010029.

**d. Subgrantee Did Not Document The National Sex Offender Public Registry Search Before Employees Started Working On The Grant**

For nine of the 10 LSSI employees tested, the National Sex Offender Public Website search was not conducted. LSSI believed that its program did not include any vulnerable populations, so they did not believe that it was required. The Federal regulations require the National Sex Offender Public Website search be conducted regardless of whether the employee has access to vulnerable populations. The Federal and match costs for these employees are questioned within findings 3.a.i. and 4.a.

**e. Subgrantee Did Not Obtain Authorization Documentation From An Employee To Conduct The National Service Criminal History Check As Required Under The Federal Regulations**

For one of the 10 LSSI employees tested that were charged to the grant, LSSI did not obtain authorization documentation from the employee to conduct the National Service Criminal History Check. LSSI indicated that this exception was due to human error. This is noted as a compliance issue.

**Criteria**

45 Code of Federal Regulations (C.F.R.) §2540.200 *To whom must I apply suitability criteria relating to criminal history?* (October 2012) states,

*You must apply suitability criteria relating to criminal history to an individual applying for, or serving in, a position for which an individual receives a Corporation grant-funded living allowance, stipend, education award, salary, or other remuneration*

45 Code of Federal Regulations (C.F.R.) §2540.201 *To whom must I apply suitability criteria relating to criminal history?* (October 2013 and 2014) states,

*You must apply the National Service Criminal History Check eligibility criteria to individuals serving in covered positions. A covered position is a position in which the individual receives an education award or a Corporation grant-funded living allowance, stipend, or salary.*

45 C.F.R. §2540.202 *What two search components of the National Service Criminal History Check must I satisfy to determine an individual's suitability to serve in a covered position?* (October 2012) states,

*Unless the Corporation approves an alternative screening protocol, in determining an individual's suitability to serve in a covered position, you are responsible for conducting and documenting a National Service Criminal History Check, which consists of the following two search components:*

- (a). **State Criminal Registry Search.** A search (by name or fingerprint) of the State criminal registry for the State in which your program operates and the State in which the individual resides at the time of application; and*
- (b). **National Sex Offender Public Registry.** A name-based search of the Department of Justice (DOJ) National Sex Offender Public Registry (NSOPR).*

45 C.F.R. §2540.203 *When must I conduct a State criminal registry check and a National Sex Offender Public Web site check on an individual in a covered position?* (October 2012) states,

- (b). *The National Sex Offender Public Web site check must be conducted on an individual who is serving, or applies to serve, as a Foster Grandparent, Senior Companion, or AmeriCorps State and National participant or grant-funded staff with recurring access to children, persons age 60 or older, or individuals with disabilities on or after November 23, 2007. For all other covered individuals, the National Sex Offender Public Web site check must be conducted on an individual who enrolls in, or is hired by, your program on or after October 1, 2009.*

45 CFR §2540.203 *What search components of the National Service Criminal History Check must I satisfy to determine an individual's eligibility to serve in a covered position?*, subsection (a) (October 2013 and 2014) states,

**Search procedure for individuals in covered positions who do not have recurring access to vulnerable populations.** *Unless the Corporation approves an alternative search procedure under §2540.207 of this chapter, to determine an individual's eligibility to serve in a covered position, you must conduct and document a National Service Criminal History Check that consists of the following components:*

- (1) *A nationwide name-based search of the Department of Justice (DOJ) National Sex Offender Public Web site (NSOPW), and*
- (2) *Either:*
  - (i) *A name- or fingerprint-based search of the official state criminal history registry for the state in which the individual in a covered position will be primarily serving or working and for the state in which the individual resides at the time of application; or*
  - (ii) *Submission of fingerprints through a state central record repository for a fingerprint-based Federal Bureau of Investigation (FBI) national criminal history background check.*

45 CFR §2540.203 *What search components of the National Service Criminal History Check must I satisfy to determine an individual's eligibility to serve in a covered position?*, subsection (b) (October 2013 and 2014), states,

**Search procedure for individuals in covered positions who have recurring access to vulnerable populations.**

- (1) *This rule applies to individuals who:*
  - (i). *Begin working for, or who start service with, you on or after April 21, 2011;*
  - (ii). *Will be 18 years old or older at any time during their term of service; and*
  - (iii). *Serve in a covered position that will involve recurring access to children age 17 years or younger, to individuals age 60 years or older, or to individuals with disabilities.*
- (2) *Unless the Corporation approves an alternative search procedure under §2540.207 of this chapter, to determine the eligibility of an individual described in paragraph (b)(1) of this section you must conduct and*

*document a National Service Criminal History Check that consists of the following components:*

- (i). A nationwide name-based search of the Department of Justice (DOJ) National Sex Offender Public Web site (NSOPW);*
- (ii). A name- or fingerprint-based search of the official state criminal history registry for the state in which the individual in a covered position will be primarily serving or working and for the state in which the individual resides at the time of application; and*
- (iii). Submission of fingerprints through a state central record repository for a fingerprint-based FBI national criminal history background check.*

*45 C.F.R. §2540.204 When must I conduct a National Service Criminal History Check on an individual in a covered position?, subsection (a)(1) (October 2013 and 2014), states,*

*You must conduct and review the results of the nationwide NSOPW check required under §2540.203 before an individual in a covered position begins work or starts service.*

*45 C.F.R. §2540.204(a)(2) (October 2013 and 2014) is stated within finding 1.*

*National Service Criminal History Check Frequently Asked Questions – Updated October 10, 2014, 7.4 How far in advance of participation in a program should we conduct the search?, states,*

*Programs may start conducting the NSCHC from the point of application to when the candidate begins to work or serve in a National Service program. The regulations require the NSOPW component to be performed before the start of service/employment, and the criminal history search(es) initiated no later than when they are enrolled or hired to begin service/work.*

*45 C.F.R. §2540.204 When must I conduct a National Service Criminal History Check on an individual in a covered position?, subsection (b) (October 2013 and 2014) states,*

*If an individual serves consecutive terms of service in a covered position and does not have a break in service that exceeds 120 days, then no additional National Service Criminal History Check is required, as long as the original check is a compliant check for the covered position in which the individual will be serving or working following the break in service. If your program or project is designed with breaks in service over 120 days, but less than 180 days between consecutive terms, you may request approval for a break in service of up to 180 days before a new National Service Criminal History Check is required. Your request must describe the overall program design, explain why the longer period is reasonable, and demonstrate that you have established adequate risk management controls for the extended break in service.*

*45 C.F.R. §2540.204 What procedures must I follow in conducting a National Service Criminal History Check for a covered position?, subsection (b) (October 2012) states,*

*Obtain prior, written authorization for the State criminal registry check and the appropriate sharing of the results of that check within the program from the individual (but not for the NSOPR check);*

45 C.F.R. §2540.205 *What procedures must I follow in conducting a National Service Criminal History Check for a covered position?*, subsection (b) (October 2013 and 2014) states,

*Obtain prior, written authorization from the individual for the State registry check, for the FBI criminal history check, and for the appropriate sharing of the results of the checks within the program. Prior written authorization from the individual is not required to conduct the nationwide NSOPW check.*

**Recommendations:**

We recommend that the Corporation:

2. Resolve and recover questioned Federal costs of \$91,574 and match costs of \$95,252 relating to City Year for grant No. 12ACHIL001.
3. Resolve and recover questioned Federal costs of \$8,312 and match costs of \$9,800 relating to City Year for grant No. 14ACHIL001.
4. Resolve and recover questioned Federal costs of \$3,351 and education awards of \$7,104 relating to LBDNH for grant No. 11AFHIL001.
5. Resolve and recover questioned education award of \$5,550 relating to LBDNH for grant No. 14AFHIL001.
6. Resolve and recover questioned Federal costs of \$8,157, match costs of \$691, and education awards of \$5,550 relating to LSSI for grant No. 11AFHIL001.
7. Ensure that SI strengthens the monitoring of its subgrantees to ensure that:
  - a. Members will not start service until the FBI check is initiated when the member is expected to have recurring access to vulnerable populations.
  - b. National Service Criminal History Checks are conducted and documented in accordance with the Federal regulations for both employees and members.
  - c. Authorizations are obtained and documented from employees and members to conduct the National Service Criminal History Check.

**SI Response:**

SI does not concur with finding 2a indicating that City Year had reported these errors to the Corporation during the Corporation's National Service Criminal History Check Assessment Period. SI stated that the Corporation's assessment guidance indicated that if errors were reported and corrected within that period, then the Corporation would not require repayment of costs. SI indicated that members (samples 2 and 7) for LBDNH did not have access to vulnerable populations, so an FBI check prior to service was not required. SI agreed with the finding for member samples 9 and 24.

SI does not concur with finding 2b, indicating that LSSI's October 2015 demographic report contained a reporting error that youth were served. SI also indicated that LSSI did have intake forms from the people being served that would have shown if anyone was disclosing a disability. SI indicated that none of the persons served claimed disability. Based on this

information, the members did not have access to vulnerable populations and these costs should not be questioned.

SI does not concur with finding 2c, indicating that there is no requirement regarding the initiation date of background checks. SI stresses to its subgrantees that checks should be started in the application process and the subgrantee should not be assessed a penalty for due diligence.

SI partially concurs with finding 2d, indicating that LSSI did submit four NSOPR searches in October and again December 2015. SI indicated that the rest of the employees did receive NSOPR searches after receiving notification that the searches were missing and those searches were negative.

SI concurs with finding 2e and will ensure that the subgrantees receive authorization documentation from all employees to perform the National Service Criminal History Check.

**Auditor's Comments:**

For finding 2a, SI did not disagree with the exceptions that were noted in this finding for City Year. The non-compliance with the Federal regulation did occur and there was no way for City Year to correct the exceptions. Our responsibility is to report instances of non-compliance and to identify questioned costs resulting from that non-compliance. SI indicated that LBDNH members (sample 2 and 7) did not have access to vulnerable populations. However, LBDNH did not provide any evidence to support that claim to the auditors and SI relied on a written statement made by the LBDNH President/CEO as being factual support. The auditors do not consider such documentation as acceptable evidence.

For finding 2b, LSSI's error in its 2015 demographics report was not disclosed to the auditor until SI's response to the draft report. It is important to note that the corrected report provided by SI indicates that LSSI did serve individuals ranging from the age of 62 to 74 years of age. Based on that information, LSSI members did have access to vulnerable populations and the questioned costs should remain as stated.

For finding 2c, we believe that the criteria stated provided a basis for determining that the State criminal background check that was conducted over four months prior to the member starting service was not acceptable. It is up to the Corporation to determine whether the questioned costs should be sustained or not.

For finding 2d, SI provided only the four NSOPR searches in its response to this report. One of the four employees was not part of the exceptions noted. The NSOPR search for another employee was incomplete as it did not contain information from the State of New Jersey. For another employee, there was only a memo for the record and it did not indicate that a national sex offender search was conducted. For the last employee, the Corporation should consider this information during the audit resolution.

For finding 2e, SI concurs so the finding remains as stated.

We continue to recommend that the Corporation calculate and recover the disallowed cost based on our questioned cost.

### **Finding 3 – Financial Management System Findings**

#### **a. Subgrantee’s Financial Management System Did Not Substantially Meet Federal Financial Management System Standards**

LSSI's accounting system is unable to identify Federal or match costs by award. The auditors were unable to reconcile LSSI's General Ledger (GL) to the monthly Periodic Expense Reports (PERs),<sup>6</sup> for the period of April 1, 2013 through March 31, 2015 to allow CLA to conduct cost transaction testing. LSSI's general ledger is set up to track all AmeriCorps grants through one account code and does not track costs by program year. A comparison of GL costs and those reported in the PERS for that period shows that the system fell short in supporting the cost in the PERS by \$149,269. LSSI was unable to reconcile cost from GL and additional costs not on the GL to the PERS. In addition, LSSI did not provide information to reconcile the costs of part of the Program Year (PY) 2012-2013.<sup>7</sup>

The inability to provide a complete reconciliation from the GL to the PERs was due to the sub-grantee not having a system that meets the financial management system standards. This deficiency should have become evident either during the pre-award review conducted by SI regarding the adequacy of the financial management system or discovered in its post award sub-grantee monitoring.

As a result, we are questioning the following costs:

#### **i. Subgrantee Fully Charged Salary And Benefit Costs To Other Non-Corporation Program Accounts In The General Ledger, But Claimed A Portion Of Those Costs Against Corporation Grants Which Were Not Recorded In The General Ledger Account For Those Grants**

For program years 2013 and 2014, LSSI determined the payroll costs for the grants based on timesheets. However, the timesheets only accounted for hours charged to the AmeriCorps grant, but no other programs. The timesheets did not account for the employee's full time charged to each program to show how those salary and benefit costs should be charged. In addition, salary and benefit costs of these employees were actually charged to other GL program accounts and not to the AmeriCorps grant GL account. LSSI indicated that it reclassified a portion of salary and benefit costs to the AmeriCorps grant GL account for part of program year 2013-2014 for two staff members, but not for any other staff members.

We have no evidence that the salary and benefit costs claimed by LSSI were actually incurred to support the AmeriCorps grant. As a result, the salary and benefit costs claimed for program years 2013 and 2014 are questioned.

For grant No. 11AFHIL001, we questioned \$7,205 in Federal and \$28,847 in match costs for LSSI. For grant No. 14AFHIL001, we questioned \$9,222 in Federal and \$36,665 in match costs for LSSI.

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<sup>6</sup> Subgrantees are required to submit monthly Periodic Expense Reports to SI that states the Federal and match budget line items amounts, the Federal and match costs incurred by line item for the month, Federal and match incurred costs by line item year-to-date, and the Federal and match year-to-date balance.

<sup>7</sup> This is for costs claimed against sub-grant 06AFHIL0010045 covering the period of April 2013 through December 2013.

**ii. Subgrantee Provided No Reconciliation For Certain Claimed Costs To The General Ledger To Support Costs Incurred For The Corporation Grants**

LSSI was unable to reconcile \$8,801 in Federal and \$58,867 in match costs claimed to the AmeriCorps GL account. This was for costs that were charge to the grant that were not posted to the AmeriCorps GL account and LSSI provided no support for those costs. As a result, we are questioning the costs as we were unable to confirm that those costs were incurred for the AmeriCorps grant.

For grant No. 11AFHIL001, we questioned \$7,023 in Federal and \$37,674 in match costs for LSSI. For grant No. 14AFHIL001, we questioned \$1,778 in Federal and \$21,193 in match costs for LSSI.

**b. Subgrantee Did Not Consistently Record In-Kind Match Costs In The Subgrantee’s GL**

For 12 of 34 match transactions tested, LBDNH did not consistently record the claimed in-kind match cost of \$457,519 in its GL. It was also noted that LBDNH did not record a total of \$1,583,287 of in-kind match during the AUP period. LBDNH did not have procedures and controls in place to ensure that in-kind costs are recorded in its GL consistently and in a timely manner.

<b>Grant No. 11AFHIL001</b>	
<b>Sample #</b>	<b>In-Kind</b>
ODCM-11.1	\$49,311
ODCM-11.2	23,702
ODCM-13.1	41,798
ODCM-13.2	24,757
ODCM-21.1	73,115
ODCM-21.2	11,601
ODCM-23.1	96,620
ODCM-23.1	6,001
<b>Total</b>	<b>\$326,905</b>
<b>Grant No. 14AFHIL001</b>	
<b>Sample #</b>	<b>In-Kind</b>
ODCM-8.1	\$ 45,648
ODCM-8.2	14,416
ODCM-10.1	51,998
ODCM-10.2	18,552
<b>Total</b>	<b>\$130,614</b>
<b>Grand Total</b>	<b>\$457,519</b>

Given that the \$457,519 in-kind costs were not reflected in the LBDNH’s GL, there was no assurance that the costs were not used to support another grant. In addition, the omission of these costs from the GL could result in those costs not being addressed during the LBDNH’s single audit.

**c. Sub-Grantee Was Tracking Federal Grants From Two Federal Agencies Within The Same Account Number In Its GL**

During our review of City Year's accounting system, it was determined that City Year was tracking two Federal grants under the same account number "7100 – Chicago," which included CNCS grant No. 12ACHIL0010002 and a School Turnaround grant from the U.S. Department of Education. City Year uses an allocation methodology to track the Federal and match costs outside of their accounting system through Excel spreadsheets. The standards for financial management systems require sub-grantees to maintain records which adequately identify the source and application of funds provided for financially-assisted activities.

City Year's accounting systems were not designed or being utilized in a manner to track costs by grant for Federal and match costs, and by program year. City Year's system was manually intensive to maintain, subject to possible manipulation, and was prone to errors.

**Criteria**

45 C.F.R., §2541.200(b) and (c) (October 2012, 2013 and 2014), is stated in finding 1.

Although not applicable for these sub-grant agreements, we are also referring to the current requirements under 2 C.F.R., §200.302(b) (January 2014) as stated within finding 1.

2 C.F.R. §230 *Cost Principles for Non Profit Organizations*, (January 2012 and 2013), Appendix B – *Selected Items of Cost*, 8. *Compensation for Personal Services*, m. *Support of Salaries and Wages*, states,

- (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, as prescribed in subparagraph 8.m. (2) of this appendix, except when a substitute system has been approved in writing by the cognizant agency. (See subparagraph E.2 of Appendix A to this part.)*
- (2) *Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities; if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). 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.*

Although not applicable for these sub-grant agreements, we are also presenting the current requirements under 2 C.F.R. §200.430 *Compensation-personal services*, subsection (i) *Standards for Documentation of Personnel Expenses* (1) (January 2014), which states,

*Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:*

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);
- (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph(h)(1)(ii) above for treatment of incidental work for IHEs.); and,
- (vi) [Reserved]
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

***Recommendations:***

We recommend that the Corporation:

- 8. Ensures that SI verifies that its current subgrantees are in compliance with the standards for financial management systems.
- 9. Ensure that SI strengthens its monitoring of its subgrantees to ensure that subgrantees have adequate procedures for reviewing and recording costs in their GL so that in-kind costs are recorded consistently and in a timely manner.
- 10. Resolve and recover questioned Federal costs of \$14,228 and match costs of \$66,521 relating to LSSI for grant No. 11AFHIL001.

11. Resolve and recover questioned Federal costs of \$11,000 and match costs of \$57,748 relating to LSSI for grant No. 14AFHIL001.

**SI Response:**

SI does not concur with findings 3ai and 3a ii because the auditors did not conduct a site visit at LSSI. SI also indicated that LSSI provided check and balance reports for labor costs that were tied to the general ledger. SI stressed that without the site visit, it is challenging to perform an accurate assessment of LSSI's financial systems.

SI does not concur with finding 3b indicating that the former CFO for LBDNH stopped logging such match costs at a certain point in the program because the program had met and exceeded the match requirements of the project.

SI does not concur with finding 3c indicating that City Year has tracked the two grants through two unique sources of fund grant codes and that all grant costs were tracked separately between the two codes.

**Auditor's Comments:**

For finding 3ai and 3a ii, SI did not address the serious weaknesses in LSSI's financial management system including the employee salary and benefit costs that were incorrectly charged to other program accounts in its GL and not to the AmeriCorps grant GL account. In addition, SI did not address the issues concerning the timesheets. Finally, SI did not address the LSSI's inability to provide the required reconciliations contained in finding 3a ii in its response. The findings remain as stated.

For finding 3b, the match in-kind costs were claimed by LBDNH and should have been recorded in the GL to reflect that those costs belonged to the AmeriCorps grants. SI's response does not directly refute the finding.

For finding 3c, SI's response did not address whether the costs were actually being tracked by grant within City Year's GL or by spreadsheets and no additional information was provided for the auditors to verify its claims. The finding remains as stated.

The Corporation should follow-up with SI during audit resolution to ensure that corrective actions have been taken to address the findings and resolve the questioned costs.

**Finding 4 – Labor Cost/Payroll Findings**

**a. Subgrantee Did Not Have Timesheets Supporting Staff Costs for Program Year 2012**

LSSI did not have any timesheets to support the staff costs for program year 2012. For program year 2013, SI was informed that timesheets were not available during a monitoring site visit conducted in March 2014. LSSI indicated that it claimed one twelfth of the budgeted salary costs for the grant each month, which is explicitly not allowed. The LSSI Program Officer informed us during the audit that timesheets were not available for both program years 2012 and 2013 and that costs were claimed in the same manner as previously indicated for the site visit. The LSSI Program Officer indicated that LSSI implemented timesheets for

program year 2014 after the SI site visit was conducted in March 2014. In response to our finding, LSSI subsequently provided timesheets for program year 2013, which is addressed in finding 3.a.i. above. During the exit conference, LSSI completely reversed its prior statements concerning program year 2012 and informed the OIG that they had found the timesheets for that period. However, the costs claimed were based on budgeted salary costs for the grant, which is explicitly not allowed. As a result, we are questioning the salary and benefits costs claimed during the AUP period against the AmeriCorps grant.

For grant No. 11AFHIL001, we questioned \$4,752 in Federal and \$13,472 in match costs for LSSI.

**b. Subgrantee Approved Employees’ Timesheet Hours Before Employee Performed The Work**

For two of the 23 City Year employees charged to the grant for the pay period ending June 8, 2013, the employees had hours that were approved before the work was performed as follows:

- One employee entered 32 hours in advance on June 3, 2013, for the period covering June 4<sup>th</sup> to June 7<sup>th</sup>. The manager approved the hours on June 5<sup>th</sup> before the remaining 16 hours were worked covering the period of June 6<sup>th</sup> through June 7<sup>th</sup>. We questioned the 16 hours charged.
- One employee entered 8 hours in advance on June 6<sup>th</sup> for June 7<sup>th</sup>. The manager approved the hours on June 6<sup>th</sup> before the hours were worked. We questioned the 8 hours charged.

The time recording system for City Year did not prevent the employees from recording their time prior to performing their service or prevent managers from approving those hours prior to them being worked. We questioned the Federal and match costs related to those questioned hours.

<b>Grant No. 12ACHIL001</b>		
<b>Employee No.</b>	<b>Questioned</b>	
	<b>Federal</b>	<b>Match</b>
50	\$149	\$97
70	50	33
<b>Total</b>	<b>\$199</b>	<b>\$130</b>

For grant No. 12ACHIL001, we questioned \$199 in Federal and \$130 in match costs for City Year.

**Criteria**

2 C.F.R., Part 230 *Cost Principles for Non-Profit Organizations*, §230, Appendix B to Part 230 – Selected Items of Cost, 8. Compensation for Personal Services, m. Support of Salaries and Wages, is stated within finding 3.

Although not applicable for these sub-grant agreements, we are also referring to the current requirements under 2 C.F.R. §200.430(i)(1) (January 2014) as stated within finding 3.

**Recommendations:**

We recommend that the Corporation:

12. Ensure that SI strengthens its monitoring of its subgrantees to confirm that subgrantees have adequate procedures and controls in place to ensure that labor costs are properly documented and reflect actual work performed and approved for the grant.
13. Resolve and recover questioned Federal costs of \$4,752 and match costs of \$13,472 relating to LSSI for grant No. 11AFHIL001.
14. Resolve and recover questioned Federal costs of \$199 and match costs of \$130 relating to City Year for grant No. 12ACHIL001.

**SI Response:**

SI did not concur with finding 4a, indicating that LSSI staff was confused regarding which years grant years fell within into the scope of the audit. LSSI informed the auditors that the timesheets were found during the exit conference for program year 2012.

SI did not concur with finding 4b, indicating that City Year informed the auditors that the two employees in question were salaried and could not work over 40 hours a week. The period of time for the employees to submit their timesheets occurred during their vacations, so they submitted early to meet payroll deadlines.

**Auditor's Comments:**

For finding 4a, the audit fieldwork cannot continue to go on indefinitely. SI provided additional documentation subsequent to the conclusion of our fieldwork. We did not perform a review of the timesheets that were submitted since they were provided after the cutoff of the audit fieldwork period. However, a review of one of the timesheets found that the timesheet contains the same problems as were noted for those addressed in finding 3a<sub>ii</sub> above. It is likely that the costs would still be questioned. The Corporation should consider the documentation submitted by SI in resolving this finding.

For finding 4b, SI's response did not change the factual content of the finding as reported nor did it provide evidence that the employees actually worked those days.

We continue to recommend that the Corporation calculate and recover the disallowed cost based on our questioned cost.

**Finding 5 – Other Direct Cost Findings**

**a. Subgrantee Did Not Provide Supporting Documentation For Certain Claimed Costs**

For four of 36 transactions tested, City Year did not provide any supporting documents for the claimed costs. City Year did not have procedures and controls in place to ensure that supporting documents are maintained for all costs charged to the grant. As a result, the following costs were questioned.

<b>Grant No. 12ACHIL001</b>		
	<b>Questioned</b>	
<b>Sample No.</b>	<b>Federal</b>	<b>Match</b>
6	\$1,082	\$1,250
<b>Total</b>	<b>\$1,082</b>	<b>\$1,250</b>
<b>Grant No. 14ACHIL001</b>		
24	\$ 987	\$ -
30	5,072	-
32	7,539	-
<b>Total</b>	<b>\$13,598</b>	<b>\$ -</b>

Note: City Year only provided spreadsheets listing the allocated costs charged against the grants, but did not provide source documents (i.e., invoices or receipts) to substantiate those costs.

For grant No. 12ACHIL001, we questioned \$1,082 in Federal and \$1,250 in match costs for City Year. For grant No. 14ACHIL001, we questioned \$13,598 in Federal costs for City Year.

**b. Grantee And Subgrantee Claimed Lodging Costs That Were Not In Compliance With Travel Policies And Procedures**

For one of 34 transactions tested for SI, the Federal lodging costs charged to the grant exceeded the cost allowable under the Illinois Department of Central Management Services - Travel Guide. There was no documentation provided to indicate that the lodging cost incurred was the lowest available at or near the conference location in accordance with the Governor's Travel Control Board Rules. There was also inadequate review of the invoice prior to posting the costs to the GL.

For one of 30 transactions tested for LBDNH, the sub-grantee claimed actual cost for lodging instead of the State government rate. The sub-grantee did not have procedures and controls in place to ensure that lodging costs are claimed per the Travel Reimbursement Schedule of the Illinois Department of Central Management Services or in accordance with the Governor's Travel Control Board Rules.

As a result, the costs were questioned as follows:

<b>Grant No. 13CAHIL001</b>	
<b>SI Sample No.</b>	<b>Questioned Federal</b>
6.6	\$1,183
<b>SI Total</b>	<b>\$1,183</b>
<b>Grant No. 11AFHIL001</b>	
<b>LBDNH Sample No.</b>	
ODCF-19	\$100
<b>LBDNH Total</b>	<b>\$100</b>

For grant No. 13CAHIL001, we questioned \$1,183 in Federal costs for SI. For grant No. 11AFHIL001, we questioned \$100 in Federal costs for LBDNH.

### **c. Subgrantee Claimed The Same Federal And Match Costs Twice**

For one of 36 transactions tested, City Year claimed a portion of the costs twice against the grant. City Year did not have procedures and controls in place to ensure that costs charged to the grant were entered only once into the accounting system. Federal cost of \$290 and match cost of \$356 were claimed twice.

For grant No. 14ACHIL001, we questioned \$290 in Federal and \$356 match costs for City Year.

#### **Criteria**

45 C.F.R., §2541.200 *Standards for financial management systems*, subsection (b), states,

*The financial management systems of other grantees and subgrantees must meet the following standards:*

- (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.*
- (5) Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs,*
- (6) Source documentation. Accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.*

Although not applicable for these sub-grant agreements, we are also presenting the current requirements under 2 C.F.R., §200.302 *Financial Management*, subsection (b) (January 2014), which states,

*The financial management system of each non-Federal entity must provide for the following:*

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §200.327 Financial reporting and 200.328 Monitoring and reporting program performance.*
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.*

2 C.F.R., Part 225 *Cost Principles for State, Local, and Indian Tribal Governments* (OMB Circular A-87), Appendix B *Selected Items of Cost*, 43b. *Lodging and subsistence* (January 2013), states,

*Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the governmental unit in its regular operations as the result of the governmental unit's written travel policy.*

2 C.F.R., Part 230 *Cost Principles for Non-Profit Organizations* (OMB Circular A-122), Appendix C *Selected Items of Cost*, 51b. *Lodging and subsistence*, (January 2013), states,

*Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the non-profit organization in its regular operations as the result of the nonprofit organization's written travel policy.*

Although not applicable for these sub-grant agreements, we are also presenting the current requirements under 2 C.F.R., §200.474 *Travel Costs*, subsection (b) (January 2014), which states,

*Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations as the result of the non-Federal entity's written travel policy.*

The Illinois Department of Central Management Services website provides the Travel Reimbursement Schedule, Lodging – Outside the State of Illinois that indicates that lodging rate for all out-of-state locations is \$90<sup>8</sup>.

Governor's Travel Control Board Rules – Part 2800, Section 2800.400 Conference Lodging, states,

*Any employee attending a conference or seminar in the course of State business which is sponsored by an organization other than the State of Illinois may stay in the lowest priced room available at or near the hotel or motel in which the conference or seminar is located or in accommodations arranged by conference/seminar organizations, and shall be reimbursed for actual lodging expenses in excess of those allowed by the Reimbursement Schedule. The traveler must assert in writing that accommodations were the lowest priced available at or near the conference/seminar site or that the accommodations were arranged by the conference/seminar organizers. This provision does not apply to conference/seminars of or for State officers or employees sponsored by one or more State agencies.*

**Recommendations:**

We recommend that the Corporation:

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<sup>8</sup> See Travel Reimbursement Schedule at <http://www.illinois.gov/cms/Employees/travel/Pages/TravelReimbursement.aspx>.

15. Ensure that SI strengthens its subgrantee monitoring to verify that support for costs are documented and maintained, and controls are in place to prevent double charging the grant for the same expense.
16. Resolve and recover questioned Federal costs of \$1,183 relating to SI for administration grant No. 13CAHIL001.
17. Resolve and recover questioned Federal costs of \$13,888 and match costs of \$356 relating to City Year for grant No. 14ACHIL001.
18. Resolve and recover questioned Federal costs of \$1,082 and match costs of \$1,250 relating to City Year for grant No. 12ACHIL001.
19. Resolve and recover questioned Federal costs of \$100 relating to LBDNH for grant No. 11AFHIL001.

***SI Response:***

SI does not concur with finding 5a, indicating that City year provided documentation for samples 6, 24, 30 and 32.

SI does not concur with finding 5b, indicating that SI followed the State's travel requirements for this event by contacting four hotels and utilizing the lowest rate. The travel was approved by the supervisor. SI also indicated that the traveler was an intern, so an agency travel request was not needed. SI now requires interns to complete the same travel forms as employees. SI also indicated that LBDNH attended an SI approved regional training event that was in a hotel that used a block rate. SI indicated that LBDNH followed the State's travel requirements for the event.

SI concurs with finding 5c, indicating that City Year did mistakenly claimed the costs twice.

**Auditor's Comments:**

For finding 5a, the auditors did not receive these invoices at the conclusion of audit site visit on October 9, 2015, or in response to the audit finding that was provided on February 17, 2016, several months later. The Corporation should consider the documentation submitted during the audit resolution process.

For finding 5b, documentation provided by SI does not provide any price comparison to show that the price obtained was the lowest available near or at the place in which the conference took place. The supporting documentation provided by SI for LBDNH showed that a hotel room could be reserved at the group rate for \$80 per night plus taxes. Our finding found that the \$80 dollar rate was not consistently charged for each night. The finding remains as stated.

For finding 5c, SI concurs so the finding will remain as stated.

We continue to recommend that the Corporation calculate and recover the disallowed cost based on our questioned cost.

## **Finding 6 – Member Service Hours Findings**

### **a. Member’s Fundraising Hours Exceeded Ten Percent Maximum Allowed**

For one of 25 member files tested (Sample 5), the timesheet included 50 hours for fund raising, which exceeded the 10 percent fund raising limit by 20 hours. LBDNH indicated that it does not conduct any fundraising using AmeriCorps members. LBDNH also stated that the member entered his time incorrectly as fundraising on the two timesheets in questioned. However, the member’s supervisor did not detect the error and approved those timesheets. Without a sworn affidavit from the member and the member’s supervisor indicating that the service hours were recorded as fundraising in error, we disallowed 20 of those 50 hours. This reduces the member’s total service hours to 280, which falls short of the 300 service hours required for the education award. As a result, the education award of \$1,175 was questioned.

### **b. Subgrantee Certified Member Service Hours Not Supported By Member’s Timesheets**

For one of 17 member files tested (Sample 2012-5), the service hours per the member’s timesheets accounted for 824.5 hours, but LSSI certified that the member had served 900 service hours. The certification of timesheet hours was not properly conducted to ensure that the member had served the total hours required to receive an education award. As a result, the education award of \$2,775 was questioned. The education award for this member was already questioned under finding 2.b.

### **Criteria**

45 C.F.R., §2520.45 *How much time may an AmeriCorps member spend fundraising?* (October 2013) states,

*An AmeriCorps member may spend no more than ten percent of his or her originally agreed-upon term of service, as reflected in the member enrollment in the National Service Trust, performing fundraising activities, as described in § 2520.40.*

Member Agreement, Section III. Term of Service, C., states,

*To be eligible for the education award, the member must successfully complete the term of service by completing at least 900 hours of service and satisfactorily completing pre-service training and the appropriate education/training.*

### **Recommendations:**

We recommend that the Corporation:

20. Ensure that SI strengthens its monitoring of its subgrantees to verify that:
  - a. Controls are in place to ensure that the member’s fundraising hours are limited to 10 percent of total service hours, and
  - b. Support for education awards are documented and verified.
  
21. Resolve and recover the education award of \$1,175 relating to LBDNH for grant No. 11AFHIL001.

**SI Response:**

SI does not concur with finding 6a, indicating that an error in the member's timesheet because no other members recorded fundraising time. LBDNH has drafted new policy language that specifically tells supervisors what is allowable in terms of fundraising.

SI does not agree with finding 6b, indicating that LSSI contacted OnCorps to determine where the error had occurred with the time sheets. It was determined that the member had incorrectly documented 75.5 hours under the incorrect date and contract.

**Auditor's Comments:**

For finding 6a, SI did not provide any evidence to show that the member actually did not work on any fundraising activities, which were also approved by the supervisor on more than one timesheet. The finding remains as stated.

For finding 6b, we were unable to confirm what was stated by SI from reviewing the documents that were provided. LSSI did not provide evidence that the member was not enrolled during that period when the hours were recorded in error and the information does not provide any indication that the time was approved by a supervisor. The finding remains as stated.

We continue to recommend that the Corporation calculate and recover the disallowed cost based on our questioned cost.

**Finding 7 – Reporting Finding**

**a. Subgrantee's Final Federal Status Report For Program Year 2012 Was Submitted Late**

The final Aggregate Financial Status Report (FSR) for program year 2012 was due on January 20, 2014, but LBDNH did not submit the report until February 4, 2014. The subgrantee did not have controls in place to ensure that the final FSR is submitted when due in accordance with the sub-grant provisions. Failure to submit FSRs timely could affect future funding for the subgrantee. This is noted as a compliance issue.

**Criteria**

Community Services Agreement between Department of Human Services (DHS) and Lessie Bates Davie House for Fiscal Year 2013, Exhibit B Deliverables, 8. Fiscal Reports, b. states,

*Providers must submit the federal Financial Status Report (FSR) 20 days after the end of the semi-annual reporting period on October 20 and April 20. A report must be submitted for EACH program year. A "Final" FSRs for each program year must be submitted in OnCorps by January 20th following the end of the program year.*

**Recommendation:**

We recommend that the Corporation:

22. Ensure that SI strengthens its monitoring of its subgrantees to confirm that the subgrantee has developed and implemented procedures to submit FSRs timely.

***SI Response:***

SI concurs with the finding indicating that the report was submitted late. SI indicated that after that period subgrantees no longer need to submit FSR/FFRs to SI, so this will no longer be an issue for any subgrantee.

**Auditor's Comments:**

SI concurred with the finding, therefore the finding remains as stated.

The Corporation should follow-up with SI during audit resolution to confirm whether corrective action is needed to address the finding.



July 14, 2016

Stuart Axenfeld  
 Assistant Inspector General  
 Office of Inspector General  
 Corporation for National and Community Service  
 250 E Street, SW  
 Washington, DC 20525

Dear Mr. Axenfeld,

Please accept this letter, the below responses, and attachments as Serve Illinois' response to the final draft audit report that we received on June 14, 2016.

For the past year, Serve Illinois, the Illinois Department of Public Health, and our subgrantees have worked diligently to provide Clifton Larson Allen with all requested documents in a timely manner. We believe this audit has brought to light areas in which our program can be improved, and we are already implementing those changes.

Much of the questioned costs in these findings stem from issues in background check documentation. Most of these issues were found and corrected during the 2014 National Service Criminal History Check Assessment Period. As you will see in our responses, we believe that these costs should not be questioned as our subgrantee followed the requirements of the assessment period (attachment 5).

Additionally, I would like to stress again that I do not believe Lutheran Social Services of Illinois (LSSI) received a fair and full audit during this process. As I stated in my letter to Mr. Ling on January 25, 2016 (attachment 9), LSSI was never afforded the onsite audit that was promised in the original audit plan and scope of work. This lack of an onsite audit leaves LSSI and Serve Illinois at a determinate, and I would again request that the Office of Inspector General and the Corporation for National and Community Service not accept the audit findings for LSSI.

Serve Illinois regards the oversight of federal and state funds as our highest priority, and we do not take the trust that the taxpayers of Illinois and the United States have given to us lightly. We will continue to improve our processes, and we are working with all of our subgrantees to ensure they are expending funds correctly and that the AmeriCorps Members are fulfilling their service to Illinois communities in the correct and most impactful way.

If you have any questions, please feel free to contact me at 217-685-5930 or [Scott.McFarland@Illinois.gov](mailto:Scott.McFarland@Illinois.gov). Thank you.

Yours in Service,

Scott McFarland  
 Executive Director

*Improving Illinois communities by enhancing volunteerism and instilling an ethic of service throughout the State.*



## Serve Illinois Responses

**Finding 1 – Monitoring Findings****a. The Grantee’s Subgrantee Selection Process Did Not Document The Assessment Of The Adequacy Of The Applicant’s Financial Management System**

Serve Illinois does not agree with this finding. Documentation was provided to Clifton Larson Allen (CLA) to show that financial management systems were reviewed during the selection process. Serve Illinois agrees that said document was not adequate as it only had the reviewer checking that they have reviewed the documents. As a result a new financial review checklist has been created (attachment 1). In addition, the new Illinois Grant Accountability and Transparent Act requirements require the grantee to fill out an Internal financial Control Questionnaire and a Programmatic Risk Assessment. Both Illinois Department of Public Health and Serve Illinois Staff evaluate this information prior to grant award.

**b. The Grantee Did Not Continuously Monitor Subgrantees’ Single Audits**

Serve Illinois does not agree with this finding. As stated above, reviews were conducted of the most recent single audits. Serve Illinois utilized online systems to review later single audits, which is why hard copies of those years were not available. Serve Illinois agrees that more detailed documentation was needed to track these reviews (see attachment 1). Hard copies of the audits are now printed for each of the applicants during the review.

**c. Grantee Did Not Question And Recover Subgrantee’s Costs For Non-Compliance**

Serve Illinois does not agree with this finding. The costs stated in the report were questioned, and it was determined that corrective action could be taken in order to eliminate the need for recoupment of costs.

For note 1, Teach for America was utilizing an electronic timesheet that did not populate with the date and signature. Serve Illinois found that the hours were correct and allowed the program to fix the documentation issue. (attachment 2). The program corrected the issue to ensure the dates print correctly.

For note 2, Serve Illinois found these YMCA of Rock River Valley timesheet issues to be a clerical error. The hours were served correctly, so the program was allowed to correct the error. No repayment was necessary. (attachment 3)

Many of these errors were caused by the use of electronic timekeeping through the OnCorps system. Members and staff had difficulties accessing and using the system. Serve Illinois has discontinued use of the OnCorps system, and subgrantees are required to utilize in-house systems to complete timesheets. This has significantly reduced instances of user error.

For note 3, Lutheran Social Services of Illinois (LSSI) determined that their Members did not interact with vulnerable populations, so FBI background checks were not required. This led to Serve Illinois not questioning costs related to the delayed background checks. Since this time, Serve Illinois has informed LSSI that whether or not they believe the Members have access to vulnerable populations, the programs focusing on incarcerated and returning populations adds a level of interaction that would need an FBI check. All Members now receive said checks in accordance to CNCS guidelines. (attachment 4)

## **Finding 2 – National Service Criminal History Check Findings**

### **a. Subgrantees Initiated State Criminal Registry and/or FBI Search After Employee/Member Started Working On The Grant**

This finding relates in part to the National Service Criminal History Check Assessment Period from 2014. During this assessment period, subgrantees were allowed to review all Member files to find background check errors. If the subgrantees reported said errors within the period, CNCS would not require repayment of costs. (attachment 5) City Year- Serve Illinois does not agree with this finding. The subgrantee reported and corrected these errors in their Assessment Period feedback. (attachment 6) Therefore, no costs should be questioned.

Lessie Bates Davis Neighborhood House (LBDNH) - Serve Illinois does not agree with the findings for samples 2 and 7. These Members did not have access to vulnerable populations, so a FBI check prior to service was not required. (attachment 7)

Serve Illinois agrees with the finding for sample 9. The Member in question was a Southern Illinois University – Edwardsville student teacher. A check was performed by the university, but it was not released to LBDNH, so a new check had to be performed. This caused a gap between the start of service and the second check. LBDNH now performs all checks in house to ensure this issue does not happen again.

Serve Illinois agrees with the finding for sample 24. As with sample 9, the Member had a check performed by SIU-E, but the documentation was not forwarded to LBDNH prior to the service start date. This caused a lag between start and check initiation. LBDNH now conducts all check in-house.

### **b. FBI Search Results Were Missing From The Member Files**

Serve Illinois does not agree with this finding. LSSI found that their October 2015 demographic report that states youth were served was made in error. The attached end of year report shows that only people age 18 and over were served throughout the year. (attachment 8) Additionally, all people served provided an intake form that would have shown if the person were disclosing a disability. LSSI staff physically examined all intakes forms during the audit process, and none showed a claimed disability. Since no onsite audit was conducted for this subgrantee, those documents could not be provided to CLA. (attachments 9 and 10) Therefore, Members did not have access to vulnerable

populations and these costs should not be questioned. As stated in finding 1c, Serve Illinois now requires LSSI to conduct FBI checks on all their Members.

**c. Subgrantee Conducted Member's State Criminal Registry Search More Than Four Months Prior To The Service Start Date**

Serve Illinois does not agree with this finding. As CNCS stated in the exit call on April 26, 2016 there is no requirement regarding the initiation date of checks. Serve Illinois stresses to its subgrantees that checks should be started in the application process. Subgrantees should not be assessed a penalty for due diligence.

**d. Subgrantee Did Not Document The National Sex Offender Public Registry Search Before Employees Started Working On The Grant**

Serve Illinois does not agree with part of this finding. LSSI did submit four of the NSOPR reports in October and again on December 8, 2015. (attachment 27) The rest of the employees did receive NSOPR checks that came back negative after notification that the checks were missing.

**e. Subgrantee Did Not Obtain Authorization Documentation From An Employee To Conduct The National Service Criminal History Check As Required Under The Federal Regulations**

Serve Illinois agrees with this finding. Serve Illinois will ensure that the grantee receives documentation from all employees to do Criminal History Checks.

**Finding 3 – Financial Management System Findings**

**a. Subgrantee's Financial Management System Did Not Substantially Meet Federal Financial Management System Standards**

**i. Subgrantee Fully Charged Salary And Benefit Costs To Other Non-Corporation Program Accounts In The General Ledger, But Claimed A Portion Of Those Costs Against Corporation Grants Which Were Not Recorded In The General Ledger Account For Those Grants**

Serve Illinois does not agree with this finding. Per Serve Illinois' letter to Mr. Ling on January 25, 2016 (attachment 9), a site visit LSSI was not conducted. In the initial entry interview with Serve Illinois, CLA stated that all selected subgrantees would receive an onsite visit. On September 15, 2015 LSSI was informed that their scheduled onsite visit would be postponed. The visit was never rescheduled. Serve Illinois feels that the lack of an onsite audit of LSSI's general ledger and other documents the adversely affected the findings in this report.

LSSI provided CLA with check and balance reports for labor costs that were tied to the general ledger. LSSI is in the process of reviewing CLA's concerns to improve their

systems, but Serve Illinois and LSSI do not agree with the findings presented. Again, without an onsite visit, it is challenging to perform an accurate assessment of LSSI's financial systems. (attachment 10)

**ii. Subgrantee Provided No Reconciliation For Certain Claimed Costs To The General Ledger To Support Costs Incurred For The Corporation Grants**

Serve Illinois does not agree with this finding. Please see the response to finding 3ai.

**b. Subgrantee Did Not Consistently Record In-Kind Match Costs In The Subgrantee's GL**

Serve Illinois does not agree with this finding. LBDNH did in fact provide CLA with necessary support to substantiate that the in-kind was only used for match in the AmeriCorps program during the onsite visit. The former CFO stopped logging the match at a certain point in the program because the program had met match and exceed the match requirements of the project. CLA recommended that LBDNH log the match regardless of the excess—thus journal entries were made. Lastly, LBDNH had no reason to utilize this match cost in any other programs. AmeriCorps is the one and only program for LBDNH that requires a match. Other programs and contracts required no match for the period in question.

**c. Sub-Grantee Was Tracking Federal Grants From Two Federal Agencies Within The Same Account Number In Its GL**

Serve Illinois does not agree with this finding. City Year explained multiple times to CLA that the two Federal grants were being tracked separately. 7100- Chicago is the business unit for City Year's Chicago location. City Year tracks each location by business unit. Additionally, the CNCS grant No. 12ACHIL0010002 and the School Turnaround grant were given two unique source of funds grant codes- 1427 FY14 AmeriCorps Serve Illinois and 1447 FY14 AmeriCorps School Turnaround. All grant costs were then tracked separately between the two codes.

**Finding 4 – Labor Cost/Payroll Findings**

**a. Subgrantee Did Not Have Timesheets Supporting Staff Costs for Program Year 2012**

Serve Illinois does not agree with this finding. LSSI staff were confused regarding which years grant years fell into the scope of work. Once they realized the actual dates in question, the timesheets were submitted. At no time did LSSI “completely reverse its prior statements concerning program year 2012.” CLA was informed that timesheets were found, and they are attached. (attachments 11-16)

**b. Subgrantee Approved Employees' Timesheet Hours Before Employee Performed The Work**

Serve Illinois does not agree with this finding. As City Year explained to CLA on October 5, 2015, the two employees in question were salaried and could not work over 40 hours in a week. The period of them submitting their timesheets happened during their vacations. Both submitted early in order to meet payroll deadlines and Department of Labor laws. (attachment 18)

**Finding 5 – Other Direct Cost Findings**

**a. Subgrantee Did Not Provide Supporting Documentation For Certain Claimed Costs**

Serve Illinois does not agree with this finding. On October 28, 2015 City Year provided CLA with the invoice for sample 6. (attachment 19) During the onsite Boston City Year visit, City Year provided CLA with documentation for samples 24, 30, and 32. (attachments 20-22)

**b. Grantee And Subgrantee Claimed Lodging Costs That Were Not In Compliance With Travel Policies And Procedures**

Serve Illinois - Serve Illinois does not agree with this finding. The travel costs for the Serve Illinois staff member was for a Washington Commission for National and Community Service training in Seattle. Serve Illinois conducted a review of four hotels and found the one in question to be the lowest rate. The documentation was provided to CLA on 12/14/15. Serve Illinois followed the State's travel requirements for this event by contacting four hotels and going with the lowest rate. The travel was then approved by the supervisor. Note that the traveler was a UIS intern, so an agency travel request was not needed. (attachment 23) In order to bolster travel documentation, Serve Illinois now requires interns to complete the same travel forms as employees.

LBDNH – Serve Illinois does not agree with this finding. LBDNH attended a regional training that was provided by Serve Illinois. The hotel was on site for the event and there was a block rate. Serve Illinois and LBDNH followed the State's travel requirements for this event. (attachment 24)

**c. Subgrantee Claimed The Same Federal And Match Costs Twice**

Serve Illinois agrees with this finding. City Year mistakenly claimed these costs twice.

**Finding 6 – Member Service Hours Findings**

**a. Member's Fundraising Hours Exceeded Ten Percent Maximum Allowed**

Serve Illinois does not agree with this finding. An error in the Member's timesheet was found. It is clear that this was an error since no other Member recorded fundraising time.

Serve Illinois does not believe that the Member's education should be forfeited due to an input error. Per our response to finding 1c, we believe the Member incorrectly logged the time through the OnCorps system. No subgrantee uses this system, so the potential for error has been corrected. Likewise, LBDNH has drafted new policy language that specifically tells supervisors what is allowable in terms of fundraising. (attachment 25)

**b. Subgrantee Certified Member Service Hours Not Supported By Member's Timesheets**

Serve Illinois does not agree with this finding. LSSI contacted OnCorps to see where the error had occurred in the times sheets as it was not available in the archive system. OnCorps was able to do a search and discover that the member had incorrectly documented 75.5 hours under the incorrect date and year. Because of this error when the staff did the search for the timesheets, the hours were not reflecting under the contract in questions. They had been logged under the previous contract. When OnCorps unlocked the timesheets, LSSI submitted them to CLA to show the hours were logged, just with an incorrect date and contract through human error. As mentioned in response finding 1c, the OnCorps system is no longer being used. All Members now manually submit their timesheets to LSSI. LSSI did submit the attached timesheets and background check documents on 2/5/16 and 2/10/16. (attachment 26)

**Finding 7 – Reporting Finding**

**a. Subgrantee's Final Federal Status Report For Program Year 2012 Was Submitted Late**

Serve Illinois agrees with this finding. The FSR/FFR was submitted late. However, it was determined after this period that subgrantees do not need to submit FSR/FFRs to Serve Illinois. Therefore, this is no longer an issue for any subgrantee.



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

**From:** Dana Bourne, Chief of Grants Management 

**Date:** July 11, 2016

**Subject:** Response to OIG Draft of Agreed Upon Procedures of Corporation For National and Community Service Grants Awarded to Serve Illinois

Thank you for the opportunity to review the Draft Report of the Agreed Upon Procedures of Corporation For National and Community Service Grants Awarded to Serve Illinois. CNCS will work with Serve Illinois representatives to ensure the corrective actions adequately address all audit findings and recommendations.

***Finding 1: Grantee's Assessment of Grant Applicants and Monitoring of Subgrantees Was Inadequate***

- a. The grantee's subgrantee selection process did not document the assessment of the adequacy of the applicant's financial management system;
- b. The grantee did not continuously monitor subgrantees' single audits;
- c. The grantee did not question and recover subgrantee's costs for non-compliance.

*CNCS response:* CNCS will gather and review additional documentation to further assess and determine if Serve Illinois is adequately documenting their subgrantee review and selection process, as well as reviewing the financial management systems of subgrantees. CNCS will also review and assess whether the grantee continuously monitored subgrantee single audits and will review whether the grantee questioned and recovered any costs for subgrantee noncompliance with their awards. CNCS will provide additional technical assistance, as necessary, to Serve Illinois and ensure that they are adequately monitoring single audit reports, as well as collecting any potential amounts due from non-compliant findings that may have been identified during its monitoring activities.

**Technical Correction found for Finding 1:**

- Pg. 24 - Chart for 11AFHIL001 footnote states that "costs were also questioned in Finding 1.c." however there were no questioned costs in 1.c., only the recommendation that the commission take steps to question costs during monitoring.

***Finding 2 – National Service Criminal History Check Findings***

- a. Subgrantees initiated State Criminal Registry and/or FBI search after employee/member started working on the grant;

- b. FBI search results were missing from the member files;
- c. The subgrantee conducted member's State Criminal Registry search more than four months prior to the service start date.

*CNCS response:* CNCS will review policies and procedures for City Year, Inc. (CY), Leslie Bates Davis Neighborhood House (LBDNH), and Lutheran Social Services of Illinois (LSSI) to ensure that National Service Criminal History Check (NSCHC) requirements are being followed and that these checks are being performed in a timely manner. CNCS will apply our NSCHC disallowance matrix in determining cost disallowances related to these checks.

### **Technical Corrections found for Finding 2:**

- Pg. 23 - Finding 2a. Narrative states: "For seven of the 67 member files tested, LBDNH did not initiate the FBI searches until after the members started service on the grant", however the chart on page 24 for LBDNH (11AFHIL001 and 14AFHIL001) only lists four members.
- Incorrect criteria is cited for gap in service exceeding more than 120 days. The criteria cited is based on a gaps in consecutive service and does not apply to checks conducted prior to start of service. The applicable requirement is 45 C.F.R. 2540.204(a)(1) (October 2013 and 2014) which notes that : You must conduct and review the results of the nationwide NSOPW check required under 2540.203 before an individual in a covered position begins work or starts service.

Additionally, CNCS instructions included in NSCHC FAQ's state:

- o 7.4. How far in advance of participation in a program should we conduct the search?
  - Programs may start conducting the NSCHC from the point of application to when the candidate begins to work or serve in a National Service program. The regulations require the NSOPW component to be performed before the start of service/employment, and the criminal history search(es) initiated no later than when they are enrolled or hired to begin service/work.

### ***Finding 3 – Financial Management System Findings***

- a. Subgrantee's (Lutheran Social Services of Illinois) financial management system did not substantially meet Federal Financial Management System standards;
- b. The subgrantee (Leslie Bates Davis Neighborhood House) did not consistently record in-kind match costs in the subgrantee's general ledger;
- c. The subgrantee (City Year) was tracking Federal grants from two Federal agencies within the same account number in its general ledger.

*CNCS response:* CNCS will review the financial management systems and policies and procedures for Lutheran Social Services of Illinois, Leslie Bates Davis Neighborhood House, and City Year to ensure that systems are sufficient to manage federal awards, track match costs and properly allocate costs in the general ledger between individual awards.

**Finding 4 – Labor Cost/Payroll Findings**

- a. Subgrantee (Lutheran Social Services of Illinois) did not have timesheets supporting staff costs for program year 2012;
- b. The subgrantee (City Year) approved employees' timesheet hours before the employee performed the work.

*CNCS response:* CNCS will review the policies and procedures for Lutheran Social Services of Illinois and City Year to ensure that charges to awards for time and activities are properly allocated and documented.

**Cc:** Jeff Page, Chief Operations Officer/Chief Financial Officer  
Bill Basl, Director, AmeriCorps  
Jeremy Joseph, General Counsel  
Lori Giblin, Chief Risk Officer