

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

**AGREED-UPON PROCEDURES OF  
CORPORATION FOR NATIONAL AND  
COMMUNITY SERVICE GRANT AWARDED  
TO COMPREHENSIVE LINKS FOR AFTER  
SCHOOL ENRICHMENT**

**OIG REPORT NUMBER 06-04**



*Corporation for*  
**NATIONAL &  
COMMUNITY  
SERVICE** 

Prepared by:

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Irvine, California 92612

This report was issued to Corporation management on January 4, 2006. 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 July 4, 2006, and complete its corrective actions by January 4, 2007. 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  
AGREED-UPON PROCEDURES TESTING OF GRANT AWARDED TO THE  
UNIVERSITY OF PUERTO RICO AGRICULTURAL EXTENSION  
COMPREHENSIVE LINKS FOR AFTER SCHOOL ENRICHMENT**

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## AGREED-UPON PROCEDURES SCOPE

Conrad and Associates LLP (Conrad) was contracted by the Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), to perform agreed-upon procedures of the costs claimed by the University of Puerto Rico Agricultural Extension Comprehensive Links for After School Enrichment (CLASE) program for the period from January 9, 2001, through March 30, 2004. The agreed-upon procedures covered the allowability, allocability and reasonableness of financial transactions claimed under funding provided by the Corporation for the following AmeriCorps award, as well as grant match costs. We performed our audit during the period May 18 through June 24, 2005.

| <b>Program</b> | <b>Award No.</b> | <b>Award Period</b> | <b>Testing Period</b> |
|----------------|------------------|---------------------|-----------------------|
| AmeriCorps     | 00ASFPR0400201   | 1/09/01 – 03/30/04  | 1/09/01 – 03/30/04    |

The agreed-upon procedures specifically included:

- Reconciling subgrantee costs claimed and grant match costs to its accounting system.
- Testing subgrantee member files to verify that the records supported the eligibility and allowability of living allowances and education awards.
- Testing claimed subgrantee costs and grant match costs to ensure:
  - i. Proper recording of the AmeriCorps grant;
  - ii. Costs were properly matched; and
  - iii. Costs were allowable and supported in accordance with OMB Circular A-21, *Cost Principles for Educational Institutions*, other applicable OMB circulars, and award terms and conditions.

## BACKGROUND

The Corporation, pursuant to the authority of the National and Community Service Trust Act, as amended, awards grants and cooperative agreements to State commissions and other entities to assist in the creation of full-time and part-time national and community service programs.

The Corporation administers education awards through a database of all members that is updated by each State commission and reported to the Corporation's National Service Trust (Trust). Members then submit requests to the Trust to redeem their awards, which are paid by the Corporation directly to higher educational institutions or other holders of members' education

award. The Commission does not directly administer AmeriCorps programs. AmeriCorps funding flows through the Commission to subgrantees.

The Corporation terminated the existence of the Commission in a letter dated June 7, 2005 due to problems that were left unresolved. The effective date of the termination was stated to be June 30, 2005. We were engaged to perform agreed upon procedures of Puerto Rico University's AmeriCorps grant.

The Puerto Rico University Agricultural Extension was awarded an AmeriCorps formula grant from the Puerto Rico Commission on Community Service and Social Action (Commission). As a result of the award, a program called Comprehensive Links for After School Enrichment (CLASE) was formed and administered by existing University employees. The employees in place to administer the program were a project director and an administrative secretary. There were approximately 10 AmeriCorps members who served in CLASE.

## SUMMARY OF RESULTS

### Costs Claimed

CLASE claimed total costs of \$339,192 on the AmeriCorps grant from January 9, 2001, through March 30, 2004. We questioned costs claimed as shown in the tables below.

Costs were questioned for the following reasons:

| Questioned for Reasonableness/Allocability         | Corp. Share    | Grant Match  |
|--|----------------|--------------|
| University Personnel not Involved with the Program | \$ 584         | \$ -         |
| Costs Incurred not Included in the Award Budget    | <u>999</u>     | <u>391</u>   |
| Total  | <u>\$1,583</u> | <u>\$391</u> |

| Questioned for Allowability | Corp. Share | Grant Match  |
|-----------------------------|-------------|--------------|
| Member Unemployment Claim   | <u>\$ -</u> | <u>\$137</u> |

| Questioned for Lack of Support          | Corp. Share    | Grant Match    | Education Award |
|---|----------------|----------------|-----------------|
| Time Sheets without Member Signature    | \$6,976        | \$1,231        | \$14,175        |
| Five Missing Time Sheets for One Member | 2,280          | 402            | 4,725           |
| Printing Charges Claimed in Error       | <u>577</u>     | <u>-</u>       | <u>-</u>        |
| Total                                   | <u>\$9,833</u> | <u>\$1,633</u> | <u>\$18,900</u> |

regulations, or specific conditions of the award, or those costs that require interpretation of allowability by the Corporation. Costs questioned for lack of support require additional documentation to support that the cost was incurred and was 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. As part of our agreed-upon procedures, however, we determined the effect of audit findings on Education Award eligibility. Using the same criteria described above, we questioned Education Awards of \$18,900 for inadequate support.

Details related to these questioned costs and awards appear in the Auditors' Agreed-Upon Procedures Report.

### **Exit Conference**

The contents of this report were disclosed to and discussed with the subgrantee at an exit conference held in Puerto Rico on June 30, 2005. In addition, we provided a draft of this report to the subgrantee and to the Corporation for comment on September 21, 2005, but never received a response from the subgrantee. A response from the Corporation was received on October 21, 2005. The response is included in its entirety as appendix A.

Inspector General  
Corporation for National and Community Service

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

We have performed the procedures described below, which were agreed to by the Office of Inspector General, Corporation for National and Community Service, solely to assist the Corporation in evaluating the costs claimed by the Puerto Rico University Agricultural Extension Comprehensive Links for After School Enrichment (CLASE) for the award listed below. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards. The sufficiency of these procedures is solely the responsibility of the Office of Inspector General. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or any other purpose.

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| <b>Program</b> | <b>Award No.</b> | <b>Award Period</b> | <b>Audit Period</b> |
|----------------|------------------|---------------------|---------------------|
| AmeriCorps     | 00ASFPR0400201   | 01/09/01 - 03/30/04 | 01/09/01 - 3/30/04  |

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We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed other procedures, other matters might have come to our attention that would have been reported to you.

The procedures that we performed and the results of these procedures included.

1. Reconciling subgrantee costs claimed and grant match costs to its accounting system.
2. Testing subgrantee member files to verify that the records supported the eligibility and allowability of living allowances and education awards.

3. Testing claimed subgrantee costs and grant match costs to ensure:
  - i. Proper recording of the AmeriCorps grant;
  - ii. Costs were properly matched; and
  - iii. Costs were allowable and supported in accordance with OMB Circular A-21, *Cost Principles for Educational Institutions*, other applicable OMB circulars, and award terms and conditions.

## RESULTS

The testing results are summarized below and in the Schedule of Award Costs. The schedule also identifies certain questioned Education Awards. These awards are not funded by the Corporation grants, and accordingly are not included in claimed costs. As part of our agreed-upon procedures, however, we determined the effect of all member time sheet exceptions on these awards.

### **Compliance and Internal Control over Financial Reporting**

In addition to the cost and award results described in the Schedule of Award Costs, results of our tests disclosed instances of noncompliance and deficiencies in internal controls over financial reporting as follows.

1. We questioned costs of \$2,160 that were not reasonable or allocable to the grant and \$2,161 of grant match costs as follows:
  - CLASE claimed \$999 for hotel charges incurred March 10 and 11, 2004. The costs were incurred to hold an end-of-the-project event at which members and administrative personnel stayed overnight in a hotel in Aguadilla, Puerto Rico. The expenses included overnight lodging as well as meals and beverages. The purpose of the event was to discuss the program and perform end-of-term evaluations of the members. These costs, however, were not included in the original award budget. We questioned these costs as unreasonable in accordance with OMB Circular A-21, Attachment, Section C(3), *Reasonable Costs*; states:

A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. Major considerations involved in the determination of the reasonableness of a cost are: (a) whether or not the cost is of a type generally recognized as necessary for the operation of the institution or the performance of the sponsored agreement; (b) the restraints or requirements imposed by such factors as

arm's length bargaining, Federal and State laws and regulations, and sponsored agreement terms and conditions; (c) whether or not the individuals concerned acted with due prudence in the circumstances, considering their responsibilities to the institution, its employees, its students, the Federal Government, and the public at large; and, (d) the extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored agreements.

We do not believe that incurring these types of costs to perform member end-of-term evaluations meets the above description of reasonable costs. As such, we have questioned the costs claimed to the Corporation on the basis of reasonableness.

- CLASE claimed an allocated portion of personnel costs for three University employees from February 2001 through September 2001. A review of their time sheets, however, indicated that the three individuals performed no services toward the AmeriCorps project. Their hours were coded to other non-AmeriCorps activities. OMB Circular A-21, Attachment, Section C(4)(a) *Allocable Costs* states:

A cost is allocable to a particular cost objective (i.e., a specific function, project, sponsored agreement, department, or the like) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship.

We have questioned the costs claimed to the grant for these three individuals totaling \$584 because there were no benefits received by the program from the services of the three employees.

- CLASE claimed \$577 for printing charges which were never incurred. The costs were claimed in error because the claim was prepared by erroneously recording budgeted figures for printing costs. The Code of Federal Regulations 45 § 2543.21 (b)(7) states:

Recipients' financial management systems shall provide for the following (7) Accounting records including cost accounting records that are supported by source documentation.

- CLASE claimed \$2,161 of costs toward grant match which we questioned as follows:



Recipients' financial management systems shall provide for the following (7) Accounting records including cost accounting records that are supported by source documentation.

- CLASE claimed \$2,161 of costs toward grant match which we questioned as follows:
  - A. Member Timesheet Exceptions - \$1,633 (discussed under Note number 2 below).
  - B. Lodging charges for overnight event - \$391 (See discussion above.) CLASE claimed \$999 to the Corporation and \$391 to grant match.
  - C. Based on our transaction testing, we determined that \$137 had been claimed to grant match for a member's unemployment claim. These costs are unallowable because an employer-employee relationship does not exist as stated in the AmeriCorps Special Provision 11(d)(iv) that discusses Unemployment Insurance:

The U.S. Department of Labor ruled on April 20, 1995 that federal unemployment compensation law does not require coverage for members because no employer-employee relationship exists.

Subgrantee's Response

CLASE was provided an opportunity to respond to the audit findings thirty days after the draft report was issued, but did not respond. As a result, two extensions were granted to the subgrantee. A response was never received.

Auditor's Comment

The finding remains as stated.

2. We tested 70 member time sheets for 10 CLASE members. We found three members who were lacking member signatures for five pay periods and one member whose time sheets could not be located for five pay periods. The costs questioned relative to the time sheet exceptions represent the member's living allowance and are as follows:

| Description              | Corp. Share @<br>85% | Grant Match @<br>15% | Education Award |
|--------------------------|----------------------|----------------------|-----------------|
| Missing Member Signature | \$6,976              | \$1,231              | \$14,175        |
| Missing Time Sheets      | <u>2,280</u>         | <u>402</u>           | <u>4,725</u>    |
| Total                    | <u>\$9,256</u>       | <u>\$1,633</u>       | <u>\$18,900</u> |

Subgrantee's Response

CLASE was provided an opportunity to respond to the audit findings thirty days after the draft report was issued, but did not respond. As a result, two extensions were granted to the subgrantee. A response was never received.

Auditor's Comment

The finding remains as stated.

**Recommendation**

We recommend that the Corporation follow up with the subgrantee to determine if questioned and unsupported amounts costs included in Notes 1 and 2 should be allowed, or disallowed and recovered.

This report is intended for the information and use of the Office of Inspector General, Corporation management, the University of Puerto Rico (subgrantee), and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

*Conrad And Associates, L.L.P.*

Conrad and Associates, L.L.P.  
Irvine, California  
June 24, 2005

EXHIBIT A

UNIVERSITY OF PUERTO RICO AGRICULTURAL EXTENSION  
COMPREHENSIVE LINKS FOR AFTER SCHOOL ENRICHMENT  
SCHEDULE OF AWARD COSTS  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE  
AWARD NO. 00ASFPR0400201  
JANUARY 9, 2001, TO MARCH 30, 2004

| <u>Administrative</u>                                    |                  | <u>Finding</u> |
|--|------------------|----------------|
| Approved Budget (Federal funds)                          | <u>\$357,559</u> |                |
| Claimed Costs  | <u>\$339,192</u> |                |
| Costs Questioned for Allocability                        | <u>\$ 2,160</u>  | 1              |
| Costs Questioned for Time Sheet Exceptions               | <u>\$ 9,256</u>  | 2              |
| Education Awards Questioned for Time Sheet<br>Exceptions | <u>\$ 18,900</u> | 2              |
| Grant Match Costs Questioned                             | <u>\$ 2,161</u>  | 2              |

**UNIVERSITY OF PUERTO RICO AGRICULTURAL EXTENSION  
COMPREHENSIVE LINKS FOR AFTER SCHOOL ENRICHMENT  
NOTES TO SCHEDULE OF CLAIMED AND QUESTIONED COSTS  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying schedules have been prepared to comply with provisions of the grant agreements between the Corporation and the Commission. The information presented in the schedules has been prepared from reports submitted by the Commission to the Corporation and accounting records of the Commission and its subgrantees. The basis of accounting used in the preparation of these reports differs from accounting principles generally accepted in the United States of America as discussed below.

**Equipment**

No equipment was purchased and claimed under federal or match share of cost for the period within our audit scope.

**Inventory**

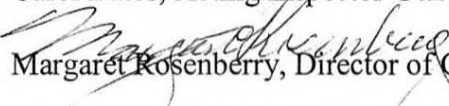
Minor materials and supplies are charged to expense during the period of purchase.

**APPENDIX**

**Corporation for National and Community Service's Response to Report**

Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

To: Carol Bates, Acting Inspector General

From:   
Margaret Rosenberry, Director of Grants Management

Cc: Rosie Mauk, Director of AmeriCorps  
Tory Willson, Audit Resolution Coordinator

Date: October 21, 2005

Subject: Response to OIG Draft Report on the AmeriCorps Grant Awarded to the University of Puerto Rico

Thank you for the opportunity to review the draft audit report on the Corporation's grant awarded to the University of Puerto Rico. The audit covered agreed-upon procedures of the costs claimed by the University for an AmeriCorps program originally funded as a Formula program under the Puerto Rico Commission. The University became a direct grantee of the Corporation in August 2005 because the Commission was not operating. 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 worked with the University to resolve the audit.



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