

CORPORATION FOR NATIONAL & COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

AGREED-UPON PROCEDURES FOR CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO SERVE INDIANA

OIG Report 19-06

Prepared by:

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This report was issued to CNCS management on March 12, 2019. Under the laws and regulations governing audit follow up, CNCS is to make final management decisions on the report's findings and recommendations no later than September 12, 2019, and complete its corrective actions by March 12, 2020. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



March 12, 2019

TO: Chester Spellman
Director, AmeriCorps State and National

Joseph Liciardello
Acting Chief Grants Officer

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

SUBJECT: *OIG Report 19-06, Agreed-Upon Procedures for the Corporation for National and Community Service Grants Awarded to Serve Indiana*

Attached is the final report for the subject engagement. This agreed-upon procedures review was conducted by CliftonLarsonAllen LLP in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Under CNCS's audit resolution policy, a final management decision on the findings and recommendations in this report is due by September 12, 2019. Notice of final action is due by March 12, 2020.

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

Attachment

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

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Executive Summary

The Corporation for National and Community Service (CNCS), Office of Inspector General (CNCS-OIG) contracted with CliftonLarsonAllen LLP (CLA), an independent certified public accounting firm, to perform agreed-upon procedures (AUP) on grant costs incurred by Serve Indiana and two of its subgrantees. Serve Indiana is the State Commission through which AmeriCorps State grants are provided. Serve Indiana also received a CNCS Training and Technical Assistance grant to provide training and assistance to Serve Indiana and subgrantee staff. CLA performed agreed upon procedures on Serve Indiana's compliance with CNCS policies and applicable regulations for CNCS-funded Federal assistance.

Based on testing a judgmentally selected sample of transactions, we questioned claimed costs as follows:

Type of Questioned Costs ¹	Federal Costs	Match Costs	Education Awards	Totals	Percent of Total
1. Subgrantee has an inadequate financial management system and was unable to reconcile Federal and match costs claimed on its Periodic Expense Reports (PERs) to its financial records	\$ 74,234	\$44,607	\$ -	\$118,841	52%
2. Member and subgrantee employee National Sex Offender Public Website (NSOPW) search documentation was not retained	40,173	31,172	19,390	90,735	39%
3. Costs claimed that were not in the approved budget	5,724	1,222	-	6,946	3%
4. Member's service agreement had incorrect information	3,453	2,571	665	6,689	3%
5. Member FBI and State background check documentation was not retained	3,453	2,548	-	6,001	3%
6. Member was paid incorrect living allowance	53	37	-	90	0%
Totals	\$127,090	\$82,157	\$20,055	\$229,302	100%

Participants who successfully complete their AmeriCorps terms of service are eligible for education awards and, in some cases, accrued interest funded by the CNCS National Service Trust. These award amounts are not funded by the 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 CNCS 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.

¹ 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.

The majority of the questioned costs were claimed by the subgrantees and were caused by the Boys and Girls Club of Wayne County Indiana's (BGCWCI)² inadequate financial management system and American Red Cross of Indiana's (ARCI) non-compliance with National Service Criminal History Check (NSCHC) requirements (approximately 94 percent). For those costs BGCWCI accounted for \$74,234 in questioned Federal and \$44,607 in questioned match costs. ARCI accounted for \$43,626 in questioned Federal and \$33,720 in questioned match costs along with \$19,390 in questioned education awards. We questioned \$19,390 in education awards because the NSOPW member search documentation was not retained by ARCI. An additional \$665 in education awards was questioned because the member received an education award that was higher than what was stated in the member's service agreement.

See Schedules C and D for details of both subgrantees claimed and matched questioned costs. Detailed Findings are listed in Schedule E of this report.

CLA identified the following deficiencies at Serve Indiana and the two subgrantees, BGCWCI, and ARCI:

Evaluation of Subgrantees' Applications

- Grantee's assessment of the subgrantee applicants' financial management system was not sufficiently documented to support the evaluation (Finding 1).

Monitoring Subgrantees' Single Audits

- Grantee did not continuously monitor the subgrantees' single audits (Finding 2).

Federal Financial Reporting

- Grantee submitted late Federal Financial Reports (FFRs) (Finding 3).

Financial Management System

- Subgrantee has an inadequate financial management system and was unable to reconcile Federal and match costs claimed on its PERs to its financial records (Finding 4).

National Service Criminal History Check

- Subgrantee was unable to provide evidence of the members' NSOPW searches (Finding 5.a.).
- Subgrantee was unable to provide evidence of an employee's NSOPW search (Finding 5.b.).
- Subgrantee was unable to provide evidence that it conducted a member's State and FBI background checks (Finding 5.c.).

Claimed Costs

- Grantee claimed costs that were not in the approved budget (Finding 6).

² Boys and Girls Club in Indiana (BGCI) is the successor subgrantee to the BGCWCI; therefore, awards under both these names were considered as one grantee for the purpose of this AUP.

Member Service Agreement

- Member's service agreement had incorrect information (Finding 7.a.).
- Members' service agreements were signed after the members began service (Finding 7.b.).

Member Living Allowance

- Member was paid incorrect living allowance (Finding 8)

Periodic Expense Reporting

- Subgrantees submitted late PERs (Finding 9).

Administrative Changes

- Grantee hired a new Executive Director and Assistant Director without obtaining prior written approval from CNCS (Finding 10).

Member End-of-Term Evaluation

- Member files were missing end-of-term evaluations (Finding 11).

SUMMARY OF RESULTS

Serve Indiana claimed the following Federal and match costs:

Grant No.³	Federal	Match	AUP Period
15AFHIN001	\$2,808,410	\$2,708,854	October 1, 2015 to September 30, 2017
15ACHIN001	2,470,922	2,455,107	October 1, 2015 to September 30, 2017
13FXHIN001	690,510	-	October 1, 2014 to September 30, 2016
16CAHIN001	425,169	425,169	January 1, 2016 to December 31, 2017
13CAHIN001	388,468	388,468	January 1, 2015 to December 31, 2016
16FXHIN002	357,074	-	August 1, 2016 to September 30, 2017
16ESHIN001	243,418	-	September 1, 2016 to August 31, 2017
16TAHIN001	87,354	-	July 15, 2016 to December 31, 2017
Totals	\$7,471,325	\$5,977,598	

We found no discrepancies when we compared Serve Indiana's inception-to-date drawdown amounts with the amounts reported in its most recent FFR for the period tested. The grant awards reviewed as part of the AUP and related questioned costs are shown in Schedules A through D. Schedule E lists the details concerning the questioned costs and non-compliance with grant provisions and applicable laws and regulations.

³ There is no match requirement for fixed amount grants or training and technical assistance grants.

Schedule A

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

Award No.	Program	Federal Budget	Claimed Federal Costs	Match Budget	Claimed Match Costs	Questioned Costs			
						Federal Costs(a)	Match Costs(b)	Education Awards(c)	Schedule
13CAHIN001	ADMIN	\$ 392,089	\$ 388,468	\$ 392,089	\$ 388,468	\$ 1,994	-	-	B
16CAHIN001	ADMIN	428,848	425,169	428,848	425,169	3,730	1,222	-	B
13FXHIN001	AmeriCorps Formula Fixed	1,311,333	690,510	-	-	-	-	-	
16FXHIN002	AmeriCorps Formula Fixed	746,024	357,074	-	-	-	-	-	
16ESHIN001	National Direct Fixed	509,600	243,418	-	-	-	-	-	
16TAHIN001	Training & Technical Assistance	216,743	87,354	-	-	-	-	-	
15ACHIN001	AmeriCorps Competitive	2,545,499	2,470,922	2,142,443	2,455,107	121,366	80,935	20,055	C
15AFHIN001	AmeriCorps Formula	4,862,667	2,808,410	2,446,175	2,708,854	-	-	-	D
	Total	\$11,012,803	\$7,471,325	\$5,409,555	\$5,977,598	\$127,090	\$82,157	\$20,055	
Total Questioned Costs (a+b+c)							\$229,302		

Information Specific to Subgrantees Tested									
Award No.	Program	Federal Budget	Claimed Federal Costs	Match Budget	Claimed Match Costs	Questioned Costs			
						Federal Costs	Match Costs	Education Awards	Schedule
15ACHIN001	BGCWCI	\$1,508,102	\$1,398,751	\$1,220,286	\$920,075	\$74,287	\$44,644	\$ -	C
15ACHIN001	Boys and Girls Clubs in Indiana	\$ 250,300	\$ 17,912	\$ 252,279	\$ 13,079	\$ -	\$ -	\$ -	
15ACHIN001	ARCI	\$ 677,157	\$ 448,671	\$1,011,485	\$800,352	\$47,079	\$36,291	\$20,055	D

Schedule B

Schedule of Award and Claimed Costs
For Period January 1, 2015 through December 31, 2016
Serve Indiana – 13CAHIN001

			Reference
Authorized Federal Budget (CNCS Funds)		\$392,089	Note 1
Claimed Federal Costs		\$388,468	Note 2
Authorized Match Budget		\$392,089	Note 3
Claimed Match Costs		\$388,468	Note 4
Questioned Federal Costs:			
Grantee claimed cost that was not in the approved budget	\$1,994		Note 5
Total Questioned Federal Costs		<u>\$1,994</u>	

Schedule of Award and Claimed Costs
For Period January 1, 2016 through December 31, 2017
Serve Indiana – 16CAHIN001

			Reference
Authorized Federal Budget (CNCS Funds)		\$428,848	Note 1
Claimed Federal Costs		\$425,169	Note 6
Authorized Match Budget		\$428,848	Note 3
Claimed Match Costs		\$425,169	Note 7
Questioned Federal Costs:			
Grantee claimed cost against the wrong AmeriCorps grant	<u>\$3,730</u>		Note 8
Total Questioned Federal Costs		<u>\$3,730</u>	
Questioned Match Costs:			
Grantee claimed cost that was not in the approved budget	<u>\$1,222</u>		Note 5
Total Questioned Match Costs		<u>\$1,222</u>	

Notes

1. Authorized Federal budget for funding to Serve Indiana from the Notice of Grant Award.
2. Claimed Federal costs represent Serve Indiana's reported Federal expenditures for the period January 1, 2015, through December 31, 2016, covering program year 2015 and a one year no-cost extension through 2016.
3. The authorized match budget represents Serve Indiana's funding in accordance with the Notice of Grant Award.
4. Claimed match costs represent Serve Indiana's reported match expenditures for the period January 1, 2015, through December 31, 2016, covering program year 2015 and a one year no-cost extension through 2016.
5. Questioned Federal catering costs of \$1,994 and \$1,222 in match catering costs that were not in the approved budget (Finding 6).

6. Claimed Federal costs represent Serve Indiana's reported Federal expenditures for the period January 1, 2016, through December 31, 2017.
7. Claimed match costs represent Serve Indiana's reported match expenditures for the period January 1, 2016, through December 31, 2017.
8. Questioned Federal costs of \$3,730 incorrectly charged to the grant (Finding 6).

Schedule C

**Schedule of Award and Claimed Costs:
BGCWCI – 15ACHIN001
AUP Period October 1, 2015 through September 30, 2017**

			Reference
Authorized Federal Budget (CNCS Funds)		\$1,508,102	Note 1
Claimed Federal Costs		\$1,398,751	Note 2
Authorized Match Budget		\$1,220,286	Note 3
Claimed Match Costs		\$ 920,075	Note 4
Questioned Federal Costs:			
Subgrantee has an inadequate financial management system and was unable to reconcile Federal and match costs claimed on its PERs to its financial records	\$74,234		Note 5
Member was paid incorrect living allowance	<u>53</u>		Note 6
Total Questioned Federal Costs		<u>\$74,287</u>	
Questioned Match Costs:			
Subgrantee has an inadequate financial management system and was unable to reconcile Federal and match costs claimed on its PERs to its financial records	\$44,607		Note 5
Member was paid incorrect living allowance	<u>37</u>		Note 6
Total Questioned Match Costs		<u>\$44,644</u>	

Notes

1. The authorized Federal budget represents the Federal funding to BGCWCI in accordance with the sub-grant agreement.
2. Claimed Federal costs represent BGCWCI's Federal expenditures claimed for the period October 1, 2015, through September 30, 2017.
3. The authorized match budget represents the BGCWCI funding in accordance with the sub-grant agreement.
4. Claimed match costs represent BGCWCI's match expenditures claimed for the period October 1, 2015, through September 30, 2017.
5. Questioned Federal costs of \$74,234 and match costs of \$44,607 because BGCWCI was unable to reconcile Federal and match costs claimed on the PERs to its financial management system (Finding 4).
6. Questioned Federal costs of \$53 and match costs of \$37 because BGCWCI paid an incorrect living allowance to a member (Finding 8).

Schedule D

**Schedule of Award and Claimed Costs:
ARCI – 15ACHIN001
AUP Period October 1, 2015 through September 30, 2017**

			Reference
Authorized Federal Budget (CNCS Funds)		\$677,157	Note 1
Claimed Federal Costs		\$448,671	Note 2
Authorized Match Budget		\$1,011,485	Note 3
Claimed Match Costs		\$800,352	Note 4
Questioned Federal Costs:			
Member NSOPW search documentation was not retained	\$40,173		Note 5
Member FBI and State background check documentation was not retained	3,453		Note 6
Member's service agreement had incorrect information	<u>3,453</u>		Note 7
Total Questioned Federal Costs		<u>\$47,079</u>	
Questioned Match Costs:			
Member NSOPW search documentation was not retained	\$23,818		Note 5
Employee NSOPW search documentation was not retained	7,354		Note 8
Member's service agreement had incorrect information	2,571		Note 7
Member FBI and State background check documentation was not retained	<u>2,548</u>		Note 6
Total Questioned Match Costs		<u>\$36,291</u>	
Questioned Education Awards:			
Member NSOPW search documentation was not retained	\$19,390		Note 5
Member's service agreements had incorrect information	<u>665</u>		Note 7
Total Questioned Education Awards		<u>\$20,055</u>	

Notes

1. The authorized Federal budget represents the Federal funding to ARCI in accordance with the sub-grant agreement.
2. Claimed Federal costs represent ARCI's Federal expenditures claimed for the period October 1, 2015 through September 30, 2017.
3. The authorized match budget represents the ARCI funding in accordance with the sub-grant agreement.
4. Claimed match costs represent ARCI's match expenditures claimed for the period October 1, 2015 through September 30, 2017.

5. Questioned Federal costs of \$40,173, match costs of \$23,818, and education awards of \$19,390 because ARCI was not documenting and retaining the members' NSOPW searches (Finding 5.a.).
6. Questioned Federal costs of \$3,453 and match costs of \$2,548 because ARCI was not documenting and retaining the member FBI and State background checks (Finding 5.c.).
7. Questioned Federal costs of \$3,453, match costs of \$2,571 and education award of \$665 because the member's service agreement had incorrect information (Finding 7.a.).
8. Questioned match costs of \$7,354 because ARCI was not documenting and retaining the employee's NSOPW search (Finding 5.b.).

Detailed Findings

Finding 1 – Evaluation of Subgrantees’ Applications

Grantee’s assessment of the subgrantee applicants’ financial management systems was not sufficiently documented to support the evaluation.

The AUP requires the auditor to review pre-selection evaluations of grant applicants to determine if the evaluations made specific reference to the applicant’s financial systems. Serve Indiana conducted an onsite visit to each applicant prior to awarding a grant. Serve Indiana provided a Pre-Award Risk Assessment (PARA) formally documenting its evaluation of whether an applicant will be recommended for funding and that the applicant is capable of complying with AmeriCorps financial management system requirements. The PARA addresses eight risk factors, one factor is for Finances.⁴ During the site visit, Serve Indiana determines and documents if an applicant could meet, or needs to work to meet, each of the 28 indicators under the Finances risk factor, or state that the indicator is not applicable.⁵

We reviewed Serve Indiana’s evaluations for two applicants (Indiana United Way and the Boys and Girls Clubs in Indiana) that received grant funding and found that Serve Indiana did not document the results of its review for the 28 indicators under the Finances risk factor. Serve Indiana identified the following potential issues for both of the applicants:

- Lack of knowledge of the basic financial condition of the organization;
- Executive director managing in isolation and inadequate board oversight;
- No system for reporting financial information to the board for review and decision making;
- No connection to outside financial expertise or resources;
- No system for managing accounts payable and receivables;
- Fund raising goal in the budget;
- Organization not current on payroll taxes to IRS;
- Program is not covered by liability insurance;
- Program does not use a payroll system to pay member stipends;
- Expenditures are not reported on an accrual basis;
- Requests for funds are not calculated on a cost basis; and,
- Program does not deduct FICA from member stipends.

Based on our review of the 28 indicators, Serve Indiana found issues with 8 of them. Serve Indiana may have addressed all 28 indicators in its review but did not have sufficient documentation to support the completeness of the review.

In addition, there was no documentation to show how Serve Indiana addressed and resolved these issues. The PARA Summary of Results under the Finance risk factor indicated that a brief review of the organization’s financial documentation was conducted. It also stated that the applicant had the necessary policies and procedures to financially manage an effective AmeriCorps program and that all of the indicators were met. Without adequate

⁴ Serve Indiana’s AmeriCorps Grant Application Review Process, Pre-award risk assessment.

⁵ Serve Indiana’s Pre-Award Risk Assessment Tool procedures, 8. Finances.

documentation, it is unclear how Serve Indiana management determined these two grant applicants met the Federal financial management system standards. Serve Indiana indicated they held an internal discussion to review the financial system exceptions, but no documentation of this review was provided to us.

Federal regulations require Federal awarding agencies to conduct a review of risk posed by applicants prior to making a Federal award. The Federal regulations also recommended, as a best practice, to use a risk-based approach that may consider such risk factors as the quality of the applicant's management systems and its ability to meet the Federal financial management standards.⁶ This is also considered a best practice for pass-through entities. The financial management system for each applicant must be able to provide the following:

- Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received;
- Accurate, current, and complete disclosure of the financial results of each Federal award or program;
- Records that adequately identify 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;
- Effective control over, and accountability for, all funds, property, and other assets; and,
- Comparison of expenditures with budget amounts for each Federal award.⁷

The CNCS' grant terms and conditions also state that Serve Indiana must ensure that the financial management systems of any sub-recipient can produce reports which support and reconcile to the amounts reported to Serve Indiana.⁸

The PARA policies and procedures did not indicate how Serve Indiana should document its review of the applicant and how it would resolve any potential issues noted during the review. Failure to properly document the evaluation of the subgrantee's financial management system could result in Serve Indiana providing an award to a subgrantee whose financial management system does not meet the Federal financial management system standards. Subgrantees with inadequate financial management systems are more likely to misspend or lose track of Federal and/or match funds.

Recommendations:

We recommend that CNCS:

1. Ensure that Serve Indiana revises its policies and procedures over the Pre-Award Risk Assessment process to ensure that:
 - a) Each risk factor indicator is addressed and documented in the review;

⁶ Title 2 Code of Federal Regulations (C.F.R.), Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards, §200.205, Federal awarding agency review of risk posed by applicants, (c) (January 2015 and 2016).

⁷ 2 C.F.R., Subpart D – Post Federal Award Requirements, §200.302, Financial management, (b) (January 2015 and 2016).

⁸ FY 2016 and 2017 General Grant and Cooperative Agreement Terms and Conditions, Section III, B. Financial Management Standards, 3. Cost Reporting.

- b) Actions to address and correct all potential issues are documented; and
- c) The Pre-Award Risk Assessment Summary of Results report is verified and approved by the Executive Director.

2. Verify that Serve Indiana implements the revised policies and procedures.

Summary of Management's Response:

CNCS concurred with recommendation 1 and 2, but noted a technical comment regarding the audit report. It stated that the Federal regulation referenced in the finding pertained to Federal agencies and not pass-through entities. The citation that defines the requirements for a pass-through entity's evaluation of risk of its subrecipients is 2 C.F.R. §200.331(b). CNCS indicated that it will ensure that Serve Indiana complies with 2 C.F.R. §200.331(b) and other applicable statewide policies.

Evaluation of Management's Comments:

CNCS concurred with our recommendations, but not the Federal regulation referenced. We concur and now refer to that referenced information as a best business practice in the report. CNCS' reference to 2 C.F.R. §200.331(b) relates to the risk assessment process for determining the appropriate monitoring to be performed on subgrantees after the award has been made. However, it does not address what should be done prior to making the award. CNCS should ensure that Serve Indiana evaluates each applicant's risk of noncompliance with Federal statutes, regulations, and the terms and conditions before approving the sub-award.

During the audit resolution phase, CNCS should evaluate the effective implementation of Serve Indiana's corrective actions concerning the PARA process to address the audit recommendations.

Summary of Commission's Response:

Serve Indiana partially concurred with Finding 1 indicating that the Federal regulation does not explicitly state that such documentation must be kept or how it should be kept. It only indicated that the review process be conducted and taken into consideration. Serve Indiana did concur that the documentation of those reviews were lacking. Serve Indiana's corrective actions include staff training and documented checks and balances to ensure the accurate completion of the PARA process.

Evaluation of Commission's Comments:

Serve Indiana partially concurred with Finding 1 because the Federal regulations lacked specific requirements regarding the documentation of pre-award reviews. A key aspect of any internal control process is the documentation of the internal control. The documentation supports that the internal control was carried out as intended. However, Serve Indiana did indicate that the documentation of the reviews were lacking and its corrective actions will satisfy the intent of the finding.

Finding 2 – Monitoring Subgrantees’ Single Audits

Grantee did not continuously monitor the subgrantees’ single audits.

Serve Indiana provided no documentation that it had obtained and reviewed the Single Audit reports for the following subgrantees for the fiscal years indicated.

Serve Indiana - Single Audit Report Monitoring	
Subgrantee	Fiscal Year Not Monitored
American National Red Cross	2015 & 2016
Boys & Girls Club of Indianapolis	2015 & 2016
Boys & Girls Club of Wayne County Indiana	2016
Christel House Academy	2015 & 2016
Early Learning Indiana	2015 & 2016
Northern Indiana Workforce Board	2015 & 2016
The John H. Boner Community Center	2015 & 2016
United Way of Central Indiana	2015 & 2016
Indiana State University	2015 & 2016
University of Notre Dame	2015 & 2016

Federal regulations require that pass-through entities, such as Serve Indiana, monitor its subgrantees to ensure sub-awards are used for authorized purposes, are in compliance with Federal statutes and regulations, and are in compliance with the terms and conditions of the sub-award. The pass-through entity must follow-up and ensure the subgrantees take timely and appropriate action on all deficiencies detected through audits. The pass-through entity must issue a management decision on those audit findings pertaining to the Federal award it provided to the subgrantee.⁹ Pass-through entities are also required to verify that every subgrantee is audited when it is expected that a subgrantee’s Federal awards expended during the respective fiscal year would equal or exceed the threshold set forth in the Federal regulations.¹⁰

Serve Indiana’s monitoring policy and procedures only requires a review of the subgrantee’s most recent audit report or management letter at least once every three years.¹¹ By not reviewing the single audit reports annually, Serve Indiana may not detect, and timely remedy, deficiencies in the subgrantees’ management of CNCS resources.

Recommendation:

We recommend that CNCS:

⁹ Title 2 C.F.R., Subpart D – Post Federal Award Requirements, §200.331, Requirements for pass-through entities, subsection (d) (January 2015 and 2016).

¹⁰ Title 2 C.F.R., Subpart D – Post Federal Award Requirements, §200.331, Requirements for pass-through entities, subsection (f) (January 2015 and 2016).

¹¹ Serve Indiana’s Program Expectations & Monitoring procedures, Full Fiscal Monitoring Visit/Audit

3. Verify that Serve Indiana revise its subgrantee monitoring procedures to ensure it complies with pass-through entity responsibilities for subrecipients' Single Audits and include the following procedures:
 - a) Identify all subgrantees with CNCS expenditures for each State fiscal year and determine which of the subgrantees underwent Single Audits;
 - b) Review the audit reports for findings that affect CNCS grants to determine if Serve Indiana records require an adjustment;
 - c) Develop a documented process to determine if subgrantees accurately presented CNCS awards on their Schedule of Expenditures of Federal Awards (SEFA) schedules;
 - d) Ensures that Serve Indiana implements the documented process to determine if subgrantees accurately presented CNCS awards on their SEFA; and
 - e) Retain documentation of Serve Indiana monitoring and reviews of subgrantee audit reports, along with management decisions made or corrective actions implemented.

Summary of Management's Comments:

CNCS concurred with recommendation 3. CNCS will ensure that Serve Indiana has written policies and procedures in place for reviewing and documenting subgrantee Single Audit report results, including issuing management decisions for audit findings that impact the subaward.

Summary of the Commission's Comments:

Serve Indiana concurs with Finding 2. Serve Indiana will provide clarity to its procedures as well as identifying capacity to support an effective annual review of subgrantee's single audits.

Evaluation of Management's and Commission's Comments:

Management's and Serve Indiana's comments are responsive respectively to the recommendations and finding and its corrective actions address the recommendations and finding.

Finding 3 – Federal Financial Reporting

Grantee submitted late Federal Financial Reports (FFRs).

Serve Indiana did not submit FFRs in a timely manner. The following table lists late FFR submissions for grants No. 13CAHIN001, 16TAHIN001, and 16TAHIN002.

Grant	Reporting Period End Date	FFR Due Date	FFR Submission Date	Days Late
13CAHIN001	12/31/2016	3/31/2017	4/17/2017	17
16TAHIN001	6/30/2017	7/31/2017	8/15/2017	16
16TAHIN001	12/31/2017	1/30/2018	2/6/2018	7
16TAHIN002	6/30/2017	7/31/2017	8/22/2017	23
16TAHIN002	9/30/2017	12/29/2017	1/17/2018	19

CNCS' grant terms and conditions requires the grantee to submit a cumulative financial report on July 31st and January 31st. The final financial report is due within 90 days after the end of the grant project period.¹²

Serve Indiana did not have sufficient controls in place to ensure the timely submission of the FFRs. Untimely submissions of FFRs could directly impact CNCS' financial reporting process and cause a potential misstatement of costs.

Recommendation:

We recommend that CNCS:

4. Confirm that Serve Indiana puts controls in place to ensure that Federal Financial Reports are submitted in accordance with the Federal Financial Reporting requirement.

Summary of Management's Comments:

CNCS concurred with recommendation 4. CNCS will verify that Serve Indiana has written policies and procedures for preparing and submitting FFRs by the required due dates.

Summary of Commission's Response:

Serve Indiana concurred with the finding. Serve Indiana indicated it has since developed better controls to ensure that FFRs are submitted timely.

Evaluation of Management's and Commission's Comments:

Management's and Serve Indiana's comments are responsive respectively to the recommendations and finding and its corrective actions address the recommendations and finding.

Finding 4 – Financial Management System

Subgrantee has an inadequate Financial Management System and was unable to reconcile Federal and match costs claimed on its Periodic Expense Reports (PERs) to its financial records.

Our review found that BGCWCI had two significant limitations within its accounting system for tracking costs: One, it was not centralized to track all AmeriCorps grant expenses, and two, it was not capable of separating match from Federal costs. Due to these limitations, BGCWCI chose to track its claimed costs in the following manner:

- The general ledger was used to track Federal AmeriCorps expenses such as employee salaries, travel, supplies, and member training. However, member living allowance costs, in-kind personnel expenses, and employee benefits were not tracked within the general ledger.

¹² CNCS 2016 and 2017 Terms and Conditions for Commission Support Grants, Section V. Reporting Requirements, subsections A and C.

- To track claimed and reported member living allowance and employee benefit costs BGCWCI created an “ACES Master Spreadsheet.” This spreadsheet required manual calculations for the following:
 - Member living allowances and benefits were broken out between Federal and match by using the percentages listed in the approved grant budget.
 - In-kind employee benefits were calculated using the applicable salary amount and applying the percentages listed in the approved grant budget for each benefit.
- In-kind supervisor personnel expenses were recorded directly through the OnCorps system which generates the monthly PERs. The time was calculated using a timesheet that included each employee’s hourly pay rate and the number of hours they spent in supervision for the period.

Other indicators that the BGCWCI financial management system did not meet Federal financial management standards or the grant terms and conditions, was that BGCWCI did not have policies and procedures to ensure that PER reported costs were reconciled to BGCWCI’s financial management system.¹³ In its response to our findings, BGCWCI confirmed that the general ledger and spreadsheets provided to the auditors were incorrect and provided additional information to try to explain the differences. A number of differences were attributed to employee error. This further indicates there are inadequate internal controls over financial reporting. The BGCWCI explanations include:

- There were \$19,046.88 in Federal benefits costs that should not have been included in the general ledger. Those costs were already captured in the ACES Master Spreadsheet. Entering the costs into the general ledger was due to an employee error.
- There were \$6,418.45 in Federal costs included in the general ledger, but were not claimed on the PERs.

The following three bullets include more information from BGCWCI attempting to explain the differences between the general ledger and the PERs. BGCWCI’s response presents Federal costs incurred for the grant that were not disclosed to the auditors prior to testing. As a result, the auditors had no opportunity to test these Federal costs.

- There were \$9,864.90 in Federal member insurance costs claimed in the PERs that were in the general ledger. Due to employee error, the costs were not in the general ledger detail provided to CLA to support the costs claimed.
- There were \$31,335.31 in Federal costs that were not provided in the general ledger detail for the AUP period because they were included as costs in the following month. BGCWCI indicated that the omission of those costs on the general ledger provided to

¹³Title 2 C.F.R., Subpart D – Post Federal Award Requirements, §200.302 Financial Management (January 2015 and January 2016) and General Grant and Cooperative Agreement Terms and Conditions, Section II. General Terms and Conditions, Subsection B. Financial Management Standards, 3. Cost Reporting (December 2015 and December 2016).

CLA was due to human error. Specifically, the employee did not consider costs that were incurred in the program year but were recorded in the following month which was after the end of the program year.

- There were \$8,881.39 in Federal costs claimed in the PERs that were stated as not being included in the general ledger due to human error, but no support was provided as to what those costs were for. As a result, these costs were not accepted as a reconciling item.

Another example of BGCWCI's inadequate financial management system, included in its response to the finding, involves recording match costs. BGCWCI was short in meeting its match requirement for the program year. BGCWCI indicated that Serve Indiana advised it to meet the match requirement by moving Federal costs to match and increase match costs by including costs that were not previously charged to the grant. BGCWCI decided not to follow Serve Indiana's guidance. Instead, BGCWCI chose to reclassify costs including, supplies, member training, and other operating expenses, that were originally charged to programs outside of the AmeriCorps grants, as match costs. BGCWCI included these costs but had no transaction level detail and provided no documentation to support the costs. BGCWCI could not identify those transactions claimed as match costs because the financial management system lacked internal controls to ensure the adjustments made to match costs were identified and documented at the transaction level.

In summary, the results of our reconciliation and testing showed that BGCWCI claimed more costs in the monthly PERs than were supported by transaction level detail provided by the BGCWCI financial management system. We questioned Federal costs of \$2,382 for program year 2015 – 2016. We questioned \$44,607 in match costs for program year 2016 – 2017. In addition, we questioned Federal costs for the two program years of \$29,339 and \$42,513, respectively, because BGCWCI fell short of its required match for each program year. The table below shows the questioned costs by category:

Program Year	Questioned Federal Cost Due to Reconciliation (a)	Questioned Match Cost Due to Reconciliation (b)	Questioned Federal Cost Due to Lack of Match Costs (c)	Total Questioned Federal Costs (a) + (c)	Total Questioned Match Costs (b)
2015-2016	\$ 2,382	\$ -	\$29,339	\$31,721	\$ -
2016-2017	-	44,607	42,513	42,513	44,607
Total	\$2,382	44,607	\$71,852	\$74,234	\$44,607

Recommendations:

We recommend that CNCS:

5. Ensure that Serve Indiana undertakes a review of the remaining subgrantees' financial management systems to verify that:
 - a) All subrecipients are in compliance with the financial management system requirements as indicated under Title 2 C.F.R., Subpart D – Post Federal Award Requirements, §200.302 Financial Management, and

- b) All subrecipients can meet the cost reporting requirements under the CNCS General Grant and Cooperative Agreement Terms and Conditions, Section III. General Terms and Conditions, subsection B. Financial Management Standards.
6. Recover the \$74,234 in questioned Federal costs for BGCWCI grant No. 15ACHIN001.
 7. Monitor the Serve Indiana matching requirements on these awards; and at the end of the grant, determine whether they met the match requirements.
 8. Verify that Serve Indiana monitored subgrantee matching requirements on these awards and, at the end of the grant, determine whether each subgrantee met the match requirements.

Summary of Management's Comments:

CNCS concurred with recommendations 5, 7, and 8. CNCS plans to ensure that Serve Indiana has appropriate monitoring procedures in place to confirm that subrecipient financial management systems comply with Federal requirements, as well as to perform periodic reviews of accounting records to ensure that costs reported by subrecipients can be reconciled to those records. CNCS will also require Serve Indiana to work with BGCWCI to establish internal controls and written policies and procedures to comply with Federal financial management requirements. CNCS indicated that it is a standard process for the CNCS to review each grantee's regulatory match requirement as the end of the award and adjust Federal share as needed. CNCS will also ensure that Serve Indiana has procedures in place to ensure subgrantee compliance with regulatory match requirements and take corrective action when needed.

For recommendation 6, CNCS will review the supporting documentation from Serve Indiana regarding the questioned costs to determine whether costs will be subject to disallowance.

Evaluation of Management's Comments:

CNCS' corrective actions address the intent of the recommendations. During the audit resolution, CNCS will determine if the questioned costs will be allowed or sustained and the amount to be recovered. Based on the information that was provided to us at the time of our review, CNCS should disallow the questioned costs due to: (1) unsupported claimed Federal and match costs and (2) Federal costs claimed that lacked the required match.

Summary of Commission's Comments:

Serve Indiana concurred with the finding. However, Serve Indiana takes issue with the amount of questioned costs because there is evidence of the subgrantee's required match costs. It also believes that some of the questioned costs could be allowably recovered through accounting corrections and adjustments rather than disallowance and debt collection. Serve Indiana plans to work with CNCS to ensure that its subgrantees are meeting financial management system requirements in compliance with 2 C.F.R., §200.302 and the grant terms and conditions.

Evaluation of Commission's Response:

Serve Indiana's comments and corrective actions are responsive to our finding. As indicated previously, CNCS will determine the amount of allowed or sustained questioned costs during the audit resolution process to ascertain the costs to be recovered.

Finding 5 – National Service Criminal History Check Finding

a. Member National Sex Offender Public Website (NSOPW) search was not documented and retained.

For five members that we tested, ARCI could not provide documentation that it performed the NSOPW search before the members started service. ARCI indicated that the documentation was misplaced due to human error. ARCI subsequently provided NSOPW searches for those members dated May 4, 2018, which was after these members completed their service. As a result, we questioned the Federal and match member costs, living allowance, administrative and indirect costs for those five members charged to grant No. 15ACHIN001 during the AUP period, as well as the applicable education award amounts.

Sample	Questioned Federal & Administrative Costs	Questioned Match & Indirect Costs	Questioned Education Award
1	\$ 9,112	\$ 5,465	\$ -
3	9,227	5,217	5,730
5	9,227	5,217	5,730
7	9,227	5,217	5,730
8	3,380	2,702	2,200
Totals	\$40,173	\$23,818	\$19,390

b. Employee NSOPW search was not documented and retained.

ARCI could not provide evidence that a NSOPW search was conducted before the employee (sample #5) began working on the grant. ARCI indicated that the documentation was misplaced due to human error. ARCI subsequently provided a NSOPW search for that employee dated May 2, 2018. As a result, we questioned the employee's salary, benefits, and indirect cost of \$7,354 that was charged as match to grant No. 15ACHIN001 for the period of October 1, 2015 through September 30, 2017.

c. Member FBI and State background checks were not documented and retained.

ARCI could not provide evidence that a State and FBI background check was conducted for a member (sample #2). ARCI indicated that the documentation was misplaced due to human error. As a result, we questioned member costs charged to grant No. 15ACHIN001 totaling \$3,453 in Federal and administrative costs and \$2,548 in match and indirect costs.

Federal regulations required the subgrantee to conduct and review the results of the NSOPW search before an individual in a covered position (member or employee) begins

work or starts service.¹⁴ Federal regulations also required those members with recurring access to vulnerable populations (children age 17 and younger, individuals age 60 and older, and individuals with disabilities) to have both State and FBI background checks.¹⁵

Recommendations:

We recommend that CNCS:

9. Require that Serve Indiana strengthens subgrantee monitoring to ensure that sub-recipient documentation is retained to support national sex offender public website searches and State and Federal Bureau of Investigation background check results for both employees and members.
10. Require Serve Indiana to review the remaining subgrantee's member and employee National Service Criminal History Checks to ensure they are performed timely and required documentation is retained.
11. Recover the \$43,626 in questioned Federal costs and \$19,390 in education awards and address any impact to Federal costs of the \$33,720 in questioned match costs for American Red Cross of Indiana for grant No. 15ACHIN001.
12. Verify that Serve Indiana monitored subgrantee matching requirements on this award and, at the end of the grant, determined whether each subgrantee met the match requirement.

Summary of Management's Comments:

CNCS concurred with recommendations 9, 10, and 12. CNCS will ensure that Serve Indiana has procedures in place to monitor its subgrantees' compliance with the NSCHC requirements. CNCS will also require Serve Indiana to verify that ARCI staff have completed the required annual NSCHC training.

Regarding recommendation 11, CNCS will review the supporting documentation from Serve Indiana regarding the questioned costs to determine whether costs will be subject to disallowance in accordance with its NSCHC enforcement policy in effect at time of resolution.

Evaluation of Management's Comments:

CNCS concurred with recommendation 10, but did not specify corrective actions to address this recommendation. During the audit resolution phase, we will work with CNCS to confirm that monitoring for NSCHC support is being carried out by Serve Indiana and verify that NSCHC was conducted and documented for the remaining members and employees for ARCI.

¹⁴ Title 45 C.F.R., §2540.204, *When must I conduct a National Service Criminal History Check on an individual in a covered position?* (October 2015 and 2016)

¹⁵ Title 45 C.F.R., §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?*, (a) Search procedures for individuals in covered positions who have recurring access to vulnerable populations. (October 2015 and 2016)

In regard to recommendation 11, we accept management's corrective action to calculate the appropriate amount of disallowed costs and require Serve Indiana to adjust its Federal Financial Report for the disallowed costs during audit resolution with Serve Indiana. These actions address the intent of this recommendation.

Summary of Commission's Comments:

Serve Indiana concurred with the findings. However, it did not concur with the amount of the questioned costs referring to the CNCS' National Service Criminal History Check (NSCHC) Enforcement Guide for the determination of disallowance amount. Serve Indiana indicated that it will continue to work on strengthening its NSCHC training and monitoring procedures to minimize and eliminate such the NSCHC issues in the future.

Evaluation of Commission's Comments:

Despite Serve Indiana's disagreement with the amount of questioned costs, its corrective actions address the findings.

Finding 6 – Claimed Cost Findings

Grantee claimed costs that were not in the approved budget.

We identified several claimed Federal costs that were not in the approved budget, as discussed below:

- Sample #4 was for catering expenses for the Serve Indiana Awards Ceremony. The approved budget for the Awards Ceremony for grant No. 13CAHIN001 was \$1,271 in match costs, but did not include catering costs. No Federal costs were budgeted for this event. As a result, we questioned \$1,994 Federal and administrative costs.
- Sample #12 was an expense for the Indiana Department of Workforce Development's "GOAL" program which reimburses school expenses for select employees. This cost was not identified in the budget for grant No. 16CAHIN001. In response to our follow up inquiry, Serve Indiana staff stated that the cost was incorrectly charged to the Serve Indiana support grant. Federal regulations indicate that a cost is allocable to a Federal award if it is incurred specifically for the Federal award.¹⁶ As a result, we questioned \$3,730 in Federal and administrative costs.

We also identified claimed match cost that was not included in the approved budget. Sample #20, the cost for catering expenses at the Serve Indiana Awards Ceremony was charged to grant No.16CAHIN001. This cost was not identified in the approved budget. As a result, we questioned \$1,222 in match and indirect costs.

For issues identified in samples #4 and #20 above, Serve Indiana believed that the costs were allowable because it represented a transfer of budget funds between budget line items. We consider these to be entertainment costs, and therefore were unallowable. If these costs have a programmatic purpose and were authorized either in the approved budget for the Federal

¹⁶Title 2 C.F.R., §200.405, Allocable Costs, subsection (a) (January 2015 and 2016)

award or with prior written CNCS approval, they would have been allowable.¹⁷ The cost was not included in the approved budget and no prior written CNCS approval was obtained.

For sample #12 above, Serve Indiana explained that the cost was incorrectly coded and charged to the grant due to human error.

Recommendations:

We recommend that CNCS:

13. Provide training to Serve Indiana personnel to ensure that:
 - a. Costs are being charged to the correct Federal award.
 - b. Claimed costs are included in the budget or approved in writing by CNCS when appropriate.
14. Recover the \$1,994 in questioned Federal and related administrative costs for grant No. 13CAHIN001.
15. Recover the \$3,730 in questioned Federal and related administrative costs and \$1,222 in questioned match and indirect costs for grant No. 16CAHIN001.

Summary of Management's Comments:

CNCS concurred with recommendation 13. CNCS will ensure that appropriate Serve Indiana staff are participating in the financial management training opportunities provided throughout the program year and share resources from past training sessions that address criterion for allowability.

Regarding recommendations 14 and 15, CNCS will review the supporting documentation from Serve Indiana regarding the questioned costs to determine whether those costs will be subject to disallowance.

Evaluation of Management's Comments:

CNCS' corrective actions planned will address recommendation 13. During the audit resolution, CNCS will determine if the questioned costs will be allowed or sustained and the amount to be recovered. Based on the information that was provided to us at the time of our review, CNCS should disallow the questioned Federal entertainment costs claimed without prior CNCS approval. CNCS should also disallow the questioned Federal tuition cost claimed that was not in the approved budget and that Serve Indiana indicated was charged incorrectly to the grant.

Summary of Commission's Comments:

Serve Indiana did not concur with Finding 6. Serve Indiana believes the costs for samples #4 and #20 were allowable under the commission's duties relating to 42 U.S.C. § 12638 (e)(1) regarding development and implementation of the commission's State Service Plan to further service and volunteerism through community outreach and promotion of volunteerism within the State of Indiana. Serve Indiana stated that the food provided to program participants

¹⁷Title 2 C.F.R., §200.438, Entertainment Costs (January 2015 and 2016)

during the event allowed them to be fully engaged and to strengthen the programmatic intervention and was not intended for entertainment. For the sample #12 costs, Serve Indiana indicates it was chargeable to the grant based on policy dictated by the Indiana Department of Workforce Development. Serve Indiana further indicated that the cost supports professional development of staff and fits within the purpose of the grant.

Evaluation of Commission's Comments:

Regarding Serve Indiana's disagreement with Finding 6, we disallowed the costs in samples #4 and #20 because these costs were not included in the budget to allow CNCS an opportunity to approve, reject or amend the budget for those costs. In addition, Serve Indiana did not request a written approval for those costs prior to incurring them.

In regard to sample #12, Serve Indiana did not provide the policy that it referred to in its response to support the action taken. The cost was for university tuition expenses for an employee. Serve Indiana provided no support that the cost incurred was specifically in support of this Federal award. As a result, the findings related to samples #4, #12 and #20 will remain as stated.

Finding 7 – Member Service Agreement Findings

a. Member's service agreement had incorrect information.

One ARCI member's service agreement (sample #6), did not have a member living allowance amount listed and had an incorrect education award amount listed. The agreement indicated that the member was a reduced half-time member that needed to satisfactorily complete 675 service hours to receive an education award of \$2,200. However, the member was listed in the AmeriCorps member roster as a half-time member, and completed the required 900 hours to receive the half time education award of \$2,865. ARCI indicated that the lack of information and incorrect information in the member service agreement was due to human error.

We questioned the member living allowance paid and education award amount in excess of what was stated in the member service agreement and charged to grant No. 15ACHIN001. These questioned amounts totaled \$3,453 in Federal and administrative costs, \$2,571 in match and indirect costs, and \$665 of the education award (the difference between the paid amount of \$2,865 and amount per the member agreement of \$2,200).

b. Member's service agreements were signed after the members began service.

Two member files tested (samples #2 and #12), showed that the member service agreements were signed after the members began service. Member sample #2 began service on February 25, 2016, but did not sign the member service agreement until March 4, 2016. Member sample #12 began service on November 10, 2016, but did not sign the member service agreement until November 15, 2016.

ARCI did not have sufficient controls in place to ensure that member service agreements were complete, correct and signed before the members started service. The CNCS grant terms and conditions indicate that each member sign a member service agreement and

that it is signed before commencement of service.¹⁸ We noted this finding as a non-compliance issue.

Recommendations:

We recommend that CNCS:

16. Confirm that Serve Indiana has strengthened the subgrantee monitoring to ensure that member service agreements are complete, accurate and signed by the members before service begins.
17. Recover the \$3,453 in Federal and administrative costs and \$665 in education awards. Also, determine the impact to Federal share resulting from match and indirect costs questioned of the \$2,571 claimed on American Red Cross of Indiana's grant No. 15ACHIN001.

Summary of Management's Comments:

CNCS concurred with recommendation 16. CNCS will ensure that Serve Indiana's monitoring procedures include a review of subgrantee member agreements to ensure that files are complete, accurate and signed. CNCS will review copies of completed monitoring reviews to ensure implementation of these procedures.

Regarding recommendation 17, CNCS will review the supporting documentation from Serve Indiana regarding the questioned costs to determine whether those costs will be subject to disallowance.

Summary of the Commission's Comments:

Serve Indiana concurred with Findings 7a and 7b. Serve Indiana plans on strengthening its monitoring and oversight process to ensure subgrantees have complete, accurate, and fully executed member service agreements.

Evaluation of Management' and Commission's Comments:

CNCS' and Serve Indiana' planned corrective actions are responsive to the recommendations and findings respectively.

Finding 8 – Member Living Allowance Finding

Member was paid incorrect living allowance.

One member tested (sample #6) received living allowance payments that were higher than the amount authorized in the member agreement. The member received four consecutive bi-weekly payments of \$195.44 before the member exited the program. The member service agreement indicated the member was to receive \$176.80 per pay period. BGCWCI stated that a staff member entered the living allowance payment amount incorrectly in the member agreement and that the amount paid was the correct amount. We confirmed that the member

¹⁸ CNCS 2016 Terms and Conditions for AmeriCorps State and National Grants, Section V. Supervision and Support, Subsection B. Member Service Agreements.

was enrolled as a quarter time member in the member roster. The required service hours for quarter time member is 450.

The member service agreement indicated a member living allowance of up to \$3,713 for 450 service hours. The member service agreement also indicated that the member would receive 21 living allowance checks at a bi-weekly amount of \$176.80, which equates to total living allowance of \$3,712.80. BGCWCI did not provide any additional information to support that the living allowance payments of \$195.44 were correct. As a result, we questioned the excess Federal and match living allowance that was paid and the related administrative and indirect cost for a total of \$53 in Federal costs and \$37 in match costs.

Recommendations:

We recommend that CNCS:

18. Ensure that Serve Indiana strengthens the subgrantee monitoring to include verifying that AmeriCorps members' living allowance are paid in accordance with the Member Service Agreements.
19. Recover the \$53 in questioned Federal costs and address any potential impact to Federal share resulting from the \$37 in questioned match costs claimed for Boys and Girls Club of Wayne County Indiana's grant No. 15ACHIN001.

Summary of Management's Comments:

CNCS concurred with recommendation 18. CNCS will ensure that Serve Indiana's monitoring procedures include a review of member living allowances to ensure they are paid consistent with the member service agreement. CNCS will review copies of completed monitoring reviews to ensure implementation of these procedures. Regarding recommendation 19, the CNCS will review the supporting documentation from Serve Indiana regarding the questioned costs to determine whether those costs will be subject to disallowance.

Summary of the Commission's Comments:

Serve Indiana concurs with finding 18. Serve Indiana plans to conduct a review of its monitoring process regarding member service agreements and implementing corrective measures.

Evaluation of Management' and Commission's Comments:

CNCS' and Serve Indiana' planned corrective actions are responsive to the recommendations and findings respectively.

Finding 9 – Periodic Expense Report Finding

Subgrantees submitted late PERs.

ARCI and BGCWCI submitted monthly PERs late for the following reporting periods:

Subgrantee	Month/Year	Day Submitted	Date Due	Days Late
BGCWCI	November 2015	1/12/16	12/10/15	33
BGCWCI	December 2015	2/4/16	1/10/16	25
BGCWCI	August 2016	9/30/16	9/10/16	20
BGCWCI	September 2016	1/10/17	10/10/16	92
BGCWCI	October 2016	1/10/17	11/10/16	61
BGCWCI	November 2016	1/11/17	12/10/16	32
BGCWCI	January 2017	2/21/17	2/10/17	11
BGCWCI	April 2017	6/2/17	5/10/17	23
BGCWCI	May 2017	6/22/17	6/10/17	12
BGCWCI	June 2017	9/7/17	7/10/17	59
ARCI	July 2017	8/28/17	8/10/17	18
BGCWCI	July 2017	9/7/17	8/10/17	28
BGCWCI	August 2017	9/18/17	9/10/17	8
ARCI	September 2017	10/24/17	10/10/17	14

Serve Indiana's reimbursement process states that PERs are due no later than the 10th day of each month for the prior month's expenses. BGCWCI and ARCI did not have controls in place to ensure that the PERs are reported when they are due.

Failure to submit PERs on time could affect future funding for the subgrantee. It can also delay or result in incorrect Serve Indiana FFRs submitted to CNCS. We noted this finding as a non-compliance issue. The number of late BGCWCI PERs is a further indication of its inadequate financial management system.

Recommendations:

We recommend that CNCS:

20. Ensure that Serve Indiana includes late Periodic Expense Reports reporting as a risk factor for subrecipient monitoring.
21. Ensure that Serve Indiana follows-up on subgrantees with late Periodic Expense Reports to determine the reasons the reports are late and require immediate corrective action.

Summary of Management's Comments:

CNCS concurred with the recommendations. CNCS will ensure that Serve Indiana has policies and procedures in place to monitor the timeliness of subgrantee PER submissions and take appropriate follow-up action when reports are submitted late.

Evaluation of Management's Comment:

CNCS' planned corrective action did not address recommendation 20. During the audit resolution phase, CNCS should confirm that late PER reporting has been included as a risk factor for subgrantee monitoring.

Summary of the Commission's Comments:

Serve Indiana concurred with Finding 9. Serve Indiana indicated that it has since developed and implemented stronger policies regarding the PER (subgrantee reimbursement) process and included late PER submissions as a risk factor.

Evaluation of the Commission's Comment:

Serve Indiana's planned corrective actions addressed the findings.

Finding 10 – Administrative Changes Finding

Grantee hired new Executive Director and Assistant Director without obtaining prior written approval from CNCS.

Serve Indiana hired a new Assistant Director in April 2015 and a new Executive Director in August 2016. Federal regulations require prior written approvals for changes to key personnel included in the grant application.¹⁹ The CNCSs grant terms and conditions also state that prior written approval is required for changes in key personnel identified in the budget.²⁰

Serve Indiana did not obtain the required written approval prior to making these changes in key personnel. Serve Indiana thought that the submission of its approved budget qualified as prior written approval for the administrative changes. The approved budget did not identify any changes in personnel.

Failure to obtain prior written approval for changes in key personnel could result in Serve Indiana hiring personnel that may not be experienced enough to carry out the mission and objectives of the AmeriCorps program. We noted this finding as a non-compliance issue.

Recommendation:

We recommend that CNCS:

22. Ensure that Serve Indiana revises and updates its internal policies and procedures to include language requiring CNCS written approval prior to making key personnel changes.

¹⁹ Title 2 C.F.R., Subpart D – Post Federal Award Requirements, §200.308, Revision of budget and program plans, (c)(2) (January 2016 and January 2017) and Title 2 C.F.R., Subpart D – Post Federal Award Requirements, §200.308, Revision of budget and program plans, (c)(1)(ii) (January 2016).

²⁰ 2016 General Grant and Cooperative Agreement Terms and Conditions, II. General Terms and Conditions, C. Changes in Budget or Key Personnel, and 2017 General Grant and Cooperative Agreement Terms and Conditions, III. General Terms and Conditions, C. Changes in Budget or Key Personnel.

Summary of Management's Comments:

CNCS concurred with Finding 10 that Serve Indiana was required to obtain prior written approval for changes to key personnel in accordance with the General Grants Terms and Conditions in effect at the time of the award. However, CNCS is reviewing its options for a portfolio-wide solution to address compliance related to prior written approvals for its Commission Support Grants. Upon completion of that review, CNCS will determine the appropriate corrective action to address the finding.

Summary of the Commission's Comments

Serve Indiana concurred with Finding 10. Serve Indiana will work with CNCS to develop a policy and procedure to ensure compliance with this requirement going forward.

Evaluation of Management's and Commission's Comments:

Upon further evaluation, we determined that the Federal regulations require prior approval to changes in a key person and not a position specified within the grant application or the Federal award. Given that no key persons were specified in Serve Indiana's grant application or the grant award, there was no requirement for Serve Indiana to obtain CNCS approval for changes in key positions within Serve Indiana. We are closing this recommendation with the issuance of this report.

Finding 11 – Member End-of-Term Evaluation Finding

Member files were missing end-of-term evaluations.

Two ARCI member files (samples #5 and #7) were missing the end-of-term evaluation. The CNCS terms and condition indicate that subgrantees must conduct and keep a record of the end-of-term written evaluation of each member's performance.²¹

ARCI did not have sufficient controls in place to ensure that end-of-term evaluations were conducted, documented, and retained in the files for those members that completed their term of service. The lack of such information may impact the member's ability to serve another term under another AmeriCorps funded program. We noted this finding as a non-compliance issue.

Recommendations:

We recommend that CNCS:

23. Ensure that Serve Indiana strengthens its subgrantee monitoring by including a specific requirement in its monitoring procedures to confirm that member files contain end-of-term service evaluations.
24. Verify that Serve Indiana implements the revised procedures.

²¹ 2016 Terms and Conditions for AmeriCorps State and National Grants, Section V. Supervision and Support, Subsection E. Performance Reviews.

Summary of Management's Comments:

CNCS concurred with both recommendations. CNCS will work with Serve Indiana to verify that ARCI has appropriate procedures in place to ensure that end-of-term evaluations are conducted, documented, and retained in the member files. CNCS will also verify that Serve Indiana has procedures to monitor its subrecipients' compliance with these requirements.

Summary of the Commission's Comments:

Serve Indiana concurred with Finding 11. Serve Indiana indicated that it will work to identify and implement stronger practices for monitoring member files for end-of-term evaluations to ensure compliance.

Evaluation of Management' and Commission's Comments:

CNCS' and Serve Indiana's planned corrective actions are responsive to the recommendations and findings respectively.

BACKGROUND

Serve Indiana is a “State Commission.” The State’s Executive Order includes Commission duties. The following are its key duties:

1. Prepare a three-year national service plan as called for under the National and Community Service Act of 1993.
2. Develop and implement a comprehensive, statewide plan for promoting volunteer involvement and citizen participation in Indiana with the advice and assistance of Serve Indiana;
3. Apply for funding to CNCS and other entities that administer federal grants to support the objectives established by Serve Indiana for faith-based community-based service and volunteer programs;
4. Provide to all applicants under the National and Community Service Grant Programs and other federal programs the services required by, and select grantees under, such guidelines as may be specified by those federal programs and applicable law;
5. Work closely with faith-based and community-based groups, charitable organizations, private charities, voluntary associations, educational entities, and other nonprofit service organizations to promote volunteerism and community service;
6. Provide technical assistance, education, information, and other support to such groups and organizations to improve and strengthen the State’s volunteerism and community service infrastructure;
7. Promote innovative and model programs and initiatives and share best practices among such groups and organizations; and
8. Coordinate Serve Indiana activities with those of any federally administered service programs to ensure that services are not duplicated.

Subgrantees use AmeriCorps 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 PERs to Serve Indiana. Serve Indiana prepares the aggregate FFR for the grants by accumulating the expenses reported by the subgrantees and submits its FFR through the CNCS’ online eGrants system. CNCS and grantees manage the grants using this system to process grant applications, awards and FFRs.

Serve Indiana uses a risk based approach to develop a monitoring plan for its subgrantees. It performs a Program Risk Assessment (PRA) for each subgrantee near the beginning of each program year. It then assigns each subgrantee a risk level based upon the review and analysis of the PRA. At the completion of each subgrantee’s PRA, Serve Indiana assigns either a high or low risk rating. All first year subgrantees are automatically deemed as high risk. A full fiscal monitoring visit/desk audit is conducted at least once every three years on all programs. Fiscal monitoring consists of a review of at least one month of expense activity.

AGREED-UPON PROCEDURES SCOPE

CLA applied the agreed-upon procedures covering the allowability, allocability, and reasonableness of financial transactions reported for the following grants and AUP periods:

Award No.	AUP Periods
15AFHIN001	October 1, 2015 to September 30, 2017
15ACHIN001	October 1, 2015 to September 30, 2017
13CAHIN001	January 1, 2015 to December 31, 2016
16CAHIN001	January 1, 2016 to December 31, 2017
13FXHIN001	October 1, 2014 to September 30, 2016
16FXHIN002	August 1, 2016 to September 30, 2017
16ESHIN001	September 1, 2016 to September 30, 2017
16TAHIN001	July 15, 2016 to December 31, 2017

CLA also performed agreed-upon procedures to determine Serve Indiana 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 State Commissions without VISTA Grantees (Including Subgrantees), dated June 2016."

CLA reviewed Serve Indiana's administration of its grant funds. CLA selected two subgrantees, ARCI and BGCWCI & BGCI²², for detailed testing from Serve Indiana's 25 subgrantees. These subgrantees were judgmentally selected based on an assessment of overall risk to Serve Indiana and CNCS. The assessment included consideration of several factors, including the amount of costs claimed, the results of subgrantee monitoring reports, and any findings contained in the Single Audit reports for each entity.²³ CLA tested Serve Indiana transactions of \$125,595, and tested subgrantee transactions totaling \$203,869 for ARCI and \$199,395 for BGCWCI & BGCI.

The following table shows the number of members and employees at the tested subgrantees:

Subgrantee	Members	Employees	Grant Program Objectives
ARCI	66	5	Provide disaster services and capacity building to improve disaster services (i.e., preparedness, response and recovery)
BGCWCI	346	5	Work with Indiana children through education, healthy lifestyles, and character and leadership development in Boys and Girls Club facilities across Indiana
BGCI	22	4	Work with Indiana children through education, healthy lifestyles, and character and leadership development in Boys and Girls Club facilities across Indiana

²² BGCI is the successor subgrantee to the BGCWCI so awards under both these names were considered as one subgrantee.

²³ Title 2 C.F.R., Subpart F – Audit Requirements, § 200.500 to .521, addresses Single Audits.

EXIT CONFERENCE

CLA provided a summary of the findings to be included in the draft report and discussed its contents with officials of CNCS, Serve Indiana, and the subgrantees at an exit conference on September 25, 2018. Responsive comments to the draft report from Serve Indiana and CNCS have been included as appendices in this report.

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Inspector General
Corporation for National and Community Service

We have performed the procedures (not included herein) detailed in the "Agreed-Upon Procedures for Corporation Awards to Grantees (including Subgrantees) dated June 2016" on grant costs incurred by Serve Indiana and two of its subgrantees. These procedures were agreed to by the Corporation for National and Community Service (Corporation) Office of Inspector General (OIG), solely to assist the OIG with respect to certain information for the applicable period within October 1, 2014 through December 31, 2017, reported by Serve Indiana in accordance with its Corporation grant terms and provisions, and applicable laws and regulations. This agreed-upon procedures engagement was conducted 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 these procedures is solely the responsibility of the Corporation's OIG. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The results of our procedures are described in Schedules A through E in the accompanying report.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on Serve Indiana's compliance with its Corporation grant terms and provisions, and applicable laws and regulations, for the applicable period from October 1, 2014 through December 31, 2017. Accordingly, we do not express such an opinion. 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 Serve Indiana, and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP



Arlington, Virginia
September 25, 2018



Eric Holcomb *Governor* • Marc McAleavey *Executive Director*

January 7, 2019

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

RE: Serve Indiana Comment on Draft Agreed-Upon Procedures Report

Dear Ms. Colter:

Thank you for the opportunity to review and respond to the Office of Inspector General's draft report for the Agreed-Upon Procedures for the Corporation for National and Community Service Grants to Serve Indiana.

Serve Indiana operates with a belief in continuous learning and development. Our team is committed to looking for every possible exercise and practice to ensure that our service to the many great Indiana communities is filled with compliance, quality, and impact. It is because of this commitment that we are deeply appreciative of the work that has brought us together under this review.

I join my colleagues at Serve Indiana in sharing our appreciation for the staff and management of CliftonLarsonAllen LLP. Their professionalism and diligence was impressive and respectfully received by our leadership.

Serve Indiana looks forward to working with the Corporation for National and Community Service to resolve these findings, learn new and better practices along the way, and strengthen the success and impact of national service in Indiana.

In Service,

Marc McAleavey, MSW
Executive Director, Serve Indiana

CC: Chester Spellman, Director, AmeriCorps State and National, CNCS
Joseph Liciardello, Acting Chief Grants Officer, CNCS
Robert McCarty, Chief Financial Officer, CNCS
Tim Noelker, General Counsel, CNCS
Jennifer Batress Tahmasebi, Deputy Director, AmeriCorps State and National, CNCS
Melissa Langley, Special Assistant, AmeriCorps State and National
Autumn Rose, Senior Grants Officer, CNCS
Lora Pollari-Welbes, Agency Audits and Investigations Coordinator, CNCS
Mia Leswing, Partner, CliftonLarsonAllen LLP



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Finding 1 – Evaluation of Subgrantees’ Applications

Grantee’s assessment of the subgrantee applicants’ financial management systems was not sufficiently documented to support the assessment.

Serve Indiana partially concurs with Finding 1. Our Pre-Award Risk Assessment (PARA) process is a thorough and comprehensive process and was completed on both subgrantees in question, although we concur that documentation of these particular reviews was lacking. Our PARA process forms the foundation of how Serve Indiana assesses overall risk and maintains year-round oversight of our subgrantees from the beginning of the application process through start-up, funding, and closeout. The process, as directed by the Serve Indiana AmeriCorps*State Program Handbook, (<https://www.in.gov/serveindiana/2396.htm> pg. 29), indicates the review process including documentation and communication of documentation to parties involved. This also details the manner in which potential issues are handled in conjunction with the Serve Indiana Commission. At this point, Serve Indiana does not fully concur with Finding 1 because this review was completed for both subgrantees in question. However, Serve Indiana does concur that the evaluation procedure, as reviewed for the purpose of this AUP, lacked a degree of completeness in that the instrument used to drive the PARA process and resulting documentation was not fully completed. However, the requirements of §200.205 (b) and (c) do not explicitly state that such documentation must be kept or how it should be kept, just that the review process be conducted and taken into consideration; so the primary finding appears to be that Serve Indiana did not follow its own internal policy fully. Moving forward, Serve Indiana looks forward to taking proactive corrective measures to address this issue, including but not limited to improved staff training and checks and balances regarding the accurate completion of the PARA process, in writing, to strengthen the internal reliability of the commission’s risk assessment procedure and its components.

Finding 2 – Monitoring Subgrantees’ Single Audits

Grantee did not continuously monitor the subgrantee’s single audits.

Serve Indiana concurs with Finding 2. While Serve Indiana goes to great length to conduct thorough monitoring of its subgrantees using the process detailed in Serve Indiana AmeriCorps*State Program Handbook, (<https://www.in.gov/serveindiana/2396.htm> pg. 86), commission management is taking corrective action to add clarity to the procedure as well as identify staff and agency capacity to support a meaningful and effective annual review of subgrantee’s single audits moving forward.

Finding 3 - Federal Financial Reporting

Grantee submitted late Federal Financial Reports (FFR’s).

Serve Indiana concurs with Finding 3. We have since developed better controls to ensure that FFR’s are compliantly submitted in the future.

Finding 4 – Financial Management System

Subgrantee has an inadequate Financial Management System and was unable to reconcile Federal and match costs claimed on its Periodic Expense Reports (PERs) to its financial records.

Serve Indiana concurs with Finding 4. However, Serve Indiana takes issue with the amount of questioned costs because there is evidence of the subgrantee's required match costs; we also believe that some of these questioned costs could be allowably recovered through accounting corrections and adjustments rather than disallowance and debt collection. Serve Indiana will work with CNCS to ensure its subgrantee financial management systems are in compliance with §200.302 and Grant Terms and Conditions moving forward. Although Serve Indiana does have a process of monitoring subgrantees as detailed in the Serve Indiana AmeriCorps*State Program Handbook (<https://www.in.gov/serveindiana/2396.htm> pg. 87), including subgrantee matching requirements, we will work to further strengthen our financial monitoring activities in the future.

Finding 5 – National Service Criminal History Check Finding

- a. Member NSOPW search was not documented and retained.
- b. Employee NSOPW search was not documented and retained.
- c. Member FBI and State background checks were not documented and retained.

Serve Indiana concurs with Findings 5a, 5b, and 5c; however, it does not concur with the amount of resulting questioned costs associated with these findings because **no ineligible individuals were found as result** of these late criminal history checks.

The issues found indicate inadequate check timing and documentation; not ineligibility. Furthermore, the [CNCS NSCHC Enforcement Guide](#) effective April 1, 2017 states that such non-compliance issues will at most result in a \$1,500 per incident disallowance, not the individual's entire living allowance or salary:

3. DETERMINE THE DISALLOWANCE AMOUNT FOR EACH INDIVIDUAL		
Use the Matrix below to determine the level of mitigation and associated disallowance per individual.		
NSCHC MITIGATION MATRIX		
Disallowance for each individual for whom...	Self-Reporting ↓	Standard Disallowance ↓
High Mitigation is present	\$250	\$500
Moderate Mitigation is present	\$500	\$1000
Low Mitigation is present	\$750	\$1500

As also stated by CNCS as a federal agency in the NSCHC Enforcement Guide, it is "important to distinguish between **ineligible** individuals and instances of **noncompliance**."

While Serve Indiana takes great care to monitor its subgrantees for NSCHC compliance as outlined in our Serve Indiana AmeriCorps*State Program Handbook

(<https://www.in.gov/serveindiana/2396.htm> pg. 81), the commission does concur that there are sometimes unacceptable gaps in compliance among subgrantees due to the complexity and scale of the NSCHC check process among programs and their members during onboarding. Serve Indiana will continue to work on strengthening its NSCHC training and monitoring procedures to minimize and eliminate such NSCHC documentation and timing issues moving forward.

Finding 6 – Claimed Cost Findings

Grantee claimed costs that were not in the approved budget.

Respectfully, Serve Indiana does not concur with this finding. In our dissent, Serve Indiana maintains that the intent and purpose of the funds in question, the Commission Support Grant (CSG), are for the purpose of supporting the overall mission, strategy, and goals of the state commission, and that the costs in question are in alignment with the intent of the CSG funds as such.

For Samples #4 and #20, Serve Indiana maintains that these costs associated with our Volunteer Awards are indeed allowable. As written in the CSG grant application instructions issued by CNCS, “State Commission Support grants support the operation of State Commissions and Alternative Administrative Entities (AAEs) in implementing their duties as required by the National and Community Service Act of 1990 (NCSA), as amended. (See 42 U.S.C. § 12638).” It is Serve Indiana’s opinion that the questioned costs for Samples #4 and #20 are not “entertainment costs” but rather fall allowably under the commission’s duties relating to 42 U.S.C. § 12638 (e)(1) regarding development and implementation of the commission’s State Service Plan to further service and volunteerism through community outreach and promotion of volunteerism within the State of Indiana. The awards ceremony had a clear agenda and an educational purpose (to promote volunteerism) that does not render these costs “entertainment.” No alcohol was provided. Those costs were specifically tied to a programmatic intervention utilized by Serve Indiana to encourage the behavior of volunteerism for communities across the state of Indiana. Accordingly, the program participants are asked to attend the program over the course of an evening as this is when a majority of the target population are available. The provision of food for program participants during the program allows them to be fully engaged and strengthens the programmatic intervention. This is not intended for entertainment, specifically as outlined in Title 2 C.F.R. § 200.438.

For Sample #12 (GOAL Program), Serve Indiana maintains that this cost was accurately charged to the grant by way of policy dictated by the Indiana Department of Workforce Development. This cost supports the professional development of staff and, accordingly, fits within the purpose of the grant and is allowable by way of Federal regulation¹.

Each of the three samples in question are not only in accordance with the intention of the Commission Support Grant (CSG) funding, but were ultimately in compliance with the intent of the law and Federal rules and regulations. While Serve Indiana understands the stance taken in

¹ (1)Title 44 CFR § 2543.25, Revision of Budget and Program Plans, subsection (f)

this finding. Federal regulations² do make provision for the use of funds for programs, functions and activities as long as the transfer of those funds do not exceed 10 percent of the total awarded budget. The amounts being questioned in this finding meet that criteria and are, thus, allowable.

Finding 7 – Member Service Agreement Findings

- a. Member's Service Agreement had incorrect information.**
- b. Member's service agreements were signed after the members began service.**

Serve Indiana concurs with Findings 7a and 7b and that the subgrantee in question did not take adequate precautions to ensure member service agreements were complete and accurate. Moving forward, Serve Indiana will strengthen its monitoring and oversight process as outlined in the Serve Indiana AmeriCorps*State Program Handbook (<https://www.in.gov/serveindiana/2396.htm> pg. 81) to ensure subgrantees have complete, accurate, and fully executed member service agreements.

Finding 8 – Member Living Allowance

Member was paid incorrect living allowance.

Serve Indiana concurs with this finding. It is true that the living allowance stated in the member service agreement was not accurate and did not match the actual living allowance received by the member. Serve Indiana takes great care to monitor subgrantees. Our process is detailed in the Serve Indiana AmeriCorps*State Program Handbook (<https://www.in.gov/serveindiana/2396.htm> pg. 81). As a corrective action, Serve Indiana will conduct a review of our monitoring process regarding member service agreements and implement strengthening measures.

Finding 9 – Periodic Expense Report Finding

Subgrantees submitted late PER's

Serve Indiana concurs with this finding. Serve Indiana has since developed and implemented stronger policies regarding the PER (subgrantee reimbursement) process and including late PER submissions as a risk factor moving forward. Our process is detailed in the Serve Indiana AmeriCorps*State Program Handbook (<https://www.in.gov/serveindiana/2396.htm> pg. 110).

Finding 10 – Administrative Changes Finding

Grantee hired new Executive Director and Assistant Director without obtaining prior written approval from the Corporation.

Serve Indiana concurs with this finding. Serve Indiana reviewed communication and documentation and could not locate a formal written request to the Corporation for written

² (1)Title 44 CFR § 2543.25, Revision of Budget and Program Plans, subsection (f)

approval of the hiring of the current Executive Director and Assistant Director. Serve Indiana will work with CNCS to develop a policy and procedure to ensure compliance with this rule moving forward. However, it is important to note that the commission was not fully made aware of or trained on this requirement by CNCS, and it would be helpful in the future for CNCS as an agency to have a clearer process in place across all CNCS grantees to prevent such hiring approval issues in the future.

Serve Indiana would also like to confirm that the hiring process for both of these staff positions did comply with state policies and procedures, including a rigorous and thorough screening protocol established by the policies and procedures of the Indiana State Department of Personnel and the Human Resources division of the Indiana Department of Workforce Development. The hiring process also involved the leadership of the gubernatorial appointed Serve Indiana commission.

Finding 11 – Member End-of-Term Evaluation Finding

Member files were missing end-of-term evaluations.


Serve Indiana concurs with this finding. Serve Indiana has developed and implemented stronger policies regarding the monitoring for each program's member files. Our process is detailed in the Serve Indiana AmeriCorps*State Program Handbook (<https://www.in.gov/serveindiana/2396.htm> pg. 84). Moving forward, we will work to identify and implement even stronger practices for monitoring files for member end-of-term evaluations to ensure compliance.

Corporation for National and Community Service

NationalService.gov



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

FROM: Joseph Liciardello, Acting Chief Grants Officer
Office of Grants Management 

DATE: February 13, 2019

SUBJECT: Management Response to Office of Inspector General Draft Report:
Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Serve Indiana

Thank you for the opportunity to review and provide initial comment on the subject draft audit report, issued November 28, 2018. The Corporation for National and Community Service (CNCS) appreciates the work of the Office of Inspector General (OIG) staff and the contract audit firm, CliftonLarsonAllen, LLP, in performing this audit and issuing this draft report.

In the draft report, the auditors identified 11 findings and 24 recommendations. The comments below summarize our initial response. CNCS will make its final determination for all findings, recommendations, and questioned costs following receipt of the final report and a comprehensive review of the auditor's working papers and Serve Indiana's corrective action plan. We will work with Serve Indiana's representatives to ensure its corrective action adequately addresses all audit findings and recommendations.

Finding 1: Evaluation of Subgrantees' Applications

The auditors recommend that CNCS:

1. Ensure that Serve Indiana revises its policies and procedures over the PARA process to ensure that:
 - a. Each risk factor indicator is addressed and documented in the review;
 - b. Actions to address and correct all potential issues are documented; and
 - c. The PARA Summary of Results report is verified and approved by the Executive Director.
2. Verify that Serve Indiana implements the revised policies and procedures.

Management Response: CNCS concurs with the auditors' recommendations, but has a technical comment regarding the audit report. Within finding 1, the auditors cited 2 CFR §200.205. This

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regulation applies specifically to federal awarding agencies and is not applicable to pass-through entities, so it is unclear the intent of its inclusion. The citation that defines the requirements for a pass-through entity's evaluation of risk of its subrecipients is 2 CFR §200.331(b). CNCS will ensure that Serve Indiana has appropriate procedures to comply with the requirements of 2 CFR §200.331(b) and other applicable statewide policies

Finding 2: Monitoring Subgrantees' Single Audits

The auditors recommend that CNCS:

3. Verify that Serve Indiana revise its subgrantee monitoring procedures to ensure it complies with pass-through entity responsibilities for subrecipients' Single Audits and include the following procedures:
 - a. Identify all subgrantees with Corporation expenditures for each State fiscal year and determine which of the subgrantees underwent Single Audits;
 - b. Review the audit reports for findings that affect Corporation grants to determine if Serve Indiana records require an adjustment;
 - c. Develop a documented process to determine if subgrantees accurately presented Corporation awards on their Schedule of Expenditures of Federal Awards (SEFA) schedules;
 - d. Ensures that Serve Indiana implements the documented process to determine if subgrantees accurately presented Corporation awards on their SEFA; and
 - e. Retain documentation of Serve Indiana monitoring and reviews of subgrantee audit reports, along with management decisions made or corrective actions implemented.

Management Response: CNCS concurs with the auditors' recommendations. CNCS will ensure Serve Indiana has written policies and procedures in place for reviewing and documenting subrecipient single audit results, including issuing management decisions for findings that impact the AmeriCorps subaward. CNCS will review a sample of completed single audit reviews to ensure this process has been implemented.

Finding 3: Federal Financial Reporting

The auditors recommend that CNCS:

4. Confirm that Serve Indiana puts controls in place to ensure that FFRs are submitted in accordance with the Federal Financial Reporting requirement.

Management Response: CNCS concurs with the auditors' recommendation. CNCS will verify that Serve Indiana has written policies and procedures for preparing and submitting Federal Financial Reports (FFRs) to ensure they are submitted within the required timelines.

Finding 4: Financial Management System

The auditors recommend that CNCS:

5. Ensure that Serve Indiana undertakes a review of the remaining subgrantees' financial management systems to verify that:

- a. All subrecipients are in compliance with the financial management system requirements as indicated under Title 2 C.F.R., Subpart D – Post Federal Award Requirements, §200.302 Financial Management, and
 - b. All subrecipients can meet the cost reporting requirements under the Corporation General Grant and Cooperative Agreement Terms and Conditions, Section III. General Terms and Conditions, subsection B. Financial Management Standards.
6. Recover the \$74,234 in questioned Federal costs for BGCWCI grant No. 15ACHIN001.
 7. Monitor the Serve Indiana matching requirements on these awards; and at the end of the grant, determine whether they met the match requirements.
 8. Verify that Serve Indiana monitored subgrantee matching requirements on these awards and, at the end of the grant, determine whether each subgrantee met the match requirements.

Management Response: CNCS concurs with the auditors' recommendations for corrective action (recommendations 5, 7, and 8). CNCS will ensure Serve Indiana has appropriate monitoring procedures in place to confirm that subrecipient financial management systems comply with federal requirements, as well as to perform periodic reviews of accounting records to ensure that costs reported by subrecipients can be reconciled to those records. CNCS will also require that Serve Indiana work with Boys and Girls Club of Wayne County Indiana (BGCWCI) to establish internal controls and written policies and procedures to comply with federal financial management requirements.

As part of its standard grants management process, CNCS performs a review of each grantee's match at the end of the award and adjusts the federal share as needed based on whether the grantee met their regulatory match requirement. CNCS will ensure that Serve Indiana also has procedures in place to review subrecipient compliance with regulatory match requirements and takes appropriate corrective action when match requirements are not met.

To make its determination on the costs questioned (recommendation 6), CNCS will require Serve Indiana to provide the PERs and accounting records for BGCWCI in order for CNCS to perform a reconciliation between the costs reported and costs identified in the accounting records. Costs claimed above the amounts that can be supported by the accounting records will be subject to disallowance.

Finding 5: National Service Criminal History Checks

The auditors recommend that CNCS:

9. Require that Serve Indiana strengthens subgrantee monitoring to ensure that subrecipient documentation is retained to support NSOPW searches and State and FBI Background Check results for both employees and members.
10. Require Serve Indiana to review the remaining subgrantees member and employee NSCHCs to ensure they are performed timely and required documentation is retained.
11. Recover the \$43,626 in questioned Federal costs and \$19,390 in education awards and address any impact to Federal costs of the \$33,720 in questioned match costs for ARCI for grant No. 15ACHIN001.
12. Verify that Serve Indiana monitored subgrantee matching requirements on this award and, at the end of the grant, determined whether each subgrantee met the match requirement.

Management Response: CNCS concurs with the auditors' recommendations for corrective action (recommendations 9, 10 and 12). CNCS will ensure Serve Indiana has procedures in place to monitor its subrecipients' compliance with the National Service Criminal History Check (NSCHC) requirements. CNCS will additionally require Serve Indiana to verify that American Red Cross of Indiana (ARCI) staff have completed the required annual NSCHC training.

To make its determination on the costs questioned (recommendation 11), CNCS will review the audit working papers, as well as request copies of the checks performed by ARCI for the individuals identified, to determine the scope of noncompliance. CNCS is currently revising its NSCHC enforcement policy and will apply the policy in effect at the time of resolution to any files determined to be noncompliant.

Finding 6: Claimed Costs

The auditors recommend that CNCS:

13. Provide training to Serve Indiana personnel to ensure that:
 - a. Costs are being charged to the correct Federal award.
 - b. Claimed costs are included in the budget or approved in writing by the Corporation when appropriate.
14. Recover the \$1,994 in questioned Federal and related administrative costs for grant No. 13CAHIN001.
15. Recover the \$3,730 in questioned Federal and related administrative costs and \$1,222 in questioned match and indirect costs for grant No. 16CAHIN001.

Management Response: CNCS concurs with the auditors' recommendation for corrective action (recommendation 13). CNCS provides Commissions with financial management training opportunities throughout the program year, including through regional trainings, the annual AmeriCorps State and National Symposium, and webinars. CNCS will ensure that appropriate Serve Indiana staff are participating in these continued learning opportunities and will share resources from past training sessions that address criterion for allowability.

CNCS will review the supporting documentation and Serve Indiana's application for funding to determine if the costs questioned were allocable toward the AmeriCorps program and were charged consistent with federal requirements (recommendations 14 and 15).

Finding 7: Member Service Agreement

The auditors recommend that CNCS:

16. Confirm that Serve Indiana has strengthened the subgrantee monitoring to ensure that member service agreements are complete, accurate and signed by the members before service begins.
17. Recover the \$3,453 in Federal and administrative costs and \$665 in education awards. Also, determine the impact to Federal share resulting from match and indirect costs questioned of the \$2,571 claimed on ARCI's grant No. 15ACHIN001.

Management Response: CNCS concurs with the auditors' recommendation for corrective action

(recommendation 16). CNCS will ensure Serve Indiana's monitoring procedures include a review of subrecipient member agreements to ensure files are complete, accurate, and signed. CNCS will review copies of completed monitoring reviews to ensure implementation of these procedures.

CNCS will determine the appropriate remedy for the costs questioned once it has the opportunity to review the member file and the circumstances that led to the discrepancy between the member service agreement and the amounts paid (recommendation 17).

Finding 8: Member Living Allowance

The auditors recommend that CNCS:

18. Ensure that Serve Indiana strengthens the subgrantee monitoring to include verifying that AmeriCorps members' living allowance are paid in accordance with the Member Service Agreements.
19. Recover the \$53 in questioned Federal costs and address any potential impact to Federal share resulting from the \$37 in questioned match costs claimed for BGCWCI's grant No. 15ACHIN001.

Management Response: CNCS concurs with the auditors' recommendation for corrective action (recommendation 18). CNCS will ensure that Serve Indiana's monitoring procedures include a review of member living allowances to ensure they are paid consistent with the member service agreement. CNCS will review copies of completed monitoring reviews to confirm implementation of these procedures.

To address the costs questioned (recommendation 19), CNCS will review copies of BGCWCI's payroll records and the member service agreement to confirm if the member identified was paid in excess of the amount they were eligible to receive.

Finding 9: Periodic Expense Report

The auditors recommend that CNCS:

20. Ensure that Serve Indiana includes late PER reporting as a risk factor for subrecipient monitoring.
21. Ensure that Serve Indiana follows-up on subgrantees with late PERs to determine the reasons the reports are late and require immediate corrective action.

Management Response: CNCS concurs with the auditors' recommendations. CNCS will ensure Serve Indiana has policies and procedures in place to monitor timeliness of subrecipient PER submissions and takes appropriate follow-up action when reports are submitted late.

Finding 10: Administrative Changes

The auditors recommend that CNCS:

22. Ensure that Serve Indiana revises and updates its internal policies and procedures to include language requiring CNCS prior written approval prior to making key personnel changes.

Management Response: CNCS agrees with the auditors' finding that Serve Indiana was required to obtain prior written approval for changes to key personnel in accordance with the General Grant and Cooperative Agreement Terms and Conditions. CNCS is currently reviewing its options for a portfolio-wide solution to address compliance related to prior written approvals for its Commission Support Grants. Following this review, CNCS will determine the most appropriate corrective action to address the auditors' finding.

Finding 11: Member End-of-Term Evaluation

The auditors recommend that CNCS:

- 23. Ensure that Serve Indiana strengthens its subgrantee monitoring by including a specific requirement in its monitoring procedures to confirm that member files contain end-of-term service evaluations.**
- 24. Verify that Serve Indiana implements the revised procedures.**

Management Response: CNCS concurs with the auditors' recommendations. CNCS will work with Serve Indiana to verify that ARCI has appropriate procedures in place to ensure that end-of-term evaluations are conducted, documented, and retained in the member files. CNCS will also verify that Serve Indiana has procedures to monitor its subrecipients' compliance with these 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
 Autumn Rose, Senior Grants Officer