


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

**AUDIT OF CORPORATION FOR NATIONAL
AND COMMUNITY SERVICE GRANTS
AWARDED TO THE NOTRE DAME MISSION
VOLUNTEER PROGRAM THROUGH THE
MARYLAND GOVERNOR'S OFFICE ON
SERVICE AND VOLUNTEERISM**

OIG REPORT NUMBER 05-19



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

COTTON & COMPANY LLP
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This report was issued to Corporation management on August 12, 2005. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than February 12, 2006, and complete its corrective actions by August 12, 2006. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of Inspector General
Corporation for National and Community Service
Audit Report 05-19

Audit of Corporation for National and Community Service Grants Awarded to the
Notre Dame Mission Volunteer Program Through the
Maryland Governor's Office on Service and Volunteerism

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Cotton & Company LLP (Cotton) to perform an incurred-cost audit of grants awarded to the Notre Dame Mission Volunteer Program (NDMV) through the Maryland Governor's Office on Service and Volunteerism.

For the grants audited in Program Years 2001-2002 and 2002-2003, NDMV claimed costs of \$599,795, of which the auditors questioned \$8,228 as unallowable costs and \$49,613 of education awards. Overall, the auditors questioned approximately 1 percent of claimed costs.

Costs questioned for allowability represent amounts for which documentation shows that recorded costs were expended in violation of regulations or specific grant award conditions, or costs that require an interpretation of allowability by the Corporation. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions. In addition, the auditors noted four internal control findings that are considered material weaknesses.

Although NDMV officials stated that the Summary of Results presents an unfair presentation, because the report does not reflect NDMV's consistent effort to comply with the AmeriCorps Provisions, they generally agreed with the remaining auditors' conclusions and have addressed many of the identified weaknesses. Their comments and NDMV's corrective actions will be reviewed by the Corporation as part of the audit resolution process.

In accordance with our statutory responsibilities, we reviewed Cotton's report and related audit documentation, interviewed their representatives, and performed other procedures as we deemed appropriate in the circumstances to provide reasonable assurance that the audit was performed in accordance with generally accepted government auditing standards. Our review was not intended to enable us to express, and we do not express, opinions on NDMV's Consolidated Schedule of Award Costs, internal controls or conclusions on compliance with laws and regulations. Cotton is responsible for the attached reports dated January 31, 2005, and the conclusions expressed therein. However, our review disclosed no instances where Cotton did not comply, in all material respects, with generally accepted government auditing standards.

The Office of Inspector General provided officials of NDMV, the Maryland Governor's Office on Service and Volunteerism, and the Corporation with a draft of this report for their review and comment. Their responses are included as Appendices A, B and C, respectively.

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
INCURRED-COST AUDIT OF SUBGRANTS AWARDED TO THE
NOTRE DAME MISSION VOLUNTEER PROGRAM
THROUGH THE
MARYLAND GOVERNOR’S OFFICE ON SERVICE AND VOLUNTEERISM**

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AUDIT SCOPE

Cotton & Company LLP was contracted by the Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), to perform an incurred-cost audit of Notre Dame Mission Volunteer Program (NDMV) as a subgrantee of the Maryland Governor's Office on Service and Volunteerism (MGOSV) for Program Years (PYs) 2001-2002 and 2002-2003. Our audit included costs incurred under the following subgrants for the periods specified below. Our audit covered financial transactions, compliance, and internal control testing of the following awards funded by the Corporation through MGOSV:

Program	Award No.	Award Period	Audit Period
Formula	00ASFMD021	9/1/01-8/31/02	9/1/01-8/31/02
Competitive	00ASCMD021	8/1/02-7/31/03	8/1/02-7/31/03

Audit objectives were to determine if:

- NDMV's financial reports presented financial award results fairly.
- Internal controls were adequate to safeguard Federal funds.
- NDMV had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions.
- NDMV documented award costs reported to MGOSV, and these costs were allowable in accordance with award terms and conditions.
- NDMV established adequate financial and program management oversight of its operating and partnering sites.

BACKGROUND

The Corporation supports a range of national and community service programs that provide an opportunity for individuals (members) to serve full- or part-time. State commissions receive Corporation funding under specific grants for such programs as AmeriCorps, Education Award Only, and Promise Fellows. The primary AmeriCorps grant is an annual award passed through State commissions to their operating sites that recruit and select volunteers who are supported by living allowances and who can earn education awards. Education awards are administered by the Corporation's National Service Trust (Trust) through a database of all members that is updated by grantees and reported to the National Service Trust. Members submit requests to the Trust to redeem their earned awards, which are paid directly to higher educational institutions or holders of the members' education loans.

NDMV has been providing national and community service programs through AmeriCorps since 1995. For PYs 2001-2002 and 2002-2003, it was a subgrantee of MGOSV. NDMV had three operating sites located throughout the Baltimore area where the AmeriCorps members and site directors were based, and numerous partnering sites where the members performed their service. It had 41 members in PY 2001-2002 and 38 members in PY 2002-2003. Of these members, 10 were Education Award Only (EAO) in PY 2001-2002 and 9 in PY 2002-2003. EAO has separate provisions with different compliance requirements than those which cover members who receive living allowances while in service.

NDMV received a portion of the AmeriCorps grant to fund its operating costs. The majority of funding received from the Corporation flows through NDMV's national office to its operating sites, and NDMV

manages these funds through a centralized financing system. NDMV adjusted accounting records to reflect additional incurred costs after submitting annual Financial Status Reports (FSR), and incurred costs were greater than claimed costs. As a result, we audited NDMV's incurred costs rather than its claimed Federal and match costs.

Prior to our audit, NDMV identified internal fraudulent activities committed by a former assistant director, and the OIG conducted a fraud investigation. As a result of this investigation, NDMV made correcting adjustments to its financial records. During our audit, we identified incorrect adjustments by NDMV, as discussed in Schedules A and B and the Independent Auditors' Report on Compliance and Internal Control.

SUMMARY OF RESULTS

Our audit report expresses a qualified opinion on the Consolidated Schedule of Claimed and Questioned Costs based on questioned costs detailed below. Compliance and internal control findings and cost findings are also summarized below.

COMPLIANCE AND INTERNAL CONTROL FINDINGS

We have issued a report, titled Independent Auditors' Report on Compliance and Internal Control, which is applicable to the audit of the Consolidated Schedule of Claimed and Questioned Costs. In that report, we identified findings required to be reported under generally accepted government auditing standards. Standard Compliance and Internal Control reports usually contain recommendations following each finding. However, because NDMV is no longer part of MGOSV, we did include recommendations in this report. The findings are as follows:

1. NDMV's financial management system did not comply with AmeriCorps Provisions.
2. NDMV did not have adequate procedures to ensure that member service hours were accurately recorded in the Corporation's Web Based Reporting System (WBRS), and that time sheets were prepared as required.
3. NDMV did not have adequate procedures to ensure documentation of member activities.
4. NDMV did not have procedures to ensure that EAO members received insurance coverage.
5. NDMV did not have adequate procedures to ensure that members received living allowances in accordance with applicable AmeriCorps Provisions
6. NDMV did not have adequate procedures to ensure member eligibility under the formula and competitive subgrants.
7. NDMV member contracts did not comply with AmeriCorps Provisions.
8. NDMV did not submit progress reports in a timely manner.
9. NDMV did not meet the 15-percent match requirement for Category A costs under the formula subgrant.
10. NDMV did not comply with employee drug-free workplace and non-discrimination requirements.

COST FINDINGS

NDMV claimed \$599,795 in costs in PYs 2001-2002 and 2002-2003. Of this amount, we questioned \$8,228. Costs questioned are those for which documentation shows that recorded costs were incurred in violation of laws, regulations or specific award conditions, and those that require additional documentation to substantiate that the cost was incurred and is allowable

AmeriCorps members who successfully complete terms of service are eligible for education awards from the National Service Trust. These award amounts are not funded by Corporation grants and thus are not included in claimed costs. However, as part of our audit, we determined the effect of audit findings on education award eligibility. Using the same criteria described above, we questioned education awards of \$49,613.

Details of questioned costs and education awards appear in the Independent Auditors' Report. Schedules A and B detail cost and education exceptions by award and are summarized below:

Award No.	Federal Costs Questioned	Education Awards Questioned	Schedule
00ASFMD021	\$2,647	\$28,350	A
00ASCMD021	<u>5,581</u>	<u>21,263</u>	B
	<u>\$8,228</u>	<u>\$49,613</u>	

EXIT CONFERENCE

Cotton & Company held an exit conference with NDMV, MGOSV, and Corporation representatives on April 26, 2005. The subgrant with MGOSV has expired, and accordingly, this report includes only one recommendation to the Corporation for corrective action. The OIG issued a separate report on NDMV's National Direct grants that included grantee recommendations for corrective actions. This OIG Report No. 05-20 was dated August 2, 2005.

We provided a draft copy of this report to NDMV, MGOSV, and the Corporation for comment. NDMV and MGOSV provided specific comments on the compliance and internal control report findings (Appendices A and B). The Corporation stated that it will respond to all findings and recommendations when the audit report is issued (Appendix C).

COTTON & COMPANY LLP

auditors ♦ advisors

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January 31, 2005

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT

We have audited costs incurred by NDMV through MGOSV for Program Years (PYs) 2001-2002 and 2002-2003. These costs, as presented in the Consolidated Schedule of Claimed and Questioned Costs and grant-specific Schedules of Claimed and Questioned Costs (Schedules A and B), are the responsibility of NDMV management. Our responsibility is to express an opinion on the consolidated and grant-specific schedules based on our audit.

Program	Award No.	Award Period	Audit Period
Formula	00ASFMD021	9/1/01-8/31/02	9/1/01-8/31/02
Competitive	00ASCMD021	8/1/02-7/31/03	8/1/02-7/31/03

Except as described below, we conducted our audit in accordance with audit standards generally accepted in the United States of America and generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial schedules. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion on incurred costs.

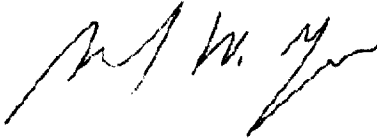
The Consolidated Schedule of Claimed and Questioned Costs and grant-specific Schedules of Claimed and Questioned Costs are intended to present allowable costs incurred under the awards in accordance with Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, other applicable OMB circulars, and award terms and conditions. Therefore, these are not intended to be complete presentations of NDMV's revenues and expenses in conformity with generally accepted accounting principles. These schedules also identify certain questioned education awards. These awards are not funded by Corporation grants and thus are not included in claimed costs. As part of our audit, however, we determined the effect of all member-eligibility issues on these awards.

In our opinion, except for questioned costs in the Consolidated Schedule of Claimed and Questioned Costs, the financial schedules referred to above present fairly, in all material respects, costs incurred by NDMV for PYs 2001-2002 and 2002-2003 specified in the table above, in conformity with OMB Circular A-122, other applicable OMB circulars, and award terms and conditions.

In accordance with generally accepted government auditing standards, we have also issued a report dated January 31, 2005, on our consideration of NDMV's internal control and compliance with laws and regulations. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering audit results.

This report is intended solely for the information and use of the Office of Inspector General, the Corporation for National and Community Service, MGOSV, NDMV, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

COTTON & COMPANY LLP

A handwritten signature in black ink, appearing to read "Michael W. Gillespie". The signature is fluid and cursive, with the first name being the most prominent.

Michael W. Gillespie, CPA
Partner

EXHIBIT A

**NOTRE DAME MISSION VOLUNTEERS PROGRAM
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS FOR
SUBGRANTS AWARDED BY THE
MARYLAND GOVERNOR'S OFFICE ON SERVICE AND VOLUNTEERISM**

Award No.	Program	Approved Budget	Claimed Costs	Questioned Federal Costs	Questioned Match Costs	Questioned Education Awards	Schedule
00ASFMD021	Formula	\$366,823	\$299,775	\$2,647	<u>\$7,562</u>	\$28,350	A
00ASCMD021	Competitive	<u>384,888</u>	<u>300,020</u>	<u>5,581</u>		<u>21,263</u>	B
Totals		<u>\$751,711</u>	<u>\$599,795</u>	<u>\$8,228</u>	<u>\$7,562</u>	<u>\$49,613</u>	

SCHEDULE A

**NOTRE DAME MISSION VOLUNTEER PROGRAM
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
MARYLAND GOVERNOR'S OFFICE ON SERVICE AND VOLUNTEERISM
AWARD NO. 00ASFMD021
FORMULA SUBGRANT
SEPTEMBER 1, 2001, TO AUGUST 31, 2002**

	Amount	Notes
Approved Budget (Federal Funds)	\$366,823	
Claimed Federal Costs	\$299,775	
Claimed Match Costs	\$89,024	
Questioned Federal Costs:		
Post-FSR Adjustments	\$(2,292)	1
Member Eligibility, Citizenship	1,544	2
Unallowable Labor	441	3
Misallocated Costs	2,497	4
Unmet Match	<u>457</u>	5
Total Questioned Federal Costs	<u>\$2,647</u>	
Questioned Match Costs:		
Post-FSR Adjustments	\$1,333	1
Member Eligibility, Citizenship	316	2
Unallowable Labor	237	3
Misallocated Costs	4,007	4
Unsupported Costs	<u>1,669</u>	6
Total Questioned Match Costs	<u>\$7,562</u>	
Questioned Education Awards:		
Member Eligibility, Criminal Background Check	\$9,450	7
Unsupported Member Hours	<u>18,900</u>	8
Total Questioned Education Awards	<u>\$28,350</u>	

1. NDMV made credit and debit adjustments in its accounting records after submitting its annual FSRs, resulting in a \$2,292 net increase to Federal claimed costs and a \$1,333 net decrease to match claimed costs. A majority of the adjustments were transfers of costs between Federal and match accounts.

We increased claimed Federal costs by \$2,292 for allowable post-FSR adjustments and questioned \$1,333 in overstated match costs.

2. NDMV did not provide documentation supporting U.S. citizenship or legal residency status for one member. According to AmeriCorps Provisions (2001), Section A(9)(b), *Definitions, Member*, every AmeriCorps participant must be a citizen, national, or lawful permanent resident alien of the United States. Also, NDMV accepted a driver's license and a Social Security card, which are unacceptable forms of eligibility certification according to Corporation guidelines set forth in the Federal Register. We questioned the living allowance of \$1,860 (\$1,544 Federal and \$316 match) for this member.
3. NDMV allocated fraudulent duplicate paycheck amounts for the former assistant director between its AmeriCorps grant (90 percent) and its subgrant with MGOSV (10 percent) in PY 2001-2002. When the fraudulent paychecks were discovered, NDMV credited the full amount of the duplicate paychecks to the AmeriCorps grant only, rather than crediting the MGOSV subgrant for its 10-percent share, which totaled \$678 (\$441 Federal and \$237 match).
4. NDMV rented space for its national office from the Saint Mary of the Assumption Roman Catholic Congregation, Inc. It allocated 100 percent of the rent and utilities among the AmeriCorps grant, EAO grant, and Maryland subgrants, but these programs used only 34 percent of the rented space. Therefore, 66 percent of the rent charged to the AmeriCorps grant, EAO grant, and Maryland subgrants, is unallowable.

These costs are unallowable in accordance with OMB Circular A-122, Attachment A, Paragraph A(4), *Basic Consideration, Allocable Cost*. We questioned \$6,504 (\$2,497 Federal and \$4,007 match) misallocated to the Maryland Formula subgrant.

5. NDMV did not meet the minimum match requirement of 15 percent for Category A costs in accordance with AmeriCorps Provisions (2001), Section B(13)(a)(i), *Member Support Costs*. We identified \$272,272 in allowable Category A costs. The maximum allowable Corporation share is 85 percent, or \$231,431. NDMV's allowable claimed Federal Category A costs per the audit were \$231,888. We questioned the difference of \$457 (\$231,888-\$231,431).
6. NDMV claimed \$1,669 in unsupported match costs as follows:
 - a. It did not maintain supporting documentation for a \$1,500 in-kind contribution of conference room space, providing only a general ledger as support. We could not determine allowability, reasonableness, or necessity of this expense from the general ledger.
 - b. It supported \$169 claimed match costs from orientation and mid-year training allocations with credit card statements. We could not determine allowability, reasonableness, or necessity of the expenses from the credit card statements.

AmeriCorps Provisions (2001) C(22)(b), *Source Documentation*, requires that adequate supporting documentation be maintained for all expenditures, including a receipt, travel voucher, bill, or similar document. We therefore questioned \$1,669.

7. NDMV did not provide documentation supporting criminal background checks for three members who had substantial direct contact with children. AmeriCorps Provisions (2003), Section B(6)(h), *Criminal Record Checks*, states that programs with members who have substantial direct contact with children must conduct criminal record checks on these members as part of the screening process and maintain documentation consistent with state law. We questioned education awards of \$9,450 (net of \$1,860 living allowance questioned at Note 2).

8. NDMV claimed member service hours in its reporting to WBRB that were unsupported by time sheets. Actual hours per time sheets did not support the required 1,700 service hours for educational awards earned by four members as follows:

Member #	WBRB Hours	Time Sheet Hours	Education Award
1	1,703	1,649	\$4,725
2	1,719	1,608	4,725
3	1,700	1,613	4,725
4	1,700	1,592	4,725

We therefore questioned education awards of \$18,900.

SCHEDULE B

**NOTRE DAME MISSION VOLUNTEER'S PROGRAM, INC
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
MARYLAND GOVERNOR'S OFFICE ON SERVICE AND VOLUNTEERISM
AWARD NO. 00ASCMD021
AMERICORPS-COMPETITIVE
AUGUST 1, 2002, TO JULY 31, 2003**

	Amount	Notes
Approved Budget (Federal Funds)	\$384,888	
Claimed Federal Costs	\$300,020	
Questioned Federal Costs:		
Post-FSR Adjustments	\$(5,092)	1
Member Eligibility, Citizenship	7,968	2
Unallowable Labor	116	3
Unallowable Living Allowance	2,550	4
Unsupported Costs	<u>39</u>	5
	<u>\$5,581</u>	
Questioned Education Awards		
Member Eligibility, Citizenship	\$4,725	2
Unsupported Member Hours	<u>16,538</u>	6
	<u>\$21,263</u>	

1. NDMV made credit and debit adjustments in its accounting records after submitting its annual Financial Status Reports (FSRs) resulting in a \$5,092 net increase in Federal claimed costs. A majority of the adjustments increased allowable Category A costs. We therefore, increased claimed Federal costs by \$5,092 for allowable post-FSR adjustments.
2. NDMV did not provide documentation supporting U.S. citizenship or legal residency status for one member. According to AmeriCorps Provisions (2001), Section A(9)(b), *Definitions, Member*, every AmeriCorps participant must be a citizen, national, or lawful permanent resident alien of the United States. Also, NDMV accepted a self-certification from the member. This is an unacceptable form of eligibility certification. AmeriCorps Provisions (2001), Section B(6)(a), *Eligibility*, requires the grantee to obtain and maintain adequate documentation to demonstrate member eligibility. We therefore questioned the member's living allowance of \$7,968 and an education award of \$4,725.
3. NDMV allocated fraudulent duplicate paycheck amounts for the former assistant director between the AmeriCorps grant (87 percent) and the subgrant with MGOSV (13 percent) in PY 2002-2003. When the fraudulent paychecks were discovered, NDMV credited the full amount of

the duplicate paychecks to the AmeriCorps grant only, rather than crediting the MGOSV subgrant for its 13-percent share, which was \$116.

4. NDMV claimed unallowable living allowances as follows:
 - a. NDMV paid one member a living allowance outside of the period of service. AmeriCorps Provisions (2001), Section B(11)(b), *Living Allowance Distribution*, states that the living allowance is only to be provided to help members meet necessary living expenses incurred while they are participating in the AmeriCorps Program.

The member served for 17 periods and was authorized to receive a \$6,528 living allowance (17 periods x \$384 per period). NDMV, however, paid the member a \$384 allowance for an additional 18th period. We questioned the Federal portion of the overpayment, or \$319.

- b. NDMV did not support the living allowance paid to one member with time sheets, and it did not enter the member's service hours into WBRS. The member was ill during PY 2002-2003 and served sporadically from September until November 2002, when the member was released for cause. We questioned the Federal portion of the member's living allowance, or \$2,231.
5. NDMV supported \$39 of claimed Federal costs from orientation and mid-year training allocations with credit card statements only. We could not determine allowability, reasonableness, or necessity of the expense from the credit card statements.

AmeriCorps Provisions (2001), Section C(21)(b), *Source Documentation*, requires that adequate supporting documentation be maintained for all expenditures, including a receipt, travel voucher, bill, or similar document. We therefore questioned \$39.

6. NDMV claimed member service hours in its reporting to WBRS that were unsupported by time sheets. Actual hours per time sheets did not support the required service hours for the education award earned for four members as follows:

Member #	WBRS Hours	Time Sheet Hours	Education Award
1	1,566	1,351	\$2,363
2	1,734	1,574	4,725
3	1,700	1,627	4,725
4	1,701	1,618	4,725

We therefore questioned education awards of \$16,538.

COTTON & COMPANY LLP

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January 31, 2005

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL

We have audited costs incurred by NDMV through the Maryland Governor's Office on Service and Volunteerism for the following awards and have issued our report thereon dated January 31, 2005, which report was qualified for the matters described therein. Except as described, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards.

Program	Award No.	Award Period	Audit Period
Formula	00ASFMD021	9/1/01-8/31/02	9/1/01-8/31/02
Competitive	00ASCMD021	8/1/02-7/31/03	8/1/02-7/31/03

COMPLIANCE

As part of obtaining reasonable assurance about whether financial schedules are free of material misstatements, we performed tests of compliance with certain provisions of laws, regulations, and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. Providing an overall opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. Results of our tests disclosed instances of noncompliance that are required to be reported under generally accepted government auditing standards (all findings discussed below).

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we obtained an understanding of NDMV's internal control over financial reporting to determine audit procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on internal control over financial reporting. We noted, however, certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect NDMV's ability to record, process, summarize, and report financial data consistent with assertions of management in the financial schedules (Finding Nos. 1-6, and 9 as discussed below).

A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure

that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable conditions in Findings Nos.1, 5, 6, and 9 to be material weaknesses.

FINDINGS

1. NDMV's financial management system did not comply with AmeriCorps Provisions.

We noted the following with respect to NDMV's financial management system.

- a. NDMV's financial management system did not provide for accurate, current, and complete disclosure of financial results, as follows:
- NDMV did not report post-FSR adjustments to MGOSV. Therefore, its FSRs did not reconcile to its accounting system. Failure to adjust FSRs for subsequent cost adjustments resulted in over- or underclaimed reimbursement costs. NDMV was unable to provide reasons why the amended FSRs were not submitted.
 - NDMV mistakenly credited the full amount of the former assistant director's fraudulent duplicate paychecks against the AmeriCorps direct grant. Because only a portion of the former assistant director's paychecks was originally allocated to the AmeriCorps grant, it resulted in overclaimed labor costs charged to the MGOSV grants.

45 CFR § 2543.21(b)(1), *Standards for financial management systems, Financial Reporting*, requires that grantee financial management systems provide for accurate, current, and complete disclosure of financial results of financially assisted activities. AmeriCorps Provisions (2001), Section C(21), *Financial Management Provisions*, incorporate this rule and further specifies that the grantees financial management systems include standard accounting practices, sufficient internal controls, as well as a clear audit trail in the form of adequate supporting documents for all expenditures made under the grant.

- b. NDMV did not submit its FSRs for the MGOSV formula and competitive subgrants in a timely manner. MGOSV required NDMV to submit four quarterly reports via WBRs. NDMV did not have procedures in place to ensure that FSRs were submitted in a timely manner. Delays in submitting FSRs to MGOSV could delay MGOSV's reporting to the Corporation. The following FSRs were submitted after the dates stipulated in MGOSV's policies and procedures manual:

Program Year	Due Date	Submission Date	Days Late
2001-2002	1/15/02	2/05/02	21
2001-2002	10/15/02	10/21/02	6
2002-2003	1/15/03	1/16/03	1
2002-2003	4/15/03	4/29/03	14
2002-2003	7/15/03	9/22/03	69
2002-2003	10/15/03	10/23/03	8

- c. NDMV did not have adequate written procedures as follows:
- Accounting procedures to ensure the reasonableness, allowability, and allocability of costs in accordance with applicable Federal cost principles and award terms and conditions, which is required by OMB Circular A-110, SubPart C, Paragraph 21,

Standards for financial management systems. NDMV was unaware that its written procedures were inadequate. Without written procedures, costs may not be consistently treated in NDMV's accounting system.

- Record retention policy did not comply with AmeriCorps Provisions. Its policy is to keep all program-related files for seven years from the date of the final progress report. AmeriCorps Provisions (2001), Section C(26), *Retention of Records*, requires records to be maintained for three years from the submission of the final FSR. NDMV was unaware that its record retention policy was inadequate. Without a record retention policy in accordance with AmeriCorps Provisions, records may not be retained for the required period.

d. NDMV's financial management system did not provide for adequate segregation of duties, as follows:

- The executive director is an authorized check signer and also has access to the petty cash fund. In addition, an administrative assistant is an authorized check signer and handles cash receipts. Authorized check signers should be limited to employees who do not have access to accounting records and entries, cash receipts, and petty cash.
- The finance director prepares the bank reconciliation and prepares checks. Bank reconciliations should be prepared by an employee who does not handle cash receipts and prepare and sign checks.

45 CFR § 2543.21 (b)(3), *Standards for financial management systems*, requires subgrantees to have effective controls over and accountability for all funds, property, and other assets; to adequately safeguard all such assets; and assure that assets are used solely for authorized purposes. NDMV did not have the necessary resources to properly segregate duties. Without adequate segregation of duties, NDMV does not have effective controls over Corporation funds.

e. NDMV did not have an adequate labor distribution system. Labor charges for national office staff were allocated between the AmeriCorps grant and MGOSV subgrants based on the budget, not the actual effort expended. Additionally, some national office staff members expended effort on EAO and Promise Fellows grants. A portion of their labor should have been allocated accordingly.

OMB Circular A-122, Attachment B, Paragraph 8(m)(2)(a), *Compensation for Personal Services, Support of salaries and wages*, states that labor must be based on an after-the-fact determination of the actual activity of each employee. AmeriCorps Provisions (2001), Section C(21)(c)(i), *Financial Management Provisions, Time and Attendance Records, Staff*, also requires that wages charged directly to the grant or matching funds be supported by signed time and attendance records. Budget estimates do not qualify as support for charges to awards. NDMV was unaware that its labor distribution system was not in compliance with OMB Circular A-122 or Corporation Provisions. Labor was misallocated to the AmeriCorps, Maryland, EAO, and Promise Fellows programs.

In addition, NDMV did not properly support labor in accordance with OMB Circular A-122. National office activity reports reflected only total employee activity and did not reflect the distribution of employee activity to applicable grants.

OMB Circular A-122, Attachment B, Paragraph 8(m), *Compensation for Personal Services, Support of salaries and wages*, requires that activity reports reflect the distribution of activity to support labor costs.

f. NDMV claimed unallowable Federal and match costs and costs for which no supporting documentation was provided. The notes to Schedules A describe questioned Federal and match costs. The notes to Schedule B, however, only describe questioned costs, because post-FSR adjustments that increased claimed match exceed questioned match costs. We noted the following:

- NDMV claimed unallocable rent space and utilities for the national office as Federal and match costs. In PYs 2001-2002 and 2002-2003, NDMV claimed 100 percent of rent and utility costs rather than prorating these costs to represent actual building usage by AmeriCorps activities of 34 percent. These costs are unallowable in accordance with OMB Circular A-122, Attachment A, Paragraph A(4), *Basic Consideration, Allocable Cost*.
- NDMV accumulated member orientation and mid-year training costs in a suspense account and allocated a percentage of these costs to the formula subgrant as match and to the competitive subgrant as both Federal and match. It supported training costs with credit card statements only. We could not determine allowability, reasonableness, or necessity of the expense from credit card statements. Credit card statements are not acceptable supporting documentation in accordance with AmeriCorps Provisions (2001), Section C (21)(b), *Source Documentation*
- NDMV did not maintain supporting documentation for an in-kind match contribution of conference room space, and provided a general ledger as support. We could not determine allowability, reasonableness, or necessity of the expense from the general ledger. General Ledger summaries are not acceptable supporting documentation in accordance with (2001) AmeriCorps Provisions, Section C (21)(b), *Source Documentation*.

2. NDMV did not have adequate procedures to ensure that member service hours were accurately recorded in WBRs, and time sheets were prepared as required.

AmeriCorps Provisions (2001), Section C (21)(c), *Financial Management Provisions, Time and Attendance Records*, requires grantees to maintain time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits. NDMV program personnel made data-entry errors when recording member hours in WBRs. In addition, they neglected to enter all service hours when members left the program early without receiving an education award, or when they fulfilled the minimum service hour requirement for an award. Member hours supported by time sheets varied from recorded hours in WBRs, as follows:

Maryland Subgrants	Files Tested	Files with Discrepancies
Formula 2001-2002	14	6
Competitive 2002-2003	16	9

In addition, we noted that several member time sheets were not originals, and whiteout and pencil were used to make corrections, and corrections were not initialed. When pencil and whiteout are used on time sheets and originals are not maintained, it is difficult to determine if unauthorized alterations have been

made. When changes are made without being initialed, there is no audit trail to follow to determine if changes were authorized.

3. NDMV did not have adequate procedures to ensure documentation of member activities.

NDMV did not have adequate procedures to ensure that site directors documented member activity in accordance with AmeriCorps Provisions. It did not maintain or complete member evaluations, enrollment forms, or exit forms. NDMV also did not complete certain forms properly or in a timely manner. NDMV did not adequately document member attendance at orientation sessions or did not document required member training. Specifically:

a. Member files were missing documentation on mid-term and/or final evaluations. AmeriCorps Provisions (2001), Section B(7)(g), *Performance Reviews*, requires grantees to conduct at least mid-term and end-of-term evaluations of each member’s performance, documenting that the member has:

- Completed the required number of service hours.
- Satisfactorily completed assignments.
- Met other performance criteria that were clearly communicated at the beginning of the service term.

Evaluations were missing from member files, were unsigned, or did not comply with AmeriCorps requirements, because they did not indicate if the member had met performance criteria. NDMV did not have procedures to ensure that all evaluations were properly completed and maintained in member files, as follows:

Subgrant	Expected Evaluations	Evaluations Tested	Number of Evaluations (Mid and Final)		
			Missing	Unsigned	Did Not Comply (Final)
Formula	20	9	11	3	2
Competitive	20	4	16	0	0

Evaluations are necessary to ensure that members are eligible for another term of service. According to 45 CFR § 2522.220 (4)(d), *Participant performance review*, a participant is not eligible for a second or additional term of service and/or for an AmeriCorps education award without evidence of completed mid-term and final evaluations.

b. Member files lacked sufficient information to document member enrollment and exit. AmeriCorps Provisions (2001), Section B (16)(b), *AmeriCorps Member to Related Forms*, requires grantees to submit member enrollment forms to the Corporation no later than 30 days after a member is enrolled and submit member exit/end-of-term-of-service forms no later than 30 days after a member exits the program. A summary of files tested follows:

Maryland Subgrants	Forms Tested	Number of Forms		
		Missing	Late	Unsigned
Formula 2001-2002	20	1	12	1
Competitive 2002-2003	20	0	11	0

NDMV did not have procedures to ensure that forms were completed and submitted in a timely manner and were retained in member files. As a result, Corporation member records are inaccurate.

- c. NDMV could not provide agendas, sign-in sheets or any other documentation to support attendance at orientations for 7 of 10 members tested under the PY 2001-2002 formula subgrant and 8 of 10 members tested under the PY 2002-2003 competitive subgrant. Grantees are required to provide orientation at the beginning of the service year. Without evidence, the Corporation cannot be sure that NDMV has provided required members training.

AmeriCorps Provisions (2001), Section B (7), *Training, Supervision and Support*, requires grantees to conduct orientations for members covering member rights and responsibilities, including the code of conduct, prohibited activities, Drug to Free Workplace Act requirements, suspension and termination from service, grievance procedures, sexual harassment, other nondiscrimination issues, and other topics as necessary.

4. NDMV did not have procedures to ensure that EAO members received insurance coverage.

NDMV did not have procedures to ensure that EAO members under the formula and competitive subgrants received Workers' Compensation (WC) Insurance (or Occupational Accidental Death and Dismemberment Insurance if WC was not required by state law). NDMV was required to obtain applicable insurance in accordance with EAO AmeriCorps Provisions, Section B(11)(d)(v), *Worker's Compensation*.

NDMVP relied on partnering sites to obtain applicable insurance for EAO members and did not monitor partnering sites to ensure that members were covered under the applicable insurance. Furthermore, NDMV did not require partnering sites to provide proof of member insurance coverage to the national office. According to 45 CFR § 2543.51, (a) *Monitoring and reporting program performance*, recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award. Without proper insurance coverage, NDMV could be fully liable for costs associated with AmeriCorps members who are injured or die during service.

5. NDMV did not have adequate procedures to ensure that members received living allowances in accordance with applicable AmeriCorps Provisions.

NDMV paid member living allowances for periods outside of service, and it did not properly terminate living allowances for a member who left before completing the minimum hours of service. In addition, NDMV could not support a living allowance paid to one member with time sheets. Specifically:

- a. NDMV did not properly terminate living allowance payments to one member who did not complete the minimum service hours. The member was released for cause, and NDMV continued to pay the living allowance. The excess living allowance payments are unallowable.
- b. NDMV did not support the living allowance for one member with time sheets, and it did not enter service hours into WBRS. NDMV stated that the member was ill during program year, and worked sporadically from September until November 2002, when the member was released for cause. Without time sheets, we cannot determine if the member participated in service, and living allowance payments are unsupported.

AmeriCorps Provisions (2003), Section B (11), *Living Allowances, Other In-Service Benefits and Taxes*, states that the living allowance is designed to help members meet the necessary living expenses incurred while participating in the AmeriCorps Program.

6. NDMV did not have adequate procedures to ensure member eligibility under the formula and competitive subgrants.

NDMV did not ensure that all eligibility documentation was obtained and maintained for members under the formula and competitive grants. Member files did not always contain adequate documentation of citizenship, proof of high school diplomas or equivalents, and required background checks. AmeriCorps member eligibility documentation was obtained and maintained by the national office.

EAO member eligibility documentation was obtained and maintained by the partnering sites. NDMV did not properly monitor EAO partnering sites to ensure that adequate eligibility documentation was obtained and maintained, as required by 45 CFR § 2543.51 *Monitoring and reporting program performance*. We noted the following:

- a. Member files did not always contain proof of citizenship. AmeriCorps Provisions (2001), Section A(9)(b), *Definitions, Member*, require that every AmeriCorps participant must be a citizen, national, or lawful permanent resident alien of the United States. AmeriCorps Provisions (2001), Section B(6)(a), *Eligibility*, require the grantee to obtain and maintain adequate documentation to demonstrate member eligibility. Member files did not include proof of citizenship, as follows:

Maryland Subgrants	Files Tested	Missing Information
Formula 2001-2002	14	2
Competitive 2002-2003	16	1

- b. Member files did not always include high school diplomas or equivalent records. According to AmeriCorps Provisions (2001), Section A(9)(d), *Definitions, Member*, members must have or agree to obtain a high school diploma or equivalent in order to earn an education award. Member files did not include this information as follows:

Maryland Subgrants	Files Tested	Missing Information
Formula 2001-2002	14	6
Competitive 2002-2003	16	0

- c. Member files did not always include evidence of a criminal background check. NDMV did not provide documentation to show that it obtained background checks for three members who worked with children (two EAO members) under the formula grant. According to AmeriCorps Provisions (2001), Section B(6)(h), *Criminal Record Checks*, programs whose members have substantial contact with children shall conduct criminal record checks as part of the screening process. Failure to perform these background checks could result in children or other vulnerable persons being placed in harms way.

7. NDMV member contracts did not comply with AmeriCorps Provisions.

NDMV contracts under the Maryland subgrants did not include all required provisions. AmeriCorps Provisions (2001), Section B (7)(b), *Member Training, Supervision, and Support, Member Contracts*,

requires members to sign contracts that stipulate minimum number of service hours, suspension and termination rules, circumstances to be released for cause, position description, and grievance procedures. We noted the following:

- Member contracts did not contain a position description. This was provided as a separate unsigned document.
- Member contracts did not contain information on all prohibited activities.
- Member contracts did not contain all Drug-Free Workplace Act requirements.

NDMV was unaware that its Drug-Free Workplace Act statement and its listing of prohibited activities in the member contract were inadequate. In addition, NDMV was unaware that the position description had to be part of the signed member contract. When the member contract contains deficiencies, the members are not informed of all provision requirements, and cannot certify their understanding of all requirements.

8. NDMV did not submit progress reports in a timely manner.

NDMV did not submit its progress reports for the MGOSV subgrants in a timely manner. The MGOSV required NDMV to submit four quarterly reports via WBRS. NDMV did not have procedures in place to ensure that progress reports were submitted in a timely manner. Delays in submitting progress reports to MGOSV could delay MGOSV’s reporting to the Corporation. We noted that the following progress reports were either submitted after the dates stipulated in MGOSV’s policies and procedures manual or were not submitted:

Program Year	Due Date	Submission Date	Days Late
2001-2002	1/15/02	4/15/02	90
2001-2002	4/15/02	7/11/02	87
2001-2002	7/15/02	10/15/02	92
2001-2002	10/15/02	Not Submitted	N/A
2002-2003	1/15/03	10/02/03	260

9. NDMV did not meet the 15-percent match requirement for Category A costs under the formula subgrant.

NDMV did not meet the 15-percent minimum match requirement for Category A (member support) costs under the PY 2001-2002 formula subgrant, as required by AmeriCorps Provisions (2001), Section B(13), *Matching requirements*.

NDMV did not claim the required 15-percent minimum for Category A match costs, due to an accounting error. In addition, Category A match costs were questioned in Schedule A, further reducing NDMV’s allowable Category A match. Corporation costs in excess of 85 percent are not allowable.

10. NDMV did not comply with employee drug-free workplace and non-discrimination requirements.

NDMV did not comply with employee non-discrimination and drug-free workplace requirements. Specifically:

- a. NDMV did not publish a drug-free workplace policy statement for employees working under the PY 2001-2002 formula and PY 2002-2003 competitive grants that complied with applicable provisions. Its published statement did not state that conviction of any criminal drug statute must

be reported immediately to NDMV. AmeriCorps Provisions (2001), Section C (29)(a), *Drug Free Workplace, Notice to Employees and Members*, requires grantees to publish a statement stating that conviction of any criminal drug statute by any employee or member must be reported immediately to the grantee.

NDMV was unaware that its drug-free workplace requirement was not in compliance with AmeriCorps Provisions. Without a published statement that a conviction of any criminal drug statute must be immediately reported, there is the potential that employees with drug convictions would continue to be employed without NDMV's knowledge.

- b. NDMV did not have procedures to obtain and maintain racial/ethnic data for employees working under the PY 2001-2002 formula and PY 2002-2003 competitive grants. AmeriCorps Provisions (2001), Section C (30)(d), *Non Discrimination, Records and Compliance Information*, requires grantees to make accurate racial, ethnic, sex, and disability data available for program staff.

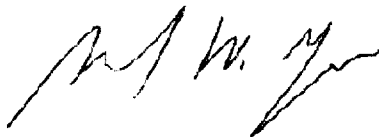
NDMV was unaware that the Corporation required procedures to obtain and maintain racial/ethnic data for its employees. Without proper procedures, it would be difficult for NDMV to have racial/ethnic data available to the Corporation in a timely manner.

Recommendation

We recommend that the Corporation follow up with the Commission to determine if questioned and unsupported amounts should be allowed, or disallowed and recovered.

This report is intended solely for the information and use of the Office of Inspector General, the Corporation for National and Community Service, MGOSV, NDMV, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

COTTON & COMPANY LLP



Michael W. Gillespie, CPA
Partner

Appendix A

Response of the Notre Dame Mission Volunteer Program



July 8, 2005

Ms. Carol Bates
Acting Inspector General
Corporation for National & Community Service
Office of the Inspector General
1201 New York Avenue, NW, Suite 830
Washington, DC 20525

Dear Ms. Bates:

Enclosed is the Notre Dame Mission Volunteer Program response to the draft audit report number 05-19 on the results of the incurred-cost audit of grants awarded to the Notre Dame Mission Volunteer Program through the Governor's Office on Service & Volunteerism. Please include these comments as an appendix to the report.

If you have any questions or wish to discuss our comments, please contact me or my assistant, Shannon Fritz, by phone at (410) 532-6864 or by email at natloffice@ndmva.org. Our office facsimile number is (410) 532-2418.

Sincerely,

Sr. Katherine Corr, SND
Executive Director

Cc: Doug Gerry

**Incurred-Cost Audit of Subgrants Awarded to the
Notre Dame Mission Volunteer Program
Through the
Maryland Governor's Office on Service and Volunteerism
Audit Report No. 05-19**

Response to Independent Auditor's Report on Compliance and Internal Control:

Notre Dame Mission Volunteers (NDMV) finds the *Summary of Results* (page 2 of the audit report) to be misleading in its broad generalizations. The findings, as presented in the series of statements on page two, are so broadly stated as to imply that the organization had no system in place to monitor various requirements of compliance; when, in fact, the organization has always acted in a spirit of diligence, cooperation, and integrity in its interactions with AmeriCorps and the management of the grant. NDMV has always had systems to ensure compliance with AmeriCorps provisions. The systems will be enhanced with the recommendations of this audit, but in many cases the adjustments will be minor. For example, summary statement number eight: "*Notre Dame Mission Volunteers member contracts did not comply with AmeriCorps Provisions,*" implies that the member contracts did not comply with **any** AmeriCorps Provisions. In fact, the member contracts were very thorough, complying with most AmeriCorps Provisions, and were revised in June of 2003, at the request of our program officer. The member contracts were missing a part of one requirement and a second item, the position description, was not stapled to the member contract. These two issues will be addressed as a result of this audit, but the member contract was quite lengthy and thorough in its compliance. The member contract, if graded for its competence and quality, would receive a 98%, but the audit summary statement implies a grade of "F". This is misleading to anyone who reads only the summary statements and does not know the detail. Notre Dame Mission Volunteers believes the summary statements present an unfair representation, because they do not reflect the organization's consistent effort to comply with AmeriCorps Provisions. Notre Dame Mission Volunteers has always acted in a forthright and cooperative manner, diligently working to ensure compliance with AmeriCorps Provisions.

1. Financial Management System

Response: Notre Dame Mission Volunteers has seen incredible growth since its inception in 1992. The organization started with volunteers in two states and a \$70,000 budget, and has evolved to an organization with volunteers in fifteen cities within twelve states and a \$3,500,000 budget. Through the years of immense change, the financial management system evolved as well. As soon as the organization was awarded an AmeriCorps grant in 1995, part-time accounting staff and an outside auditor were hired. Today, a full-time accountant oversees grant management and reporting responsibilities. With this growth, NDMV is improving the timeliness of reporting. In the past, there was a misunderstanding regarding reporting deadlines of National Direct vs. State grants. Future reports will be submitted on time. Problems that existed in the past either have

Notre Dame Mission Volunteer Program Response

been addressed or are being addressed. In addition, NDMV's written procedures now indicate a requirement to follow circular A-110.

Regarding record retention, NDMV has always had a policy to retain records for at least seven years. As a result of this audit, the revised policy is to retain records for seven years from the date of the final progress report or three years from the submission of the final FSR, whichever is later.

The organization's financial management system now has adequate segregation of duties. No authorized check signer has access to checks. The check preparer is not a check signer. On a rare occasion, when two other check signers are not available, the person handling cash receipts acts as a second check signer. The Executive Director opens and reviews the bank statement and cancelled checks before the bank reconciliation is done. Bank reconciliations are now reviewed by the Executive Director. In addition, the organization has closed out the petty cash bank account. NDMV never kept a petty cash box.

Ed Award Only and Promise Fellows programs each had staff assigned to them. Their hours were charged to these grants. Occasionally, administrative staff spent time on these programs due to the structure of the organization, wherein the support for various programs is melded into one national office. Due to the blended nature of the organization's structure, NDMV has developed a formula to allocate time spent on different grants accordingly.

NDMV has improved the documentation of federal and match costs to ensure that costs incurred meet all OMB circular requirements for allowability.

2. Member service hours recorded in WBRs

Response: WBRs is a relatively new system for reporting service hours, and a learning curve follows the start of any new system. To strengthen controls over member timesheets and WBRs, NDMV has provided thorough instruction to site directors. Site directors have been instructed to enter all service hours into WBRs after carefully reviewing member timesheets. Site directors will also carefully review their own work to avoid entry errors in WBRs. Site directors now forward member timesheets to the National Office on a monthly basis. The organization has also provided training to ensure that timesheets maintained are original, whiteout and pencil are not used, and corrections are initialed. The National Office will increase oversight of WBRs entries. These procedures will improve accuracy of WBRs service hours.

3. Documentation of member activities

Response: Notre Dame Mission Volunteers has strengthened its procedures to ensure compliance with AmeriCorps Provisions regarding member activities. NDMV has

always carefully collected members' evaluations of the program, and at the end of the year, these evaluations are sent to the National Office in Baltimore. However, evaluations of individual members have always been completed and maintained at local sites. NDMV has changed this procedure to ensure that evaluations of individual members are sent to the National Office.

It is the policy of NDMV to document member enrollment and exit promptly and submit this information to the Corporation within 30 days. In the past, delays in grant approval notification from CNCS led to enrollment delays. It has always been NDMV policy that all members receive appropriate and thorough training. Although we made sure all members attended orientation, written documentation of attendance at orientation was not always maintained. Documentation of attendance will be strengthened with sign-in sheets to show that members attended the initial orientation or subsequently received appropriate training.

4. EAO members – Worker's Compensation Insurance

Response – At the beginning of the program year, prior to enrollment, Notre Dame Mission Volunteers will verify that EAO members are covered under the applicable insurance.

5. Living Allowances

Response – Notre Dame Mission Volunteers spreads the payment of the minimum living allowance to its members over twenty-five two-week periods. NDMV seeks clarification from the Corporation on whether the living allowance can be pro-rated for members who start late, but still complete their 1700 hours.

6. Member Eligibility

Response – It has always been the policy of NDMV to acquire proof of U.S. citizenship of all members. On occasion, the documentation of citizenship is not well maintained in the member's file. Of the three that were missing from the files, one has been recovered. The second member, whose file was missing citizenship documentation, was born in North Carolina, in her parents' home. In this extraordinary circumstance, the documentation of her birth is not acceptable to the program. The eligibility documentation retention policy will follow the NDMV record retention policy for all member documents: seven years from the date of the final progress report or three years from the submission of the final FSR, whichever is later.

Several members planned to work on their G.E.D. during their year of service. If an individual did not receive the G.E.D., he or she agreed not to use the Education Award. In the future, this agreement will be documented in writing.

Member background checks have always been required. At times, the background checks were done at the schools where our members served. In the future, evidence of all background checks will be maintained in the member files at the National Office.

7. Member Contract

Response – The position description is presented to the NDMV member prior to his/her signing the member contract. The position description is kept in the member file, but in the past, it was not attached to the member contract. In the future, NDMV will staple all position descriptions to member contracts. The member contract has been revised to include a list of all prohibited activities.

NDMV insists upon compliance with the Drug-Free Workplace Act and includes the Drug-Free Workplace Act requirements in the member contract. One provision of the Drug-Free Workplace Act, the requirement to immediately inform the organization of a conviction of any criminal drug statute, was missing from the member contract. The member contract was revised and updated to include all requirements of the Drug-Free Workplace Act.

8. Progress Reports

Response – In the future, all progress reports will be submitted in a timely manner.

9. Match Requirement

Response – NDMV believes this will be reconciled when we are able to resolve some of the questions surrounding the living allowance.

10. Drug-Free Workplace Act and non-discrimination requirements.

Response – NDMV insists upon employee compliance with the Drug-free Workplace Act. All provisions of the Act are included in the personnel policy, except the requirement for immediate notification of a drug-related conviction. The employee drug-free workplace policy statement will be updated to include all requirements of the Drug-free Workplace Act. Notre Dame Mission Volunteers strives for racial diversity, but was unaware of the requirement to maintain information on race, ethnicity, gender, and disability of its employees. In the future, we will collect this information and make it available to our program officer.

Appendix B

Response of the Maryland Governor's Office on Service and Volunteerism

STATE OF MARYLAND

EXECUTIVE DEPARTMENT

ROBERT L. EHRLICH, JR.
GOVERNOR



MICHAEL S. STEELE
LIEUTENANT GOVERNOR

GOVERNOR'S OFFICE ON SERVICE AND VOLUNTEERISM

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July 7, 2005

Ms. Carol Bates
Acting Inspector General
Corporation for National & Community Service
Office of the Inspector General
1201 New York Avenue, NW, Suite 830
Washington, DC 20525

Dear Ms. Bates:

Enclosed is the Maryland Governor's Office on Service & Volunteerism's response to the draft audit report number 05-19 on the results of the incurred-cost audit of grants awarded to the Notre Dame Mission Volunteer Program through the Governor's Office on Service & Volunteerism. You will also find in attachment A, responses prepared by the Notre Dame Mission Volunteer Program.

If you have any questions or wish to discuss our comments please contact Shameka L. Littles, Budget & Grants Manager at (410) 767-1298 or email her at slittles@dbm.state.md.us. Our office facsimile number is (410) 333-5957.

Sincerely,

Keith J. Hart
Director

Cc: Doug Gerry
Shameka L. Littles
Katherine Corr

**Incurred-Cost Audit of Subgrants Awarded to the
Notre Dame Mission Volunteer Program
Through the
Maryland Governor's Office on Service and Volunteerism
Audit Report No. 05-19**

Response to Independent Auditor's Report on Compliance and Internal Control:

1. Financial Management System

Response: In the past, the MGOSV sent an official notification letter to the NDMV with regard to late FSR's. The NDMV then provided a written response on two occasions and indicated that they were a bit remiss to presume that the reporting deadlines were the same of National Direct and State grants.

2. Member service hours recorded in WBRs

Response: The MGOSV has no comment.

3. Documentation of member activities

Response: The MGOSV has no comment.

4. EAO members – Worker's Compensation Insurance

Response – The MGOSV has no comment.

5. Living Allowances

Response – The MGOSV has no comment.

6. Member Eligibility

Response - The MGOSV has no comment.

7. Member Contract

Response – The MGOSV has no comment.

8. Progress Reports

Response – In the past, the NDMV sent a memo to the program officer at the MGOSV formally requesting an altered timeline for objective reporting dates, due to the fact that the progress report data was traditionally collected twice a year and compiled into an annual progress report. Attached to the memo was the programmatic calendar which

differentiates between State grant reporting dates and National Direct, and thereby indicated that there was an effort underway to streamline the evaluation process.

9. Match Requirement

Response – The MGOSV has no comment.

10. Drug-Free Workplace Act and non-discrimination requirements.

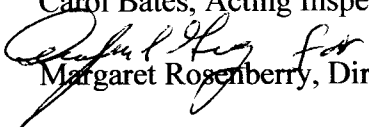
Response - The MGOSV has no comment.

Appendix C

Response of the Corporation for National and Community Service

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

To: Carol Bates, Acting Inspector General

From:  Margaret Rosenberg, Director of Grants Management

Cc: Rosie Mauk, Director of AmeriCorps
Tory Willson, Audit Resolution Coordinator
Sr. Katherine Corr, Executive Director, Notre Dame Mission Volunteers
Keith Hart, Executive Director, Maryland Governor's Office on Service and Volunteerism

Date: July 8, 2005


Subject: Response to OIG Draft Audit Report 05-19, Audit of Corporation for National and Community Service Grants Awarded to the Notre Dame Mission Volunteer Program through the Maryland Governor's Office on Service and Volunteerism

Thank you for the opportunity to review the draft audit report on Corporation grants awarded to the Notre Dame Mission Volunteer (NDMV) Program through the Maryland Governor's Office on Service and Volunteerism. We do not have specific comments at this time. We will respond to all findings and recommendations in our management decision when the final audit is issued, we have reviewed the findings in detail, and will work with the Commission to resolve the audit.

The Notre Dame Mission Volunteer program received support from the Corporation both as a National Direct grantee and through the Maryland Commission for activities in Maryland. NDMV has provided an extensive response and has already begun implementing audit recommendations.



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