

CORPORATION FOR NATIONAL & COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

Audit of Corporation for
National and Community
Service AmeriCorps
Grant Awarded to
St. Bernard Project

OIG Report 20-06

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This report was issued to Corporation management on November 15, 2019. Under the laws and regulations governing audit follow up, the Corporation is to make final management decisions on the report's findings and recommendations no later than May 15, 2020, and complete its corrective actions by November 16, 2020. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

OFFICE OF INSPECTOR GENERAL

CORPORATION FOR
NATIONAL & COMMUNITY SERVICE



November 15, 2019

MEMORANDUM TO: Chester Spellman
Director, AmeriCorps State and National

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

SUBJECT: *OIG Report 20-06, Audit of Corporation for National and
Community Service AmeriCorps Grant Awarded to St. Bernard
Project*

Enclosed is the final report for the above engagement. This audit was performed by WithumSmith+Brown in accordance with performance audit standards established by the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Under the Corporation for National and Community Service's Audit Resolution Policy, a final management decision on the finding and recommendation is due by May 15, 2020. Notice of final action is due by November 16, 2020.

If you have questions about this report, please contact me at M.Colter@cncsoig.gov, (202) 606-9360.

Enclosure: As stated

cc: Barbara Stewart, Chief Executive Officer
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Linda Southcott, Director, Office of Monitoring
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Abbreviations

CFR	Code of Federal Regulations
CNCS	Corporation for National and Community Service
FFR	Federal Financial Report
NSCHC	National Service Criminal History Check
OIG	Office of Inspector General
SBP	St. Bernard Project, Inc.

Executive Summary

The St. Bernard Project, Inc. (SBP), a non-profit organization, was awarded AmeriCorps Grant No. 15NDHLA001 to rebuild homes for disaster survivors. The grant period of performance was September 14, 2015, through September 13, 2018. SBP continues to perform this work under Grant No. 18NDHLA0001 awarded September 17, 2018. WithumSmith+Brown, under contract with the CNCS Office of Inspector General (CNCS-OIG), reviewed the costs claimed by the St. Bernard Project on Grant No. 15NDHLA001 for the period of April 1, 2016, through March 31, 2018. As illustrated in Table 1, for this period, SBP claimed almost \$5 million of costs (Federal plus match). We tested the claimed costs (Federal costs of \$2,901,310 and match costs of \$2,057,570) and found questioned costs of only \$53,490 and \$51,246, respectively. In addition, SBP did not always comply with all Federal, CNCS, and SBP regulations and policies when charging expenses to the CNCS award.

Table 1. Budgeted and Claimed Costs

Federal Costs			
Cost Category	Total Budget	Claimed Costs 04/01/2016 to 03/31/2018	Questioned
Personnel expenses	\$ 936,098	\$ 347,458	\$ 50,165
Fringe benefits	185,747	71,456	2,301
Staff travel	2,050	9,446	
Supplies	22,400	12,286	
Member training	22,000	-	
Other program operating costs	59,952	61,550	1,024
Member living allowance	4,419,842	1,767,743	
Member support costs	1,131,367	486,102	
Corporation fixed percentage (Administrative)	356,911	145,269	
Total	\$ 7,136,367	\$ 2,901,310	\$ 53,490

Match Costs			
Cost Category	Total Budget	Claimed Costs 04/01/2016 to 03/31/2018	Questioned
Personnel expenses	\$ 1,048,200	\$ 605,042	\$ 32,405
Fringe benefits	254,566	142,275	382
Staff travel	34,206	12,152	959
Member travel	33,560	28,924	
Contractual and consultant	2,500		

Evaluation	7,310	22,500	17,500
Member living allowance	2,625,238	951,862	
Member support costs	737,483	294,815	
Corporation fixed percentage (Administrative)	-		
Total	\$ 4,743,063	\$ 2,057,570	\$ 51,246

Source: Auditor analysis of accounting data provided by SBP.

Our audit identified seven findings, resulting in \$53,490 of questioned Federal costs and \$51,246 of questioned match costs, as summarized in Table 2. The seven areas where improved oversight is needed to ensure costs claimed are allowable in accordance with Federal and CNCS award requirements include:

- 1) Inadequate internal controls over payroll costs resulting in \$25,641 of questioned Federal costs and \$32,787 of questioned match costs;
- 2) Employee criminal history checks not performed timely, resulting in \$26,825 of questioned Federal costs;
- 3) Member criminal history checks not returned;
- 4) Unallowable and unsupported other direct costs, resulting in \$1,024 of questioned Federal costs and \$18,459 of questioned match costs;
- 5) Procurement activities not properly documented;
- 6) Federal expenditures and match costs not properly segregated in the accounting system; and
- 7) Reporting on Federal financial reports is not current.

The questioned Federal and match cost by finding follows:

Table 2. Questioned Federal and Match Costs

Finding	Description	Questioned Federal Costs	Questioned Match Costs	Total Questioned Costs
1	Inadequate internal controls over payroll costs	\$ 25,641	\$ 32,787	\$ 58,428
2	Employee criminal history checks not performed timely	26,825		26,825
3	Member criminal history checks not returned			
4	Unallowable and unsupported other direct costs	1,024	18,459	19,483
5	Procurement activities not properly documented			
6	Federal expenditures and match costs are not properly segregated in the accounting system			
7	Reporting on Federal financial reports is not current			
Total		\$ 53,490	\$ 51,246	\$ 104,736

Results of Audit

Finding 1: Inadequate Internal Controls over Payroll Costs

Internal controls over payroll costs were not adequate to ensure that amounts charged to the grant were accurate and compliant with Federal requirements¹. We selected a total of 10 employees out of 60 employees for detailed testing, including 5 employees charged as Federal costs and 5 employees charged as match costs. We selected one year's worth of pay periods for each of these 10 employees (some employees were not employed the entire time of the year selected), resulting in 194 timesheets tested. Based on our testing, we found:

- 24 instances where the timesheets were not properly approved by a supervisor as required by SBP policy, resulting in \$17,934 of questioned Federal costs and \$9,141 of questioned match costs;
- 15 instances where amounts recorded in the general ledger were less than the subsidiary payroll worksheets, resulting in \$1,687 of questioned Federal costs, and \$1,358 of questioned match costs;
- 31 instances where the hours recorded on the payroll register were less than timesheets, resulting in \$4,587 of questioned Federal costs, and \$21,906 of questioned match costs; and
- One instance where the timesheet was not provided, resulting in \$1,092 of questioned Federal costs.

We are also questioning related fringe benefits of \$341 for Federal costs, and \$382 for match costs.

SBP did not have adequate procedures in place to ensure that payroll costs charged to the grant were adequately reconciled to payroll registers and subsidiary records, supported by timesheets, and properly approved. Without adequate payroll procedures in place, there is an increased risk that funds may not be used as required to accomplish the grant objectives in accordance with Federal regulations.

¹ 2 CFR Part 200 Subpart E, Section 200.430 Compensation – personal services, (i) Standards for Documentation of Personnel Expenses, states: “(1) 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;. . . (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities. . . (v) Comply with the established accounting policies and practices of the non-Federal entity”.

Recommendations

We recommend CNCS:

1. Calculate and recover the questioned Federal costs, match costs, and related administrative costs. Also, determine the impact on Federal costs due to questioned match costs.
2. Require SBP to update and implement its policies and procedures to ensure that:
 - General ledger entries reconcile to the payroll registers;
 - Payroll registers are supported by properly completed timesheets; and
 - Timesheets are properly approved and maintained.

Summary of CNCS Management's Comments

CNCS concurred with the finding and recommendations. CNCS is requiring SBP to update its staff timekeeping and payroll policies and procedures to ensure compliance with the requirements outlined in 2 CFR 200.430. To ensure the implementation of these procedures, CNCS will review a sample of a timesheet, payroll, and general ledger records. CNCS stated that to resolve the questioned costs it will review timekeeping and payroll records, SBP's personnel policies, and contemporaneous documentation of work activities performed to determine whether the costs are adequately supported. See Appendix A for further CNCS comments.

Summary of SBP's Comments

SBP concurred with Finding 1. Corrective actions implemented by SBP include transitioning from a payroll system where payroll entries to the accounting system were manually completed by a staff member, to a payroll system where payroll entries are now automated. SBP will also implement oversight and monitoring procedures to ensure that these entries are reviewed and approved by both the CFO and Controller for accuracy.

SBP has also improved its timesheet procedure to ensure that all timesheets are approved by a supervisor before each pay period, with a final review by the Senior Accountant. SBP intends to update its policies to reflect these changes. See Appendix B for further SBP comments.

Auditors' Evaluation of CNCS and SBP's Comments

CNCS's and SBP's comments are responsive to the recommendations and the corrective actions address this finding and recommendation. However, we must note that SBP timesheets did not comply with its policy or 2 CFR §200.430 (Footnote 1) and the costs should be disallowed. Even assuming contemporaneous documentation of work exists, this would not comply with salary and benefit documentation requirements noted in Footnote 1.

Finding 2: Employee Criminal History Checks Not Performed Timely

Based on our testing of the 10 employees², we found that SBP did not always comply with CNCS requirements³ for background checks on employees.

- For one employee, hired in 2017, the State Criminal History search was not initiated until our audit commenced, resulting in \$1,882 of questioned Federal costs for salaries and \$152 for related fringe benefits.
- For another employee, hired in 2010, we were unable to determine if a State Criminal History search or the FBI check was initiated or completed, resulting in \$22,983 of questioned Federal costs for salaries and \$1,808 for related fringe benefits. There was no documentation in the employee file to support these two searches.
- Three of the 10 employees did not have the self-certification regarding serious crimes including murder convictions⁴ on SBP's Criminal History Check Consent Form.

SBP's policies and procedures were not adequately followed and the results of the background checks were not documented in these particular cases. This resulted in an increased risk that employees do not meet eligibility requirements and are improperly charged to awards and that other employees, members, and vulnerable populations may be put in increased risk if adequate checks are not performed.

Recommendations

We recommend CNCS:

3. Calculate and recover the questioned Federal costs and related administrative costs.
4. Require SBP to strengthen and implement its policies and procedures to ensure that:
 - Employee criminal history checks are completed timely and adequately documented; and
 - Employees complete all required self-certifications including those regarding murder convictions.

² The same sample of 10 employees used for detailed testing of internal controls over payroll costs was used for NSCHC testing.

³ 45 CFR Part 2540.201 through 2540.206 are the requirements for NSCHCs including who must have the checks, when the checks must be performed, and the documentation that must be maintained.

⁴ Per the Edward M. Kennedy Serve America Act, an individual convicted of murder is ineligible to serve or work in a covered position. Individuals currently serving or working in covered positions who began work or started service before October 1, 2009 may self-certify that they have not been convicted of murder, as defined by 18 U.S.C. § 1111.

Summary of CNCS Management's Comments

CNCS concurred with the finding and recommendations. CNCS will require SBP to review its NSCHC policies and procedures to address the NSCHC requirements outlined in 45 CFR 2540.201-.207 and reflect SBP's current use of the Truescreen and Fieldprint vendors. CNCS will also ensure that SBP's policies and procedures reflect current NSCHC compliance requirements, including the retention of self-certification documentation for staff who began working at SBP in a covered position prior to October 1, 2009. To resolve the questioned costs CNCS will apply the *National Service Criminal History Check Guide to Enforcement Action (Effective July 1, 2019)* to determine the disallowance. See Appendix A for further CNCS comments.

Summary of SBP's Comments

SBP concurred with Finding 2. Corrective actions implemented by SBP include centralizing all SBP staff NSCHC checks to be completed by the National Director of Human Resources. SBP will also conduct NSCHCs on all staff, regardless of whether they appear on the budget, with additional oversight and monitoring from the Deputy Director of AmeriCorps to include a quarterly review of a random sample of 10% of currently serving and exited staff NSCHCs.

SBP has also implemented the CNCS approved vendor Truescreen. The adoption of Truescreen and Fieldprint provides one online hub to monitor for NSCHC documentation, improving the previous process of monitoring several state agencies. SBP will update its policies and procedures to account for these changes in procedure. See Appendix B for further SBP comments.

Auditors' Evaluation of CNCS and SBP's Comments

CNCS's and SBP's comments are responsive to recommendation four and the corrective actions address this recommendation. CNCS's *National Service Criminal History Check Guide to Enforcement Action (Effective July 1, 2019)* to calculate disallowed costs generally covers a 6-month period, which is not equivalent to the timeframe for our questioned costs. We questioned \$24,865 of questioned Federal costs for salaries and \$1,960 for related fringe benefits claimed during the period tested, (April 1, 2016 through March 31, 2018) because SBP did not have documentation to support if an employee who was hired in 2010 had a State Criminal History search or the FBI check initiated or completed. SBP agreed with this finding. CNCS should disallow the questioned costs.

Finding 3: Member Criminal History Check Not Returned

For one of the 22 members selected for testing, we found that the State criminal history check required by Federal regulations⁵ was not returned. SBP continued to allow this member access to vulnerable populations, based on the guidance from CNCS in National Service Criminal History Check (NSCHC) Frequently Asked Questions dated July 7, 2016. This guidance allows grantees to cease member accompaniment when it receives results clearing the individual through the state or fingerprint-based FBI check. However, SBP did not ensure that the State criminal history check was ever returned. It was not returned at the time we began testing.

Because SBP was relying on this CNCS guidance, we are not questioning any costs relating to this member. However, SBP should have procedures in place to make sure criminal history checks are returned.

This resulted in an increased risk that members do not meet eligibility requirements and are improperly charged to awards and that other members, and vulnerable populations may be put in increased risk if adequate checks are not performed.

Recommendation

We recommend CNCS:

5. Require SBP to implement policies and procedures to ensure it complies with Federal regulations relating to NSCHC, specifically procedures to ensure that all required checks are returned within a reasonable period of time.

Summary of CNCS Management's Comments

CNCS concurred with the finding and recommendation. CNCS will review SBP's updated NSCHC policies and procedures to ensure that they address the timeliness of conducting and adjudicating NSCHC checks. Additionally, CNCS will ensure that appropriate representatives from

⁵ 45 CFR §2540.203 states, "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 Website (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".

SBP have completed the required annual NSCHC training. See Appendix A for further CNCS comments.

Summary of SBP's Comments

SBP concurred with Finding #3. Corrective actions implemented by SBP include centralizing all member NSCHC checks to be completed by the Deputy Director of AmeriCorps. Additional oversight and monitoring from the SBP AmeriCorps Program Managers will include a quarterly review of a random sample of 10% of currently serving and exited member NSCHCs.

SBP has also implemented Fieldprint and Truescreen as its vendors for all staff and member NSCHCs. The adoption of Truescreen and Fieldprint provides one online hub to monitor for NSCHC documentation, improving the previous process of monitoring several state agencies. These changes ensure that NSCHC are completed on time and that results are received before a member begins service. Additionally, SBP will update its policies and procedures to account for these changes in procedure. See Appendix B for further SBP comments.

Auditors' Evaluation of CNCS and SBP's Comments

CNCS's and SBP's comments are responsive to the recommendation and the corrective actions address the finding and recommendations.

Finding 4: Unallowable and Unsupported Other Direct Costs

SBP claimed certain costs on its award that were not allowable or properly supported. We judgmentally⁶ selected 20 transactions for detailed testing of non-payroll expenses charged to either the Federal or match share to this award. Based on this testing, we questioned the following costs:

- \$17,500 of unallowable match costs relating to repayment to CNCS for penalties for self-review deficiencies identified by SBP. This payment to CNCS was improperly recorded as matching since penalties are unallowable costs.⁷
- \$828 of Federal costs from the allocation of custom t-shirts. SBP allocated the total costs to multiple cost centers through a journal entry. The cost is questioned because SBP did

⁶ Selection methodology included identifying budget categories within dollar materiality threshold, then identifying unusual accounts and transactions or those potentially containing unallowable items and extracting all items over a certain dollar value.

⁷ 2 CFR Part 200, Subpart E; Section 200.441 states, "Costs resulting from non-Federal entity violations of, alleged violations of, or failure to comply with, Federal, state, tribal, local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the Federal award, or with prior written approval of the Federal awarding agency."

not provide an approved journal entry supporting how the allocation was computed or a journal entry supporting the transaction.⁸

- \$959 of match costs for the purchase of two prepaid Visa cards to be used to cover the per diem for members deployed to Texas in response to Hurricane Harvey. No documentation was provided to support the distribution of the cash to the actual members deployed, so we were unable to determine who actually received these per diem payments. Therefore, these costs are not in compliance with Federal regulations.⁹
- \$196 of Federal costs relating to a petty cash disbursement for stamps for fundraising. SBP officials stated this entry was made in error and does not appear to be related to the CNCS award.

These errors occurred because SBP did not perform adequate review and approval of these expenses and did not have policies outlining the proper documentation for certain types of expenses. Without a process in place to ensure that costs are properly recorded and adequately supported, there is an increased risk that funds may not be used as required to accomplish the necessary project objectives in accordance with Federal regulations.

Recommendations

We recommend CNCS:

6. Calculate and recover the questioned Federal costs, match costs and related administrative costs. Also, determine if there is an impact on Federal costs resulting from questioned match costs.
7. Require SBP to update and implement its policies and procedures to include:
 - Adequate documentation of expenses;
 - Proper approval of expenses; and
 - Adequate review for unallowable costs.

Summary of CNCS Management's Comments

CNCS concurred with the finding and recommendations. CNCS will ensure that SBP updates its policies and procedures, including appropriate documentation, approval mechanisms, and review procedures for identifying unallowable costs. CNCS will review a sample of transactions and supporting documentation to verify implementation of the revised procedures. To resolve the questioned costs CNCS will review the support for each transaction and determine allowability. See Appendix A for further CNCS comments.

⁸ 2 CFR Part 200, Subpart E; Section 200.403 Factors affecting allowability of costs states, "... costs must meet the following general criteria in order to be allowable under Federal awards: . . . (g) Be adequately documented."

⁹ 2 CFR Part 200, Subpart E; Section 200.403 Factors affecting allowability of costs states, "... costs must meet the following general criteria in order to be allowable under Federal awards: . . . (g) Be adequately documented."

Summary of SBP's Comments

SBP concurred with Finding 4. SBP is continuing to update its processes and procedures to address the items in this finding. These changes include a separate classification for SBP funded deployments and a separate classification for items that do not appear in the active budget.

SBP will ensure that journal entries are reviewed and approved by both the CFO and the Controller to ensure that proper documentation accompanies all journal entries.

SBP will also hold budget sessions and Question & Answer forums with the AmeriCorps team to ensure that any staff with purchasing or approval ability are trained in the process as well as the accounting and grant codes. See Appendix B for further SBP comments.

Auditors' Evaluation of CNCS and SBP's Comments

CNCS's and SBP's comments are responsive to the recommendations and the corrective actions address the finding and recommendations.

Finding 5: Procurement Activities are Not Properly Documented

SBP was unable to provide us with documentation supporting a \$15,000 procurement activity judgmentally selected for our walkthrough. This activity involved an exclusive consulting agreement for the evaluation of SBP's AmeriCorps program which was awarded on February 1, 2017. SBP's policies and procedures were not sufficient to ensure that procurement activities are documented and maintained in accordance with Federal procurement requirements¹⁰. SBP's policies do not describe the records to be maintained to document compliance.

Without adequate support and documentation of its procurement activities, there is increased risk that procedures will not be properly followed, potentially resulting in less advantageous purchases for SBP and in turn to CNCS.

Recommendation

We recommend CNCS:

8. Require SBP to update and implement its policies and procedures to require maintenance of adequate documentation of its procurement actions to demonstrate compliance with Federal requirements.

¹⁰ 2 CFR Part 200, Subpart D; Section 200.318 General Procurement Standards, states: "(2)(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

Although it is outside the scope of our audit period, we suggest that CNCS follow up with SBP to ensure that its procurement policies and procedures will be compliant with the Uniform Guidance requirements effective in July 2019.

Summary of CNCS Management's Comments

CNCS concurred with the finding and recommendation. CNCS will ensure SBP updates its written procurement policy to include documentation standards that meet federal procurement requirements outline in 2 CFR 200.318.36. See Appendix A for further CNCS comments.

Summary of SBP's Comments

SBP concurred with Finding #5. SBP obtained the procurement regulation in the Uniform Guidance and reviewed the thresholds that are properly defined. In response to this finding SBP will revise its procurement policy. See Appendix B for further SBP comments.

Auditors' Evaluation of CNCS and SBP's Comments

CNCS's and SBP's comments are responsive to the recommendation and the corrective actions address the finding and recommendation.

Finding 6: Federal Expenditures and Match Costs are not Properly Segregated in the Accounting System

SBP did not properly segregate match costs from Federal costs in its general ledger. Both Federal and match costs were recorded in the same project in its QuickBooks accounting system and then segregated using supplemental Excel workbooks. These Excel workbooks are complex which increases the risk that errors can occur and not be detected. Additionally, SBP was unable to readily produce the transaction detail report to support the amounts claimed for Federal and match share. As a result, SBP's financial management system is not compliant with Federal requirements¹¹.

¹¹ 2 CFR Part 200, Subpart D, Section 200.302 Financial Management states: "the . . . non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award".

Recommendation

We recommend CNCS:

9. Require SBP to develop and implement policies and procedures to segregate Federal expenditures and match costs in the general ledger, to ensure the accounting system is complete, current and accurate.

Summary of CNCS Management's Comments

CNCS concurred with the finding and recommendation. CNCS will review SBP's financial management system to ensure it can adequately track federal and non-federal matching funds separately. Following its review, CNCS will work with SBP to address any deficiencies to ensure its financial management system meets the requirements outlined in 2 CFR 200.302. See Appendix A for further CNCS comments.

Summary of SBP's Comments

SBP partially concurred with Finding 6. SBP does not agree that adjustments to its accounting system, as well as the policies and procedures, are required. Further, SBP disagrees with the finding that its financial management system is not compliant with Federal requirements.

SBP's corrective action is to create a separate class of unbillable AmeriCorps expenses that will allow for the recommended segregation of federal and match costs. SBP will further strengthen the level of transparency by breaking down the billable class into two separate classes - a match class and a CNCS billable class. By creating these new classes, SBP will be able to run a general ledger report that will directly identify any costs that are in the match or CNCS billed income. See Appendix B for further SBP comments.

Auditors' Evaluation of CNCS and SBP's Comments

CNCS concurred with the finding and recommendations, whereas SBP partially concurred with the finding. Although SBP expressed disagreement with finding that its financial management system is not compliant with Federal requirements, the corrective action plan addresses the finding and recommendations.

Finding 7: Reporting on Federal Financial Reports is Not Current

SBP did not report its expenses on the Federal Financial Report (FFR) for the proper reporting period. Rather, there was a time lag in the reporting because SBP reported based on the actual Federal cash received. For example, the total expenses reported on the FFR covering the period October 1, 2016 – March 31, 2017, was \$376,968.63, however the total expenses incurred during this period per the grantee's general ledger was \$1,066,268.37. This led to an under-reporting of expenditures of \$689,299.74. As a result, the expenditures on the FFR were not based on

expenses incurred during the reporting period, and the amounts claimed on the FFR could not be reconciled to the transactions recorded in the general ledger. Therefore, SBP is not compliant with Federal reporting requirements¹².

SBP was unaware of the need to report expenditures through the end of the reporting period and instead was focused on reporting its cash drawdowns. Lack of accurate, current, and complete financial reporting makes it more difficult for CNCS to properly manage and monitor its grant awards and programs. It also increases the risk that CNCS's own financial reports are also misstated.

Recommendation

We recommend CNCS:

10. Require SBP to develop and implement policies and procedures to ensure the expenditures reported on its FFR reports are current through the report date, regardless of the amount of cash drawn and received.

Summary of CNCS Management's Comments

CNCS concurred with the finding and recommendation. CNCS will ensure that SBP develops a written policy on accurately reporting expenditures through the end of the reporting period. CNCS will additionally provide SBP with training on FFR submission requirements. See Appendix A for further CNCS comments.

Summary of SBP's Comments

SBP stated that it needs additional information on finding 7 before it can respond to this finding. SBP has received direction from the CNCS Grants Officer that supports the current procedure and process to complete FFRs. As such, SBP does not agree that changes are required. However, SBP is open to recommended changes once additional information is shared. See Appendix B for further SBP comments.

Auditors' Evaluation of CNCS and SBP's Comments

CNCS concurred with the finding and recommendation whereas SBP expressed the need for additional information before forming an opinion on the finding. CNCS's agreement to provide SBP with training related to FFR submission requirements addresses our recommendation.

¹² 2 CFR Part 200, Subpart D, Section 200.302 Financial Management states: "The financial management system of each non-Federal entity must provide for the following...[a]ccurate, current, and complete disclosure of the financial results of each Federal award or program . . .".

Background

The Corporation for National & Community Service

CNCS supports national and community service programs that provide an opportunity for participants to engage in full or part-time service. CNCS funds service opportunities that foster civic responsibility and strengthen communities.

CNCS has three major service initiatives: the National Senior Service Corps, AmeriCorps, and the Social Innovation Fund. AmeriCorps, the largest of the initiatives, is funded through grants to states and territories with State Commissions on community service, grants to states and territories without State Commissions, and National Direct funding to organizations. Grantees recruit and select volunteers who must meet certain qualifications to earn a living allowance and/or education awards.

AmeriCorps State and National are the largest of three AmeriCorps programs. AmeriCorps State and National grants allow organizations to more effectively address community needs by using AmeriCorps resources to reach previously underserved communities and/or expand their activities beyond what they were able to do without these resources. The purpose of these grants is to foster a network of national service programs that each take a different approach to improve the lives and fostering civic engagement. Grants provide a portion of the funds needed to run an AmeriCorps program; grant recipients must also contribute match funding (cash and/or in-kind) to support the project. AmeriCorps grants include an allotment of AmeriCorps member positions and funds directly tied to the specific number of members awarded. AmeriCorps grants are solely for program expenses and cannot be used for general organizational operating expenses.

St. Bernard Project

The SBP is a non-profit organization established in March 2006 with headquarters in New Orleans, Louisiana. SBP maintains other locations in Baton Rouge, Louisiana; Far Rockaway, New York; Wall Township, New Jersey; Columbia, South Carolina; Houston, Texas, Angleton, Texas; and White Sulphur Springs, West Virginia.

The organization was established to shrink the time between disaster and recovery. SBP is a community-based organization that carries out its mission through three primary programs: Rebuilding Programs, Disaster Resilience and Recovery Lab, and Opportunity Housing Program. Specifically, SBP rebuilds homes for disaster survivors who cannot afford to rebuild their homes on their own that reside in Greater New Orleans, New York City, and Hurricane Sandy-impacted New Jersey.

SBP received direct funding from CNCS in the form of the AmeriCorps Grant No. 15NDHLA001. The purpose of this grant was to assist SBP in carrying out a national service program as authorized by the National and Community Service Act of 1990, as amended. The period of performance for the grant was from September 14, 2015, through September 13, 2018.

Objective, Scope, Methodology, and Criteria

Objective

The objectives of our audit are to determine whether SBP's financial, grant and program management are compliant with the requirements of its AmeriCorps grant; and to determine whether AmeriCorps members and their service were compliant with the purpose of the grant, applicable laws, regulations, policy, and terms and conditions of the grant awards. Our objectives also include identifying internal control deficiencies or other areas that would benefit from improved controls.

Scope

Our scope included Grant No. 15NDHLA001 and the costs claimed by SBP during the period April 1, 2016, to March 31, 2018, which totaled \$2,901,310 of Federal costs and \$2,057,570 of match costs.

The audit work was conducted at the auditors' offices; at CNCS's headquarters in Washington, DC; and on-site at SBP in New Orleans, Louisiana. On-site fieldwork was conducted during January 2019.

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The auditors believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

Methodology

In assessing the allowability of costs claimed to CNCS by SBP, we also gained an understanding of the internal controls applicable to the scope of this audit through interviews with SBP personnel, review of policies and procedures, and conducting walkthroughs as applicable.

We also performed reconciliations of claimed Federal and match grant costs to SBP's accounting and subsidiary systems.

To test selected program compliance requirements, we performed testing of member files to verify that records supported eligibility to serve, allowability of living allowances and eligibility to receive education awards. We also conducted in-person and telephone interviews with selected members and former members.

Additionally, we tested Federal and match costs for a judgmental selection for both payroll and non-payroll costs, to determine if they were properly recorded in SBP's records and were allowable and properly documented in accordance with the Uniform Guidance and grant award terms and conditions.

Criteria

We assessed SBP's compliance with its internal policies and procedures, as well as the following:

- 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*;
- 45 CFR, *Public Welfare*, Parts 2500 to 2599, *Corporation for National and Community Service*; and
- CNCS Award Specific Terms and Conditions.



WithumSmith+Brown, PC
November 12, 2019

Corporation for National and Community Service

NationalService.gov



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

Appendix A

FROM: Autumn Rose, Senior Grants Officer, Audit and Policy
Office of Audit and Debt Resolution

A handwritten signature in blue ink that reads "Autumn Rose".

DATE: September 26, 2019

SUBJECT: Management Response to Office of Inspector General Draft Report:
*Audit of the Corporation for National and Community Service Grant No. 15NDHLA001
Awarded to the St. Bernard Project*

Thank you for the opportunity to review and provide initial comment on the subject draft audit report, issued August 28, 2019. The Corporation for National and Community Service (CNCS) appreciates the work of the Office of Inspector General (OIG) staff and the contract audit firm, WithumSmith+Brown, in performing this engagement and issuing this draft report.

In the draft report, the OIG identified 7 findings and made 10 recommendations. The comments below summarize our initial response. CNCS will make its final determination on all findings, recommendations, and questioned costs after we receive the final report and have reviewed the auditors' working papers and St. Bernard Project's (SBP) corrective action plan. We will work with SBP's representatives to ensure its corrective actions adequately address all audit findings and recommendations.

Finding 1: Inadequate Internal Controls over Payroll Costs

The auditors found that internal controls over payroll costs were not adequate to ensure that amounts charged to the grant were accurate and compliant with Federal requirements.

The auditors recommend that CNCS:

1. Calculate and recover the questioned Federal costs, match costs, and related administrative costs. Also, determine the impact on Federal costs due to questioned match costs.
2. Require SBP to update and implement its policies and procedures to ensure that:
 - General ledger entries reconcile to the payroll registers;
 - Payroll registers are supported by properly completed timesheets; and
 - Timesheets are properly approved and maintained.

Management Response:

CNCS concurs with the auditors' finding and recommendations. CNCS will require SBP to update its staff timekeeping and payroll policies and procedures to ensure compliance with the requirements outlined in 2 CFR § 200.430. CNCS will review a sample of timesheet, payroll, and general ledger records to ensure implementation of these procedures.

The auditors questioned \$25,641 in Federal costs and \$32,787 in match costs related to timesheets that were not approved by supervisors, were missing, or were unreconcilable when comparing the general ledger, payroll worksheets, and payroll registers. CNCS will review the associated timekeeping and payroll records, SBP's personnel policies, contemporaneous documentation of work activities performed, and the auditors' working papers to determine whether the costs were adequately supported. Staffing costs determined to be unsupported will be subject to disallowance.

Finding 2: Employee Criminal History Checks Not Performed Timely

The auditors found that SBP did not always comply with the National Service Criminal History Check (NSCHC) requirements for employees in covered positions.

The auditors recommend that CNCS:

3. Calculate and recover the questioned Federal costs and related administrative costs.
4. Require SBP to strengthen and implement its policies and procedures to ensure that:
 - Employee criminal history checks are completed timely and adequately documented; and
 - Employees complete all required self-certifications including those regarding murder convictions.

Management Response:

CNCS concurs with the auditors' finding and recommendations. CNCS will require SBP to revise its NSCHC policies and procedures to address the NSCHC requirements outlined in 45 CFR § 2540.201-.207 and reflect SBP's current use of the Truescreen and Fieldprint vendors. CNCS would like to note that the requirement to obtain a self-certification of murder convictions applies to a limited subset of individuals that began work or service in a covered position prior to October 1, 2009. CNCS will therefore ensure that SBP's policies and procedures reflect current NSCHC compliance requirements, including the retention of self-certification documentation for staff who began working at SBP in a covered position prior to October 1, 2009.

The auditors questioned \$26,825 in Federal costs related to noncompliant NSCHC for two (2) SBP employees in covered positions. For each individual identified, CNCS will review the auditors' working papers and copies of the NSCHC checks performed by SBP to verify if the checks complied with the contemporaneous NSCHC requirements. In instances of noncompliance, CNCS will apply the enforcement policy outlined in the *National Service Criminal History Check Guide to Enforcement Action (Effective July 1, 2019)* to determine the appropriate disallowance.

Finding 3: Member Criminal History Check Not Returned

The auditors found that the State criminal history check required by Federal regulations was not returned for one member serving in a covered position.

The auditors recommend that CNCS:

5. Require SBP to implement policies and procedures to ensure it complies with Federal regulations relating to NSCHC, specifically procedures to ensure that all required checks are returned within a reasonable period of time.

Management Response:

CNCS concurs with the auditors' finding and recommendation. CNCS will review SBP's updated NSCHC policies and procedures to ensure that they adequately address the timeliness of conducting and adjudicating NSCHC checks. Additionally, CNCS will ensure that appropriate representatives from SBP have completed the required annual NSCHC training.

As previously noted in finding 2, SBP has elected to use the Truescreen and Fieldprint vendors for performing staff and member NSCHC, and the average turnaround time for these vendor checks is 1-5 business days. Furthermore, the pre-approved Alternative Search Procedure (ASP) that allowed grantees to cease accompaniment once either the State or FBI check had been returned will expire December 31, 2019. CNCS finds that these procedural changes should be sufficient to address the auditors' finding.

Finding 4: Unallowable and Unsupported Other Direct Costs

The auditors found that SBP claimed costs on its award that were unallowable or improperly supported because SBP lacked adequate policies and procedures.

The auditors recommend that CNCS:

6. Calculate and recover the questioned Federal costs, match costs and related administrative costs. Also, determine if there is an impact on Federal costs resulting from questioned match costs.
7. Require SBP to update and implement its policies and procedures to include:
 - Adequate documentation of expenses;
 - Proper approval of expenses; and
 - Adequate review for unallowable costs.

Management Response:

CNCS concurs with the auditors' finding and recommendations. CNCS will ensure SBP updates their policies and procedures, including appropriate documentation, approval mechanisms, and review procedures for identifying unallowable costs. CNCS will review a sample of transactions and their supporting documentation to verify implementation of the revised procedures.

Auditors questioned \$1,024 in Federal costs and \$18,459 in match costs related to four transactions that were unallowable or unsupported by documentation. CNCS will review the financial support for each of these transactions to determine the allowability of the costs claimed and will disallow any costs determined to be unallowable. CNCS will additionally verify that SBP met its match requirement after adjusting for disallowed costs.

Finding 5: Procurement Activities are Not Properly Documented

The auditors found that SBP's policies and procedures were not sufficient to ensure that procurement activities are documented and maintained in accordance with Federal procurement standards.

The auditors recommend that CNCS:

8. Require SBP to update and implement its policies and procedures to require maintenance of adequate documentation of its procurement actions to demonstrate compliance with Federal requirements.

Management Response:

CNCS concurs with the auditors' finding and recommendation. CNCS will ensure SBP updates its written procurement policy to include documentation standards that meet federal procurement requirements outlined in 2 CFR § 200.318-.36.

Finding 6: Federal Expenditures and Match Costs are not Properly Segregated in the Accounting System

The auditors found that SBP did not properly segregate Federal and match costs in its general ledger.

The auditors recommend that CNCS:

9. Require SBP to develop and implement policies and procedures to segregate Federal expenditures and match costs in the general ledger, to ensure the accounting system is complete, current, and accurate.

Management Response:

CNCS concurs with the auditors' finding and recommendations. CNCS will review SBP's financial management system to ensure it can adequately track federal and non-federal matching funds separately. Following its review, CNCS will work with SBP to address any deficiencies to ensure its financial management system meets the requirements outlined in 2 CFR § 200.302.

Finding 7: Reporting on Federal Financial Reports is Not Current

The auditors found that SBP did not report its expenses on the Federal Financial Report (FFR) for the proper reporting period, which resulted in an under-reporting of expenditures.

The auditors recommend that CNCS:

10. Require SBP to develop and implement policies and procedures to ensure the expenditures reported on its FFRs are current through the report date, regardless of the amount of cash drawn and received.

Management Response:

CNCS concurs with the auditors' finding and recommendation. CNCS will ensure SBP develops a written policy on accurately reporting expenditures through the end of the reporting period. CNCS will additionally provide SBP with training related to the FFR submission requirements.

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

cc: Robert McCarty, Chief Financial Officer
Tim Noelker, General Counsel
Chester Spellman, Director of AmeriCorps
Lori Giblin, Chief Risk Officer
Joseph Liciardello, Acting Chief Grants Officer
Carol Bates, OIG Audit Manager



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Zurich North America

Mike Goss
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Elie Khoury
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PACE

Ann Limberg
U.S. Trust Bank of America

M. Cleland Powell III
IBERIA Bank

Zack Rosenburg
SBP

Julie Tyson
PGA Tour

Stefan Wilson
UPS

September 30, 2019

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

Dear Mrs. Colter:

SBP appreciates the opportunity to review our practices and procedures. Attached are our Comments on the Office of Inspector General's Audit of the Corporation for National and Community Service Grant No. 15NDHLA001 Awarded to the St. Bernard Project

We appreciate the hard work of the Withum team throughout this audit. We look forward to resolving the findings, implementing corrective actions, and continuing our work with CNCS.

Sincerely,

Keith McCulloch
Chief Financial Officer

Enclosures

Cc: Carol Bates, CNCS OIG Audit Manger
Cindy Gaylen, CNCS Audit Resolution

SBP responses:

Finding 1. Inadequate Internal Controls over Payroll Costs.

SBP concurred with finding 1. Corrective actions implemented by SBP include transitioning from a payroll system (APS) where payroll entries to the accounting system were manually completed by a staff member, to a payroll system (ADP) where payroll entries into the accounting system is automated. SBP will implement an oversight and monitoring procedure to ensure that these entries are reviewed and approved by both the CFO and the Controller for accuracy. SBP has also improved its timesheet procedure to ensure that all timesheets are approved by a supervisor before each pay period, with a final review by the Senior Accountant. SBP intends to update its policies to reflect these changes.

Finding 2. Employee Criminal History Checks Not Performed Timely

SBP concurred with finding 2. Corrective actions implemented by SBP included centralizing all SBP staff NSCHC checks to be completed by our National Director of Human Resources. SBP will also conduct NSCHCs on all staff, regardless of whether they appear on the budget, with additional oversight and monitoring from our Deputy Director of AmeriCorps to include a quarterly review of a random sample of 10% of currently serving and exited staff NSCHCs. This ensures that all NSCHCs are completed timely and that documentation is obtained. SBP has implemented the CNCS approved vendor Truescreen and through this vendor, uses consent forms that account for self-certifications regarding murder convictions. The adoption of Truescreen and Fieldprint provides one online hub to monitor for NSCHC documentation, improving the previous process of monitoring several state agencies. SBP will update its policies and procedures to account for these changes in procedure.

Finding 3. Member Criminal History Check Not Returned

SBP concurred with finding 3. Corrective actions implemented by SBP include centralizing all member NSCHC checks to be completed by our Deputy Director of AmeriCorps. Additional oversight and monitoring from our AmeriCorps Program Managers will include a quarterly review of a random sample of 10% of currently serving and exited member NSCHCs. SBP has also implemented Fieldprint and Truescreen as its vendors for all staff and member NSCHCs. The adoption of Truescreen and Fieldprint provides one online hub to monitor for NSCHC documentation, improving the previous process of monitoring several state agencies. These changes ensure that NSCHCs are completed on time and that results are received before a member begins service. SBP will update its policies and procedures to account for these changes in procedure.

Finding 4. Unallowable and Unsupported Other Direct Costs

SBP concurred with finding 4. SBP is continuing to update its processes and procedures to address the items in this finding. Those changes include a separate classification for SBP funded deployments and a separate classification for items that do not appear in the active budget. SBP has strengthened its monitoring and oversight to ensure that journal entries are reviewed and approved by both the CFO and the Controller. The approval will ensure that proper documentation accompanies all journal entries. SBP will also hold budget

sessions and Q&A forums with our AmeriCorps team to ensure that any staff with purchasing or approval ability are trained in our process as well as our accounting and grant codes.

Finding 5. Procurement Activities are Not Properly Documented

SBP concurred with finding 5. We have obtained the procurement regulation in the Uniform Guidance, and reviewed the thresholds that are properly defined in the 2 CFR. SBP will revise our procurement policy in response to this finding.

Finding 6. Federal Expenditures and Match Costs are not Properly Segregated in the Accounting System

SBP does concur that adjustments to our accounting system, as well as our policies and procedures, are required related to finding 6; SBP does not agree that our financial management system is not compliant with Federal requirements. In our corrective action for this finding, SBP is working to create a separate class of unbillable AmeriCorps expenses that will allow for the segregation recommended in this finding. We will further strengthen the level of transparency, by breaking down the billable class into two separate classes - a match class and a CNCS billable class. By creating these new classes, SBP will be able to run a general ledger report that will directly match any costs that are in the match or CNCS billed income.

Finding 7. Reporting on Federal Financial Reports is Not Current

SBP will need additional perspective on finding 7 before an opinion can be made. SBP has received direction from our CNCS Grants Officer that supports our current procedure and process of completing the FFR. As such, SBP does not see that changes are required to our current practices, however we are open to recommended changes once additional information is shared and further discussed is had.

OFFICE OF INSPECTOR GENERAL



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