

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

**AGREED-UPON PROCEDURES FOR
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE GRANTS AWARDED
TO THE ONESTAR NATIONAL SERVICE
COMMISSION, INC.**

OIG REPORT NUMBER 07-18



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

COTTON & COMPANY LLP
635 Slaters Lane, 4th Floor
Alexandria, Virginia 22314

This report was issued to Corporation management on June 28, 2007. 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 December 28, 2007 and complete its corrective actions by June 28, 2008. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.




OFFICE OF INSPECTOR GENERAL

June 28, 2007

TO: Kristin McSwain
Director, AmeriCorps State*National

Margaret Rosenberry
Director, Office of Grants Management

FROM: Carol Bates 
Assistant Inspector General for Audit

SUBJECT: Report 07-18, *Office of Inspector General (OIG) Agreed-Upon Procedures for National and Community Service Grants Awarded to the OneStar National Service Commission*

We contracted with the independent certified public accounting firm of Cotton & Company LLP (Cotton) to perform agreed-upon procedures in its review of Corporation for National and Community Service grants awarded to the OneStar National Service Commission (Commission). The contract required that Cotton conduct its review in accordance with generally accepted government auditing standards.

In its review of the Commission, Cotton questioned Federal share costs of \$3,525,487 and non-grant costs of \$28,355 related to AmeriCorps education awards. It also presented nine findings on internal controls and compliance with grant terms.

In connection with the contract, we reviewed Cotton's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express opinions on the conclusions expressed in the report. Cotton is responsible for the attached report, dated March 12, 2007, 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.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by December 28, 2007. Notice of final action is due by June 28, 2008.

If you have questions pertaining to this report, please call me at 202-606-9356.

Attachment



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Senior Corps ★ AmeriCorps ★ Learn and Serve America



cc: Susan Weddington, President and Chief Executive Officer,
OneStar National Service Commission
Sam Hadley, Partner, Cotton & Company LLP
Jerry Bridges, Chief Financial Officer
William Anderson, Deputy Chief Financial Officer
Sherry Blue, Audit Resolution Coordinator

**OFFICE OF INSPECTOR GENERAL
AGREED-UPON PROCEDURES FOR
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GRANTS AWARDED TO
ONESTAR NATIONAL SERVICE COMMISSION, INC.**

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- B: Corporation's Response to Agreed-Upon Procedures Report

EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Cotton & Company LLP to perform agreed-upon procedures to assist the OIG in grant cost and compliance testing of Corporation-funded Federal assistance provided to the OneStar National Service Commission, Inc.

BACKGROUND

The Corporation supports national and community service programs that provide full- and part-time opportunities for Americans to engage in service that fosters civic responsibility, strengthens communities, and provides educational opportunities for those who make a commitment to service. The AmeriCorps program is one of the Corporation's three major service initiatives. Approximately three-quarters of all AmeriCorps grant funding goes to governor-appointed state service commissions, which award competitive grants to nonprofit groups that then recruit AmeriCorps members to respond to local needs.

OneStar is a nonprofit organization headquartered in Austin, Texas. The Governor of Texas designated OneStar as the Texas service commission as of January 1, 2004. OneStar receives multiple awards from the Corporation, including AmeriCorps; Administrative and Professional Development and Training (PDAT); Disability; and Basic Innovative grants.

The primary AmeriCorps grants are annual awards passed through OneStar to eligible subgrantees (state and local government and certain non-profits) that recruit and select volunteers who then may receive living allowances and education awards. OneStar had 653 AmeriCorps members in Program Year (PY) 2003-2004; 1,047 AmeriCorps members in PY 2004-2005; and 1,148 AmeriCorps members in PY 2005-2006.

Agreed-Upon Procedures Scope and Results

Except as described below, Cotton & Company performed the agreed-upon procedures detailed in the OIG's Agreed-Upon Procedures (AUP) Program for Corporation Awards to Grantees (including Subgrantees), dated January 2007. Our procedures covered testing of the following grants:

Program	Grant No.	AUP Period	Award Period	Total Awards
Administrative	03CAHTX002	01/01/2004-03/31/2006	09/01/2003-09/02/2006	\$1,990,574
PDAT	04PTHTX001	01/01/2004-03/31/2006	01/01/2004-12/31/2006	\$503,769
AmeriCorps-Competitive	03ACHTX002	01/01/2004-03/31/2006	09/01/2003-12/31/2006	\$11,949,364
AmeriCorps-Formula	03AFHTX002	01/01/2004-03/31/2006	09/11/2003-09/10/2006	\$9,316,429

We did not perform agreed-upon procedures related to cost testing (Section 3.D. of the AUP Program) for the following subgrantees:

- American Youth Works' Financial Status Reports (FSRs) reported Federal share costs totaling \$2,728,050 for the period January 1, 2004, to March 31, 2006.
- Houston Read Commission's PY 2004-2005 FSR reported Federal share costs totaling \$723,827.

We conducted our field work from October 2006 through January 2007.

SUMMARY OF RESULTS

The detailed results of our agreed-upon procedures on claimed costs are presented in Exhibit A and supporting schedules. As a result of applying our procedures, we questioned claimed Federal-share costs of \$3,525,487 and education awards of \$28,355. A questioned cost is an alleged violation of provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; or a finding that, at the time of testing, such cost is not supported by adequate documentation.

Grant participants who successfully complete terms of service under AmeriCorps grants 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 agreed-upon procedures, and using the same criteria as that for claimed costs, we determined the effect of our findings on education-award eligibility.

We have summarized grant compliance results in Exhibit B. Following is a summary of those testing results.

1. OneStar and some of its subgrantees claimed unallowable and unsupported costs.
2. Two subgrantees did not verify eligibility for all members before they began service.
3. OneStar did not ensure that all members received required criminal background checks before working with children.
4. Timesheets did not support some members' eligibility for education awards and, in some instances, timesheet hours were not always accurately recorded in WBRs.
5. Subgrantees did not always complete member enrollment, exit, and change-of-status forms and enter them into WBRs in accordance with AmeriCorps requirements.
6. Some member contracts were not signed before applicants started service, were missing, or did not include all required elements.

7. Some subgrantees did not always document member orientation training attendance.
8. Subgrantees did not, in some instances, conduct member evaluations that met AmeriCorps requirements and did not document all evaluations.
9. Some subgrantee financial management systems did not adequately account for and report grant costs and related program income in accordance with Federal requirements.

EXIT CONFERENCE

We conducted an exit conference with OneStar and Corporation representatives on April 16, 2007. Following that conference, we issued a draft report to both OneStar and the Corporation for comment. OneStar's responses are provided at Appendix A and generally summarized in the body of the report. The Corporation did not have specific comments but intends to respond in its management decision at a later date (*see* Appendix B).



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March 12, 2007
Office of Inspector General
Corporation for National and Community Service

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Except as described in the following paragraph, Cotton & Company LLP performed the procedures detailed in the OIG's Agreed-Upon Procedures (AUP) Program for Corporation Awards to Grantees (including Subgrantees), January 2007. These procedures were agreed to by the OIG solely to assist it in grant cost and compliance testing of Corporation-funded Federal assistance provided to the OneStar National Service Commission, Inc., for the awards detailed below.

We did not perform the agreed-upon procedures related to cost testing (Section 3.D. of the AUP Program), as follows:

- **American Youth Works' (AYW) Financial Status Reports (FSRs) report Federal share costs totaling \$2,728,050 for the period January 1, 2004, to March 31, 2006.** AYW was unable to reconcile accounting records to claimed costs or support the majority of transactions that we sampled from its accounting records.
- **Houston Read Commission's (HRC) Program Year (PY) 2004-2005 FSR reports Federal share costs totaling \$723,827.** HRC could not support the amount claimed for the program year with its accounting records. HRC plans to submit a revised FSR to OneStar after a comprehensive recalculation is completed.

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 OIG. Consequently, we make no representation regarding the sufficiency of the procedures, either for the purpose for which this report has been requested or any other purpose.

Our procedures covered testing of the following grants:

Program	Grant No.	AUP Period	Award Period	Total Awards
Administrative	03CAHTX002	01/01/2004-03/31/2006	09/01/2003-09/02/2006	\$1,990,574
PDAT	04PTHTX001	01/01/2004-03/31/2006	01/01/2004-12/31/2006	\$503,769
AmeriCorps-Competitive	03ACHTX002	01/01/2004-03/31/2006	09/01/2003-12/31/2006	\$11,949,364
AmeriCorps-Formula	03AFHTX002	01/01/2004-03/31/2006	09/11/2003-09/10/2006	\$9,316,429

We performed testing at OneStar as well as six of its AmeriCorps subgrantees. We selected and tested 164 Federal and 30 match-cost transactions at OneStar and 20 Federal and 10 match-cost transactions from each program year at each of the 6 subgrantees. Additionally we tested certain grant compliance requirements by sampling 178 members at the following subgrantees:

Subgrantee	PY 2003-2004	PY 2004-2005	PY 2005-2006
American Youth Works (AYW)		13	16
AmeriCorps for Community Engagement and Education (ACEE)	7	10	15
Communities in Schools (CIS), Central Texas, Inc.		10	15
Houston Read Commission (HRC)		16	16
AmeriCorps Youth Harvest (AYH) Edcouch-Elsa Independent School District		15	20
Amarillo Independent School District (AISD)		10	15

Except as described in the second paragraph of our report, we performed all applicable testing procedures in the AUP Program on each sample transaction or member file.

RESULTS OF AGREED-UPON PROCEDURES

The detailed results of our agreed-upon procedures on claimed costs are presented in Exhibit A and supporting schedules. As a result of applying our procedures, we questioned claimed Federal-share costs of \$3,525,487 and education awards of \$28,355. A questioned cost is an alleged violation of provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; or a finding that, at the time of testing, such cost is not supported by adequate documentation.

Grant participants who successfully complete terms of service under AmeriCorps grants 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 and using the same criteria as that for claimed costs, however, we determined the effect of our findings on education award eligibility.

We have summarized the results of testing grant compliance in Exhibit B. We were not engaged to, and did not perform an examination, the objective of which would be expression of an opinion on the subject matter. 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.

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

COTTON & COMPANY LLP

A handwritten signature in blue ink that reads "SHadley". The signature is written in a cursive, slightly stylized font.

Sam Hadley, CPA
Partner

EXHIBIT A

**ONESTAR COMMISSION
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

Award	Awarded	Claimed	Questioned	Questioned Education Awards	Reference
03CAHTX002	<u>\$1,990,574</u>	<u>\$1,445,669</u>	<u>\$1,002</u>		Schedule A
04PTHTX001	<u>\$503,769</u>	<u>\$376,456</u>			
03ACHTX002					
American Youth Works	\$3,865,475	\$2,728,050	\$2,728,050	\$4,725	Schedule B
AmeriCorps for Community Education and Engagement	2,260,917	2,060,688	18	4,725	Schedule C
Communities in Schools, Central Texas	1,219,018	915,010		3,750	Schedule D
Houston Read Commission	1,823,612	1,205,531	723,827	5,062	Schedule E
Others	<u>2,780,342</u>	<u>1,742,531</u>	_____	_____	
Total	<u>\$11,949,364</u>	<u>\$8,651,810</u>	<u>\$3,451,895</u>	<u>\$18,262</u>	
03AFHTX002					
AmeriCorps Youth Harvest	\$1,733,414	\$1,449,009	\$63,864	\$2,363	Schedule F
Amarillo Independent School District	1,019,074	855,743	8,726	7,730	Schedule G
Houston Read Commission	459,726	373,686			
Communities in Schools, Central Texas	446,348	415,613			
Others	<u>5,657,867</u>	<u>3,406,168</u>	_____	_____	
Total	<u>\$9,316,429</u>	<u>\$6,500,219</u>	<u>\$72,590</u>	<u>\$10,093</u>	

**ONESTAR COMMISSION
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

**ADMINISTRATIVE GRANT
03CAHTX002**

	Amount	Note
Claimed Federal Costs	<u>\$1,445,669</u>	
Questioned Federal Costs		
Unallowable legal fees	<u>\$1,002</u>	1

1. OneStar claimed legal fees related to its establishment as an organization. OneStar was established in December 2003 to replace the Texas Commission on Volunteerism and Community Service. We identified legal fees of \$4,349 associated with OneStar’s establishment as a nonprofit organization, of which \$1,002 was allocated to the administrative grant. OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, paragraph 31, *Organization Costs*, in effect at the time these costs were incurred, states that expenditures in connection with establishing or reorganizing an organization are unallowable except with prior approval of the awarding agency. This requirement is now codified at 2 CFR § 230, Appendix B, Paragraph 31. Because no prior approval was obtained, we questioned \$1,002.

**ONESTAR COMMISSION
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

AMERICAN YOUTH WORKS (AYW)

	Amount	Notes
Claimed Federal Costs	<u>\$2,728,050</u>	
Questioned Federal Costs:	<u>\$2,728,050</u>	1
Questioned Education Awards:		
Insufficient service hours	<u>\$4,725</u>	2

1. AYW did not provide sufficient documentation for us to perform all of our agreed-upon procedures testing of claimed costs. However, results of partial testing showed unallowable and unallocable costs.

- AYW was unable to reconcile Federal and grantee costs reported on the FSR to its accounting records. AYW provided a schedule that compared FSR amounts to its accounting records. The schedule identified differences in each calendar year (CY) as follows:

	Federal Share	Recipient Share
CY 2004		
FSR	\$1,159,673	\$1,314,009
General Ledger	<u>1,164,789</u>	<u>1,339,163</u>
Difference	<u>\$(5,116)</u>	<u>\$(25,154)</u>
CY 2005		
FSR	\$1,162,489	\$994,722
General Ledger	<u>1,174,613</u>	<u>1,027,452</u>
Difference	<u>\$(12,124)</u>	<u>\$(32,730)</u>
CY 2006 (through 3/31)		
FSR	\$405,888	\$98,546
General Ledger	<u>497,130</u>	<u>65,468</u>
Difference	<u>\$(91,242)</u>	<u>\$33,078</u>

- AYW was unable to provide documentation to support most of the sample items:

Program Year	Number of Transactions		
	Sample	Supported	Unsupported
2003-2004	20	2	18
2004-2005	20	7	13
2005-2006	<u>11</u>	<u>5</u>	<u>6</u>
Total	<u>51</u>	<u>14</u>	<u>37</u>

- Of the 14 transactions we tested to supporting documents, we identified the following unallowable and/or unallocable costs:
 - Six transactions were for vehicle repair expenditures. AYW provided an inventory of leased vehicles used in the AmeriCorps programs. We identified repairs charged to the grant for vehicles not used in these programs.
 - Travel costs of \$989 were charged for a trip to Finland unrelated to the AmeriCorps programs.
 - Two expenditures for office supplies and a staff meeting were charged to AmeriCorps, even though the AmeriCorps program received no direct benefit. These costs should have been treated as indirect and allocated to all of AYW’s programs.

Because of the reconciliation problems discussed previously, we were unable to complete the cost testing procedures, and the results of limited testing procedures indicated that costs were not attributable to the program. Therefore, we questioned all claimed costs of \$2,728,050.

Based on the work that we performed, we identified the following additional areas of concern:

- a. AYW claimed PY 2005-2006 Federal-share costs on its FSR that exceeded allowable amounts. Grantees are required to match 15 percent of member support costs and 33 percent of program operating costs in accordance with 45 CFR §§ 2521.45(a), *Member support*, and (b), *Program operating costs*. AYW claimed 92 percent of its member support and 69 percent of its program operating costs as Federal share for PY 2005-2006.
- b. Based on discussions with AYW and OneStar representatives, we learned that:

- AYW had not developed an indirect cost rate to recover its indirect costs associated with programs. Space and other overhead costs were apparently allocated to programs using a direct allocation methodology that is several years old and had not recently been reevaluated.
- Matching costs were funded by AYW's Housing and Urban Development (HUD) grant, which is approximately \$700,000 annually. Some of those costs charged to the HUD grant were claimed both as Federal costs on the HUD FSR and as matching costs on the Corporation FSR. OneStar previously requested that AYW delete HUD-funded costs from its claimed match in PY 2003-2004 and PY 2005-2006. AYW did not have a HUD grant in PY 2004-2005.
- AYW's e-Corps program charged cities and counties for time that members spent on environmental issues. It did not, however, report this program income on its FSRs to OneStar.
- AYW's Youthbuild program earned income from the sale of houses built by AmeriCorps members. The AmeriCorps budget included significant costs for the associated building services and materials (e.g., drywall, plumbing services, lumber). Sale proceeds, however, were wrongly not considered as program income and did not fund match. Instead, AYW used the proceeds to fund construction of the next homebuilding project.
- AYW recorded an adjusting entry at year end to reclassify its homebuilding expenses as inventory on the balance sheet. As a result, the general ledger supporting AYW's audited financial statements did not reconcile to its FSRs.
- In May 2006, OneStar notified AYW that it would not fund AYW's PY 2006-2007 grant. OneStar's decision was based, at least in part, on concerns about AYW's accounting for matching and program income.

Recommendation: We recommend that the Corporation use or ensure an audit-like, and in-depth, approach in its review of the detailed support for AYW costs claimed by OneStar and recoup costs improperly charged to the AmeriCorps program. The Corporation's review is critical because of the areas of concern expressed herein and because another Corporation grantee is now funding the AYW homebuilding program that was formerly funded by OneStar.

OneStar's Response: OneStar has been working with AYW to address and resolve many of the issues. AYW has provided OneStar with documentation for the costs selected for testing. OneStar has tested these costs for allowability, and will share its testing results with the Corporation, as well as its findings and recommendations.

OneStar anticipates that questioned costs will be significantly less than identified in this review. In response to the other reported areas of concern:

- AYW claimed Federal share costs in excess of allowable amounts on its interim PY 2005 – 2006 FSR. AYW’s Federal share costs on its final FSR for that program year will not exceed allowable amounts.
- OneStar informed AYW that the expenditures under the HUD grant were disallowed as match for PY 2005 – 2006, and will not be included on the final FSR. As a result, Federal share costs reported to the Corporation will not include the AYW home-building costs.

Additional Comments: The corrective actions, as described in the comments, are generally responsive to our recommendations; however, OneStar does not address the impact of previously unrecognized program income, from the sale of houses, on allowable Federal share costs. The Corporation should closely review OneStar’s testing results and ensure that all issues regarding the allowability of AYW’s Federal share costs are resolved using the recommended audit-like approach.

2. Seven members in PY 2004-2005 started their service before signing the member contract. AmeriCorps Provisions, B.8.d., *Member Enrollment Procedures*, states that an individual is enrolled as an AmeriCorps member when he or she has met certain criteria, which includes a signed member contract. We questioned education awards totaling \$4,725 for two half-time members. After deducting hours served prior to signing the member contract, these members did not meet the 900 minimum service hours required for half-time education awards, as detailed below:

	Member 1	Member 2
Timesheet hours	927	916
Hours prior to signing contract	<u>85</u>	<u>87</u>
Eligible service hours	842	829
Service hours required for award	900	900
Questioned Education Award	<u>\$2,362.50</u>	<u>\$2,362.50</u>

**ONESTAR COMMISSION
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

**AMERICORPS FOR COMMUNITY EDUCATION AND ENGAGEMENT (ACEE)
UNIVERSITY OF TEXAS AT AUSTIN**

	Amount	Notes
Claimed Federal Costs	<u>\$2,060,688</u>	
Questioned Federal Costs:		
Over-claimed administrative costs	<u>\$18</u>	1
Questioned Education Award:		
Unsupported WBR hours	<u>\$4,725</u>	2

1. ACEE claimed administrative costs in excess of the administrative percentage allowed for PY 2003-2004. AmeriCorps Provisions, C.23.b., *Administrative Costs*, stipulates that administrative costs cannot exceed 5 percent of total Corporation funds actually expended under the grant award. The ACEE individual responsible for preparing claimed costs did not understand that administrative costs were recoverable as a percentage of costs incurred and not at the total budgeted dollar amount. We questioned \$18.

2. Timesheet hours for three members in PY 2003-2004 did not support hours reported in the Corporation's Web-Based Reporting System (WBR). AmeriCorps Provisions, C.22.c., *Financial Management Provisions, Time and Attendance Records*, requires that grantees keep time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits. The Corporation uses time-and-attendance information in WBR to track member status, which forms the basis for calculating education awards. Member timesheet totals were incorrect, thus inaccurate hours were reported in WBR. Actual hours supported by the timesheets for one of the three members were insufficient to meet the service-hour requirement for an education award. ACEE reported 1,700 hours for this member, but her timesheets supported only 1,696 hours. Therefore, we questioned the member's education award of \$4,725, because the member did not meet the 1,700 minimum hour requirement.

**ONESTAR COMMISSION
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

COMMUNITIES IN SCHOOLS (CIS), CENTRAL TEXAS

	Amount	Note
Claimed Federal Costs	<u>\$915,010</u>	
Questioned Education Awards:		
Insufficient service hours	<u>\$3,750</u>	1

1. Three members in PY 2004-2005 started their service before signing the member contract. AmeriCorps Provisions, B.8.d., *Member Enrollment Procedures*, states that an individual is enrolled as an AmeriCorps member when he or she has met certain criteria, which includes a signed member contract. We questioned member education awards of \$3,750 for three quarter-time members. These members did not meet minimum service hours required for education awards when the hours were deleted for service performed before contracts were signed, as detailed below:

	Member 1	Member 2	Member 3
Timesheet hours	452	495	475
Hours prior to signing contract	<u>7</u>	<u>62</u>	<u>35</u>
Eligible service hours	445	433	440
Service hours required for award	450	450	450
Questioned Education Award	<u>\$1,250</u>	<u>\$1,250</u>	<u>\$1,250</u>

**ONESTAR COMMISSION
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

HOUSTON READ COMMISSION (HRC)

	Amount	Notes
Claimed Federal Costs	<u>\$1,205,531</u>	
Questioned Federal Costs	<u>\$723,827</u>	1
Questioned Education Awards: Unsupported WBRs Hours	<u>\$5,062</u>	2

1. We could not perform cost testing procedures at HRC for PY 2004-2005, because it could not support the amount claimed for that program year with its accounting records. HRC representatives stated that they plan to file a revised FSR for PY 2004-2005 after a comprehensive reconstruction is performed. We questioned \$723,827 reported as the Federal share on the latest FSR filed for that PY, and only reviewed claimed costs of \$481,704 for PY 2005-2006.

Recommendation: We recommend that the Corporation use or ensure an audit-like, and in-depth approach in its reviews of the revised HRC FSR for PY 2004-2005 and detailed support, and determine and recoup amounts charged to the AmeriCorps program, i.e., the amount of unallowable costs. We believe such a review is necessary because of the extent of costs questioned and the reasons the costs were questioned.

OneStar’s Response: OneStar has worked with HRC to reconcile reported Federal share costs to its accounting records and to accurately report in-kind contributions allocated as match. OneStar will work with the Corporation to determine the allowability of claimed costs and to recover any overclaimed costs.

Additional Comments: OneStar’s corrective actions, as described, are responsive to our recommendation. The Corporation should follow the recommended audit-like approach in reviewing costs.

2. HRC reported hours in WBRs that are not supported by member timesheets for eight members. HRC provided all timesheets, however, for three members in PY 2004-2005 and five members in PY 2005-2006, the hours reported on those timesheets did not support hours reported in WBRs. AmeriCorps Provisions, C.22.c.ii., requires grantees to keep time-and-attendance records for all AmeriCorps members to

document their eligibility for in-service and post-service benefits. The Corporation uses time-and-attendance information in WBRB to track member status and to determine eligibility for and the dollar amount of education awards. Hours supported by timesheets for the three PY 2004-2005 members were not sufficient to earn the education award, as detailed below. We questioned \$5,062, calculated as follows:

	Member 1	Member 2	Member 3	Total Questioned
Hours recorded on WBRB	1,539	1,731	785	
Hours supported by timesheets	1,482	1,680	717	
Education award questioned	<u>\$158</u>	<u>\$4,725</u>	<u>\$179</u>	<u>\$5,062</u>

Members 1 and 3 left the program for compelling personal circumstances and earned a prorated education award based on hours reported in WBRB. Therefore, we recalculated the education award based on hours actually served and questioned the difference. For Member 2, the entire award was questioned because the member did not meet the 1,700 minimum hour requirement. We did not question education awards for the 5 members in PY 2005-2006 because the PY was not complete as of the date of this review.

**ONESTAR COMMISSION
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

**AMERICORPS YOUTH HARVEST (AYH)
EDCOUCH-ELSA INDEPENDENT SCHOOL DISTRICT**

	Amount	Notes
Claimed Federal Costs	<u>\$1,449,009</u>	
Questioned Federal Costs:		
Accounting records do not support claimed costs	\$30,350	1
Unsupported costs	416	2
Unallowable in-kind costs	30,425	3
No end-of-term evaluation	<u>2,673</u>	4
Total Questioned Federal Costs	<u>\$63,864</u>	
Questioned Education Award:		
Insufficient service hours	<u>\$2,363</u>	5

1. AYH was unable to support amounts reported on its FSR with its accounting records. AmeriCorps Provisions, C.22.a., *General*, states that grantees must maintain financial management systems that include a clear audit trail. Financial management systems must be capable of distinguishing expenditures attributable to the grant from those not attributable to the grant. The program manager prepared financial reports from records received from the accounting office of the school district, however the program manager did not use the cumulative report totals, and did not reconcile cumulative amounts reported to accounting reports, and therefore could not explain the differences between amounts reported and amounts shown on accounting reports. We questioned the \$30,350 unreconciled difference between the FSR and accounting records as of March 31, 2006 (program operating costs of \$29,096 and member support costs of \$1,254).

2. AYH did not provide documentation to support \$416 of utility costs claimed. AmeriCorps Provisions, C.22.b., *Source Documentation*, states that the grantee must maintain adequate supporting documents for grant expenditures. It allocated utility costs to the AmeriCorps program, but was unable to locate supporting documents. We questioned \$416.

3. AYH did not provide sufficient documentation to support \$35,387 of in-kind contributions claimed as matching program operating costs. These costs were unsupported because AYH did not provide support for the hourly salary rate of volunteers and for the square-footage cost of office space. According to 45 CFR § 2543.23 (a)(1), contributions can be accepted to the extent that costs are verifiable from the recipient's records. It further states that the basis for determining the valuation of contributions must be documented.

AYH did not meet its required match percentage for program operating costs in PY 2005-2006. AmeriCorps Provisions, B.13.a., requires grantees to match 33 percent of program operating costs. Because we could not reconcile AYH's claimed costs to its accounting reports by PY, as discussed in Note 1, above, we combined operating costs for all program years and questioned \$30,425 of Federal program operating costs exceeding the 67-percent ceiling as follows:

Total Claimed Program Operating Costs	\$615,881
Less: Unallowable matching costs	(35,387)
Unsupported costs (Note 1)	(29,096)
Utility costs (Note 2)	(416)
Allowable Program Costs	<u>\$550,982</u>
Allowable Federal Share (67% of total program cost)	\$369,158
Federal costs claimed	<u>429,095</u>
Questioned Program Costs Exceeding Ceiling	<u>\$59,937</u>
Less Costs Questioned in Notes 1 and 2	<u>(29,512)</u>
Net Questioned Costs	<u>\$30,425</u>

4. AYH did not provide an end-of-term evaluation for one PY 2004-2005 member who served a second term. AmeriCorps Provisions, B.7.g., *Performance Reviews*, requires mid-term and end-of-year member performance evaluations. According to 45 CFR § 2522.220(c), *Participant performance review*, a participant is not eligible for a second or additional term of service and therefore not eligible for an AmeriCorps education award for subsequent service without a satisfactory mid-term and final performance evaluation for the prior service. We questioned the member's PY 2005-2006 living allowance of \$2,673 (paid through March 31, 2006), because without a final evaluation for PY 2004-2005, the member was not eligible. We were unable to identify costs of health insurance and other benefits associated with questioned living allowance. These related costs, as well as living allowance payments made after March 31, 2006, should be quantified and included in the resolution of this cost exception.

5. Four of 35 AYH members began service before signing member contracts. AmeriCorps Provisions, B.8.d., Member Enrollment Procedures, states that an individual is enrolled as an AmeriCorps member when he or she has met certain criteria, which includes a signed member contract. We questioned the \$2,363 education award of one PY 2004-2005 half-time member. The member's timesheets supported 903 hours, 32 of which were served before the member signed the contract. Without the service hours performed before signing the member contract, the member did not meet the minimum (900) service hours required for the education award.

**ONESTAR COMMISSION
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

AMARILLO INDEPENDENT SCHOOL DISTRICT (AISD)

	Amount	Notes
Claimed Federal Costs	<u>\$855,743</u>	
Questioned Federal Costs:		
Unsupported costs	\$125	1
Missing program records	<u>8,601</u>	2
Total questioned costs	<u>\$8,726</u>	
Questioned Education Awards:		
Missing program records	\$4,130	2
Insufficient service hours	<u>3,600</u>	3
Total questioned education awards	<u>\$7,730</u>	

1. AISD claimed \$125 for furniture purchased from an AmeriCorps staff member in PY 2004-2005. The purchase was supported by an inventory list, but documentation provided was insufficient to establish both the reasonableness of the amount paid and that the items had not previously been purchased with AmeriCorps funds. AmeriCorps Provisions, C.22.b., states that the grantee must maintain adequate supporting documents for its expenditures. We questioned \$125.
2. AISD was unable to locate one member's file for PY 2004-2005, and thus did not provide a member contract, enrollment form, timesheets, or evaluations for the member. AmeriCorps Provisions, B.14.a., *Record-Keeping*, states that grantees must maintain records that are sufficient to establish member eligibility to participate in the program and successful completion of program requirements. We questioned the Federal share of the member's \$7,222 living allowance, \$1,379 of benefits (health insurance and FICA) totaling \$8,601, and \$4,130 partial education award, because AISD was unable to support the member's participation in, and completion of, the program requirements.
3. Two members in PY 2004-2005 began service before signing member contracts. AmeriCorps Provisions, B.8.d., *Member Enrollment Procedures*, states that an individual is enrolled as an AmeriCorps member when he or she has met certain criteria, which includes a signed a member contract. The members did not meet

minimum service hours required for education awards after the hours served prior to signing the member contract are deleted. We questioned member education awards of \$3,600, as detailed below.

	Member 1	Member 2
Timesheet hours	677	681
Hours prior to signing contract	<u>16</u>	<u>16</u>
Eligible service hours	661	665
Service hours required for award	675	675
Questioned Education Award	<u>\$1,800</u>	<u>\$1,800</u>

ONESTAR COMMISSION
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
COMPLIANCE RESULTS

1. OneStar and some of its subgrantees claimed unallowable and unsupported costs.

The notes to Schedules A through G describe questioned costs of \$3,525,487, which are summarized in Exhibit A. A questioned cost is an alleged violation of provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; or a finding that, at the time of testing, such cost is not supported by adequate documentation.

Recommendation: We recommend that the Corporation follow up with OneStar to determine the amount of costs that should be disallowed and recovered (*see* also similar recommendations with regard to certain subgrantees in Schedules B and E).

OneStar's Response: OneStar has been diligently working with subgrantees to resolve unallowable and unsupported cost issues. OneStar looks forward to sharing its results and determinations with the Corporation.

Additional Comments: OneStar's corrective actions, as described in its comments, are responsive to our recommendation. The Corporation should use an audit-like and in-depth approach to resolve and recover questioned costs.

2. Two subgrantees did not verify eligibility for all members before they began service.

We tested member files for 178 members at 6 subgrantees. Two subgrantee sites (ACEE and AYH) did not verify citizenship for 10 members until after the members had begun their service. Documentation for nine ACEE members indicated that verification was performed within 10 days after starting service, but the AYH member's citizenship was not verified until more than 3 months after his start date.

According to 45 CFR § 2522.200, *What are the eligibility requirements for an AmeriCorps participant?*, every AmeriCorps participant is required to be a citizen, national, or lawful permanent resident alien of the United States. AmeriCorps Provisions, B.8.d., *Member Enrollment Procedures*, states that an individual is enrolled as an AmeriCorps member when the program has verified the member's eligibility to serve. The ACEE program manager was unaware that proof of citizenship must be verified before members can serve in the program. Failure to verify citizenship before a member's start date could result in members participating who are not citizens, nationals, or lawful permanent residents.

Recommendation: We recommend that the Corporation require OneStar to strengthen its subgrantee training and program monitoring procedures to ensure that adequate documentation is obtained and maintained to verify member eligibility before members begin service. Also, the Corporation should follow up, after the additional training has been completed and monitoring procedures are in place, to ensure that all OneStar subgrantees verify eligibility before member contracts are signed.

OneStar's Response: OneStar will strengthen its subgrantee training on documenting member eligibility, ensure that appropriate staff members attend training, and ensure that its monitoring procedures verify subgrantee compliance.

Additional Comments: OneStar's corrective actions, as described in its comments, are responsive to our recommendations. The Corporation should follow up to assess the effectiveness of OneStar's actions to ensure that subgrantees verify member eligibility before contracts are signed.

3. OneStar did not ensure that all members received required criminal background checks before working with children.

Three subgrantees (CIS, AYH, and AISD) did not conduct criminal record background checks on 66 members working with children. We tested records for 85 members at these locations, and criminal record checks were not documented as follows:

Subgrantee	PY 2004-2005		
	Under 18	18 and Over	Total
CIS	0	1	1
AYH	11	4	15
AISD	<u>6</u>	<u>2</u>	<u>8</u>
Total	<u>17</u>	<u>7</u>	<u>24</u>

Subgrantee	PY 2005-2006		
	Under 18	18 and Over	Total
CIS	0	7	7
AYH	13	7	20
AISD	<u>15</u>	<u>0</u>	<u>15</u>
Total	<u>28</u>	<u>14</u>	<u>42</u>

In addition, the background check on one ACEE member was not completed until the day after she started service.

AmeriCorps Provisions, C.7, *Criminal Background Checks*, requires that, to the extent permitted by state law, criminal record checks be conducted on members over the age of 18 who have access to children as part of the screening process. In 2005, the AmeriCorps Provisions were revised to indicate that criminal record checks should be done on members 18 and older. Prior to that, no age limit was identified. We noted that criminal record checks

were not available for members regardless of age at their start of service. We also noted that 38 of the 45 members under age 18, as shown in the tables above, turned 18 during their service term; however background checks were still not conducted.

The subgrantees did not conduct background checks because of misunderstandings about the requirement and who should conduct them. AYH and AISD did not think that criminal checks were required because their members were students. CIS erroneously thought that its human resources department had conducted criminal record checks on its education award only members. Without background checks, members with criminal records could have contact with children, resulting in potential liability for the subgrantees, OneStar, and the Corporation.

Recommendation: We recommend that the Corporation require OneStar to strengthen its subgrantee training and program monitoring procedures to ensure that background checks are performed before members perform service with children. In addition, the Corporation should follow up after additional training is provided and monitoring procedures are in place to ensure all OneStar subgrantees are in compliance with background check requirements.

OneStar's Response: OneStar agrees that background checks are an important compliance procedure but states that it is unclear how to interpret the requirements of these checks for minor members. OneStar is reviewing state requirements for background checks of youth under the age of 18 and is looking forward to Corporation guidance.

Additional Comments: OneStar's comments do not address corrective actions with regard to the report recommendations.

4. Timesheets did not support some member's eligibility for education awards and, in some instances, timesheet hours were not always accurately recorded in WBRS.

We tested timesheets for 178 members at 6 subgrantees. Service hours recorded in WBRS for 37 members were not supported by member timesheets because of calculation errors or missing timesheets. AISD could not provide any timesheets for one member in PY 2004-2005, and three HRC files were missing a timesheet to support the member's hours. In several cases, these differences affected the member's eligibility to earn an education award, because the number of timesheet-supported service hours did not meet the Corporation's service-hour requirements. We identified the following instances of timesheet discrepancies:

Subgrantee	Member Hour Discrepancies	Questioned Education Awards	Questioned Education Amounts
HRC	8	3	\$5,062
ACEE	3	1	4,725
CIS	1		
AYH	5		
AISD*	10	1	4,130
AYW	<u>10</u>	—	—
Total	<u>37</u>	<u>5</u>	<u>\$13,917</u>

* We also questioned the \$7,222 living allowance and \$1,379 benefits claimed for the AISD member whose timesheets are missing (Schedule F, Note 2), because no documentation exists to show that this member actually participated in the program.

In addition, AISD did not require five members to prepare May 2005 timesheets and did not record corresponding service hours in WBRS, because the members had already met the minimum service-hour requirement. While the Corporation does not require entering service hours into WBRS after the education award has been earned, the lack of timesheets and subsequent entry into WBRS prevents the capture of all volunteer service hours, a statistic that would be useful to the Corporation. Furthermore, the members were still serving and needed to document their eligibility for in-service benefits. AmeriCorps Provisions, C.22.c., *Time and Attendance Records*, requires that grantees keep time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits. AmeriCorps Provisions, B.8.a., *Terms of Service, Program Requirements*, states that to be eligible for an education award the member must complete the term of service and hours:

- Full-time members must serve at least 1,700 hours;
- Half-time members must serve at least 900 hours;
- Reduced half-time members must serve at least 675 hours;
- Quarter-time members must serve at least 450 hours; and
- Minimum-time members must serve at least 300 hours.

Subgrantees did not have procedures in place to verify the accuracy of hours recorded in WBRS and/or to ensure that all member time was properly reported and timesheets maintained in member files.

During testing, we also noted that some weaknesses in timekeeping procedures, as follows:

Subgrantee	Missing Signatures	Not Dated	Prepared in Pencil	Whiteout Corrections	Changes Not Initialed
AISD		23			
AYH			2	34	25
AYW			6	3	21
CIS				1	10
ACEE	1			3	3
HRC	—	—	—	—	<u>12</u>
Total	<u>1</u>	<u>23</u>	<u>8</u>	<u>41</u>	<u>71</u>

Subgrantee procedures required signatures, but did not always require signature dates, use of ink, or timesheet changes to be initialed by the member and supervisor or prohibit pencil and whiteout corrections.

AmeriCorps requirements do not specifically address timesheet procedures. It is, however, good business practice to initial changes, make corrections without pencil or whiteout, sign and date documents, and check the accuracy of hours recorded on timesheets. Without procedures to verify member activities or timesheet accuracy, the potential exists that members may perform prohibited activities or may receive education awards to which they are not entitled. By initialing changes, accountability is maintained that timesheets are consistent with member and management intentions.

Recommendation: We recommend that the Corporation require OneStar to strengthen its subgrantee training and program monitoring procedures to ensure that subgrantees verify the accuracy and reasonableness of service hours reported in WBRIS and on timesheets, maintain member timesheets in member files, and have policies to ensure that timesheets are properly completed. We also recommend that the Corporation review the results of OneStar monitoring visits until the Corporation is confident of the effectiveness of the strengthened training and policies and procedures. We further recommend that the Corporation recover education awards for members who did not meet the minimum service hour requirements.

OneStar’s Response: OneStar provides detailed instructions and guidance to its subgrantees on the importance of accurately recording and compiling member time and attendance. OneStar will strengthen its subgrantee training and program monitoring procedures to ensure that subgrantees verify the accuracy and reasonableness of service hours.

Additional Comments: OneStar’s corrective actions, as described, are responsive to our recommendations. The Corporation should review the results of OneStar’s site monitoring visits to ensure corrective actions are implemented and should freeze or recover education awards for those members without timesheets that support required service hours.

5. Subgrantees did not always complete member enrollment, exit, and change-of-status forms and enter them into WBRS in accordance with AmeriCorps requirements.

We tested enrollment, exit, and change-of-status forms for 178 members at 6 subgrantees. Subgrantees did not enter member enrollment, exit, and change-of-status forms into WBRS within the required 30-day timeframe, as follows:

Subgrantee	Forms Entered Late		
	Enrollment	Exit	Change-of-Status
HRC	1	2	
ACEE	7	1	
AYW	1	4	9
AYH	<u>35</u>	<u>25</u>	–
Total	<u>44</u>	<u>32</u>	<u>9</u>

In addition, we identified enrollment and exit forms that were missing or were not completed and dated when signed. In some cases, the original signature date was predated or changed to reflect the member’s start or exit date entered into WBRS.

Subgrantee	Missing	Unsigned and/or Undated	Signature Date Incorrect or Changed
ACEE		4	
CIS	1	2	4
AYH		2	6
AISD	<u>2</u>	<u>1</u>	<u>29</u>
Total	<u>3</u>	<u>9</u>	<u>39</u>

AmeriCorps Provisions, B.8.c., *Terms of Service, Notice to the Corporation’s National Service Trust*, requires that the grantee notify the Corporation within 30 days of a member’s enrollment, suspension, and/or completion of service. AmeriCorps Provisions, B.16.b.ii., *Member Related Forms, Change of Status Forms*, requires member change-of-status forms to be submitted no later than 30 days after member status is changed. AmeriCorps Provisions, C.27, *Retention of Records*, requires grantees to retain all program records for 3 years from the date of submission of the final FSR. Without timely completion and submission of enrollment, change-of-status, and exit forms, the Corporation cannot maintain accurate member records.

Additionally, six AYH and two AISD member enrollment forms were completed and signed in pencil, and whiteout was used to change the dates of signature on four AYH member exit forms. AmeriCorps requirements do not specifically address procedures for preparing forms. It is, however, good business practice to prepare, sign, and date documents in ink. When

member forms are prepared with pencil and undated, it is difficult to determine if unauthorized alterations have been made, and an audit trail does not exist to determine if the changes were authorized.

Signature dates must be accurate because it is one of the factors in determining when an applicant becomes a member, which determines the timing of Corporation actions. Unauthorized alterations could affect member eligibility for education awards. In addition, it could affect information provided to Congress with regard to the fiscal integrity of the National Service Trust, the funding source for education awards.

Recommendation: We recommend that the Corporation require OneStar to strengthen its subgrantee training and program monitoring procedures to ensure that member enrollment, exit, and change-of-status forms are completed in ink, signed and dated, maintained in member files, submitted to the Corporation as required, and maintained in member files. Such training and strengthened procedures should be sufficient to ensure actions with regard to such forms be taken within 30 days and that dates of signature will not be altered.

OneStar's Response: OneStar provides its subgrantees detailed and specific guidance on the importance of accurately recording member enrollment, exit, and change-of-status. OneStar will work with the Corporation to strengthen the ability of its subgrantees to comply with these policies and procedures.

Additional Comments: OneStar's comments do not indicate whether it will provide additional training and program monitoring of subgrantees to ensure that enrollment, exit and change-of-status forms are properly completed and maintained. The Corporation should require OneStar to strengthen these areas and then monitor to ensure the corrections were implemented and effective.

6. Some member contracts were not signed before applicants started service, were missing, or did not include all required elements.

We tested member contracts for 178 members at 6 subgrantees. Member contracts must be signed by the member, and if the member is under 18 years of age, by the member's parent or guardian before starting service. Applicants become members only after signing the contract; therefore service hours recorded before signing are not eligible as hours of service that would count towards earning an education award.

In a number of instances, the member contract was not signed before the member started service, or the signature date on the contract was later changed to the member's start date. In several instances, service hours recorded subsequent to the contract signing date were insufficient to warrant an education award, as follows:

Subgrantee	Signed After Service Start	Signature Date Changed	Questioned Education Amounts
AYW	10		\$4,725
CIS	5		3,750
ACEE	2		
HRC	1		
AISD	12		3,600
AYH	<u>4</u>	<u>11</u>	<u>2,363</u>
Total	<u>34</u>	<u>11</u>	<u>\$14,438</u>

In addition, we noted that:

- CIS and AISD were each unable to provide a contract for one member.
- AISD’s member contract did not include a position description, although this information was provided as a separate document. AISD did not provide a position description for one member, and 17 position descriptions were signed after the members’ start date.
- AISD’s member contract did not address Drug-Free Workplace Act requirements. These requirements were communicated to members with another document, an Acknowledgement of Drug-Free Policy. We noted, however, that 17 members did not sign this document, and 8 members signed it after their start dates.

AmeriCorps Provisions, B.8.d., *Member Enrollment Procedures*, stipulates that AmeriCorps programs are required to sign a member contract with an individual or otherwise enter a legally enforceable commitment as defined by state law before enrolling a member. Further, AmeriCorps Provisions, B.6.g., *Parental Consent*, require that individuals under 18 years of age must provide written consent from a parent or legal guardian before program enrollment. Members are not considered enrolled in the program until the contract is signed, and service hours recorded before signing the member contract are not counted toward member education awards.

AmeriCorps Provisions, B.7.b., *Training, Supervision and Support, Member Contracts*, requires members to sign contracts that stipulate responsibilities and rights, including position descriptions and requirements, under the Drug-Free Workplace Act. Failure to sign member contracts that include all necessary stipulations could result in members being unaware of their rights and responsibilities.

Recommendation: We recommend that the Corporation require OneStar to strengthen its subgrantee training and program monitoring procedures to ensure that a signed and dated contract, which stipulates all member responsibilities and rights, is obtained before members

begin service and retained for each member for each year of service. We further recommend that the Corporation disallow, and if already used, recover education awards awarded to members that did not serve the minimum required service hours.

OneStar's Response: OneStar has strengthened its member-eligibility training and policies. OneStar will work with the Corporation to strengthen subgrantee policies and procedures to ensure that member contracts are signed before an applicant becomes a member and to more accurately account for member hours worked.

Additional Comments: OneStar's corrective actions, as described, are responsive to our recommendations. The Corporation should follow up to ensure actions taken were implemented and effective and freeze or recover education awards for members with insufficient service hours.

7. Some subgrantees did not always document member orientation attendance.

We tested orientation attendance for 178 members at 6 subgrantees. Five subgrantees could not provide documentation to show that all members received orientation covering the AmeriCorps program and requirements before starting service, as follows:

- CIS did not provide sign-in sheets or other evidence that six members attended orientation. One was a PY 2004-2005 member who entered the program after the preservice orientation. The other five were PY 2005-2006 Education Award Only (EAO) members who would normally attend an AmeriCorps EAO orientation and enrollment session at a different time than other members.
- AYW had no documentation to show that 11 members in PY 2005-2006 attended orientation. The subgrantee considered the member timesheets as sufficient documentation of attendance, but these timesheets did not indicate member activities.
- HRC did not provide documentation that four PY 2005-2006 members received orientation. These members started the program late, and their timesheets did not indicate that they attended the orientation required by HRC before starting service.
- ACEE did not provide support to show that two members, one member in PY 2003-2004 and one in PY 2005-2006, attended orientation. In both instances, ACEE did not provide sign-in sheets for these members, and their timesheets did not identify orientation hours.
- AYH did not provide documentation to show that one PY 2004-2005 member received an orientation.

AmeriCorps Provisions, B.7.c., *Training, Supervision, and Support*, states that grantees are required to provide members with the training, skills, knowledge, and supervision necessary to perform tasks required in their assigned project positions, including specific training in a particular field and background information on the community served. Additionally, AmeriCorps Provisions, C.27, requires grantees to retain all program records for 3 years from the date of submission of the final FSR.

Recommendation: We recommend that the Corporation require OneStar to strengthen its subgrantee training and program monitoring procedures to ensure that subgrantees retain documentation to support member attendance at orientation.

OneStar’s Response: OneStar has strengthened its subgrantee training and will continue to monitor program procedures to ensure that subgrantees retain documentation supporting member orientation attendance.

Additional Comments: OneStar’s corrective actions, as described, are responsive to our recommendation. The Corporation should follow up to be sure that OneStar’s improvements are working as intended.

8. Subgrantees did not, in some instances, conduct member evaluations that met AmeriCorps requirements and did not document all evaluations.

We tested member evaluations for 178 members at 6 subgrantees. The subgrantees did not provide documentation that some members received mid-term and final evaluations, and many of the evaluations tested were missing either member or supervisor signatures. The missing and unsigned evaluations that we identified follow:

Subgrantee	Mid-Term Evaluations		Final Evaluations	
	Missing	Unsigned	Missing	Unsigned
HRC			12	1
ACEE	1		3	1
CIS			3	2
AYH			12	8
AISD	2	4	3	17
AYW	<u>7</u>	<u>11</u>	<u>17</u>	<u>7</u>
Total	<u>10</u>	<u>15</u>	<u>50</u>	<u>36</u>

All final evaluations tested at ACEE, HRC, CIS, AYH, and AISD, and two of the final evaluations tested at AYW did not indicate if the member had completed the required number of service hours to be eligible for an education award. In addition, many of the HRC, ACEE, AISD, and AYW final evaluations tested were conducted and signed before the member’s end date, in some cases more than 30 days before the end date.

AmeriCorps Provisions, B.7.g., *Performance Reviews*, states that grantees must conduct and keep a record of at least a midterm and end-of-term written evaluation of each member's performance for full and half-time members, and an end-of-term written evaluation for less than half-time members. The evaluation should document that the member has:

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

Evaluations are necessary to ensure that members are eligible for additional service terms, and that grant objectives have been met. One AYH member without a PY 2004-2005 final evaluation returned for a second term in PY 2005-2006. Without an evaluation, members are not eligible to serve an additional term of service. We questioned the member's PY 2005-2006 living allowance of \$2,673, as explained in Schedule F, Note 4.

Recommendation: We recommend that the Corporation require OneStar to strengthen its subgrantee training and program monitoring procedures to ensure that subgrantees conduct and document member evaluations that meet AmeriCorps program requirements. We further recommend that the Corporation follow up with OneStar to determine the amount of the AYH member's living allowance, related benefits, and related administrative costs to be disallowed and recovered.

OneStar's Response: OneStar has strengthened its subgrantee training and will continue to monitor program procedures to ensure that subgrantees conduct and document member evaluations meeting AmeriCorps program requirements.

Additional Comments: OneStar's corrective actions, as described, are responsive to our recommendations. The Corporation should follow up to determine whether OneStar's actions were adequate and determine the amount to be disallowed and recovered for the returning AYH member who did not have a prior final evaluation.

9. Some Subgrantee financial management systems did not adequately account for and report grant costs and related program income in accordance with Federal requirements.

We noted several instances in which subgrantees were not accounting for and reporting grant costs and related program income in accordance with Federal requirements, as follows:

- HRC and AYH did not identify and segregate Federal and match costs in their accounting systems. As required by 45 CFR § 2543.21(b), recipient financial management systems shall provide for accurate, current, and complete disclosure of financial results of each Federally sponsored program. Commingling of Federal and match costs might result in subgrantees not meeting their match requirements. Further, 45 CFR § 2521.45 establishes grant requirements for matching program costs. Paragraph (b), *Program*

Operating Costs, states that the Corporation share of program operating costs may not exceed 67 percent. HRC claimed 85.43 percent of program operating costs for PY 2005-2006 as Corporation share. We did not question HRC costs for the unmet match because the program year had not yet ended.

- HRC did not have documentation to support allocation percentages for donated and leased space claimed in-kind contributions and match costs. However, 45 CFR § 2543.23 states that contributions may be accepted to the extent the costs are verifiable from the recipient’s records. It further states that the basis for determining the valuation of contributions must be documented.
- HRC and AYW did not report program income on their FSRs. However, 45 CFR § 2543.24, *Program income*, requires that program income be deducted from outlays. FSR instructions require that program income be reported on the form. Staff members responsible for financial reporting at HRC and AYW were unaware of this reporting requirement. If subgrantees do not report program income on FSRs, State commissions and the Corporation are not made aware of additional funding used to support program costs and cannot be assured of correct accounting for these amounts.
- HRC, AYH, and AYW did not submit FSRs and progress reports in accordance with the subgrant requirements. AmeriCorps Provisions, B.16., *Reporting Requirements*, states that grantees are responsible for setting subgrantee reporting requirements, and that subgrantees must adhere to reporting requirements outlined and communicated by the grantee for the program year. OneStar’s subgrant provisions included due dates for each quarterly FSR and progress report to be submitted on WBRs. AYW did not submit four quarterly FSRs in PY 2003-2005, and HRC did not submit one PY 2004-2005 progress report. In addition, we identified reports submitted after the subgrant due dates as follows:

Subgrantee	Financial Status		Progress Reports	
	Number	Days Late	Number	Days Late
HRC	2	4-6	2	3-5
AYH	2	3-97	1	38
AISD			3	199-554
ACEE			1	38
AYW	3	7-642		

Not submitting subgrantee FSRs and progress reports on time can adversely impact OneStar’s ability to submit complete and accurate reports to the Corporation.

Recommendation: We recommend that the Corporation require OneStar to provide training to ensure that subgrantees are aware of the necessity of:

- Identifying and segregating Federal and match costs on their accounting records;
- Properly documenting amounts claimed as in-kind contributions and match costs;
- Reporting program income as required; and
- Reporting grant progress in a timely manner.

In addition, we recommend that the Corporation follow up with OneStar to determine whether the training was effective.

OneStar's Response: OneStar has been diligently working with certain subgrantees to document and verify their reported program income and costs. OneStar will review and strengthen its training processes to ensure subgrantees are aware of and follow all grant requirements.

Additional Comments: OneStar's corrective actions, as described, are responsive to our recommendations.

APPENDIX A

**ONESTAR NATIONAL SERVICE COMMISSION'S RESPONSE TO AGREED-UPON PROCEDURES
REPORT**



June 14, 2007

Ms. Carol Bates
Assistant Inspector General for Audit
Corporation for National and Community Service
1201 New York Avenue, NW
Washington, DC 20525

Dear Ms. Bates:

Thank you for this opportunity to comment on the draft report of the Office of Inspector General's *Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the OneStar National Service Commission, Inc.*, prepared by the contracted firm of Cotton & Company LLP, Alexandria, VA.

OneStar Foundation and OneStar National Service Commission are proud to administer the AmeriCorps*Texas programs and other grant funding provided by the Corporation for National and Community Service. From the inception of our organizations in January 2004, we have been diligent and committed to expanding our capacity to manage a diverse portfolio consisting of diverse organizations that serve the most pressing needs of the State of Texas. We look upon the results of the agreed-upon procedures review of OneStar as another learning opportunity to improve our ability to manage and administer our programs.

Please see the attached response which provides more detail on some of the questioned costs and findings noted in the report. OneStar will work closely with the Corporation during the audit resolution process to resolve all findings and implement recommendations in the report, as needed.

The experience and reported findings of the agreed-upon procedures brings to our attention particular areas in which we must focus to ensure the compliance of OneStar and our sub-grantees in meeting the standards set forth by the Corporation. We will utilize the recommendations of the auditors and the Corporation to make the appropriate improvements in our organization, and we are confident that the audit issues presented in the draft report will be successfully resolved.

Sincerely,

A handwritten signature in blue ink that reads "Susan Weddington". The signature is fluid and cursive, written in a professional style.

Susan Weddington
President

**Response to the draft report on the Agreed-Upon Procedures for
Corporation for National and Community Service Grants Awarded
to OneStar National Service Commission, Inc.**

OneStar hereby submits responses to selected findings and conclusions stated in the agreed-upon procedures report. OneStar looks forward to the opportunity to work with the Corporation for National and Community Service in resolving all findings contained therein and in implementing improved compliance measures for our organization and its subgrantees.

Exhibit A: Consolidated Schedule of Claimed and Questioned Costs

Schedule B: American Youth Works (AYW).

At the time of the agreed-upon procedures site visit, AYW did not provide sufficient documentation for the auditors to perform agreed-upon procedures testing of claimed costs. Further, AYW was not able to produce a reconciliation of Federal and grantee costs reported on the FSR to its general accounting ledger. As a result of this inability of AYW to produce requested cost documentation and support, all claimed federal costs for the calendar years 2004 and 2005, and the first calendar quarter of 2006, were questioned.

OneStar had also identified financial reporting issues at AYW and had been working with AYW to address and resolve many of the issues detailed in the report. Immediately following the auditor site visit, OneStar met with AYW and established a schedule for producing the documentation and support that was not initially provided. OneStar has since received documentation for the costs that were to be tested by the auditors and has reviewed the results of the costs testing for allowability. OneStar will share with the Corporation the results of its testing to make a final determination of unallowable costs.

The auditors also identified several areas of concern.

It was mentioned that AYW claimed Federal-share costs for member support and program operating costs that exceeded allowable amounts for the PY 2005-2006. OneStar would point out that the FSR in question was an interim report, and that in the final FSR that is submitted for the program year, AYW's Federal-share costs will not exceed allowable amounts.

Additional areas of concern with AYW relate to the home-building activities of AYW, and in particular AYW's claimed matching grant from the Department of Housing and Urban Development. OneStar had informed AYW that the HUD grant was disallowed as match for the PY 2005-2006, and the results of the inclusion of that match will not be reflected on the final FSR. As a result of this decision, home-building costs of the AYW program will not be a part of the Federal-share costs reported to the Corporation.

OneStar looks forward to sharing with the Corporation its findings and recommendations with respect to AYW. It is anticipated that the level of questioned costs will be significantly less than stated in the agreed-upon procedures report.

Schedule E: Houston READ Commission (HRC).

The auditors could not perform cost testing procedures at HRC because they could not support the amount claimed for the tested program year with HRC's accounting records. Specifically, the submitted FSR did not agree with their general accounting records.

Subsequent to the OIG audit site visit, HRC has reconciled its accounting records to its reported program costs, and its final FSR will reflect reconciled amounts. OneStar will work with the Corporation to determine the allowability of claimed costs and to recover excess costs claimed, if any.

Schedule F: AmeriCorps Youth Harvest (AYH) – Edcouch-Elsa Independent School District

The auditors were unable to support amounts reported on AYH's FSR with its general ledger. In addition, AYH was unable to provide documentation to support in-kind contributions claimed as matching program operating costs.

Subsequent to the site visit, OneStar has worked with the program to reconcile the accounting system to its reported Federal-share costs, and to accurately report the in-kind contributions of volunteer time and office space allocated to the program as match. OneStar will work with the Corporation to determine the allowability of claimed costs and to recover excess costs claimed, if any.

Schedule G: Amarillo Independent School District (AISD)

Among the questioned claimed Federal costs were costs related to the absence of member files. AISD was unable to provide one member's file, including the member contract, enrollment form, timesheets, or evaluations, and the result was to question member living allowance, benefits, and education award.

OneStar has known for quite some time as a result of previous monitoring visits the following: AISD reported that a disgruntled employee destroyed several member files upon termination. OneStar will work with AISD to develop other means by which it can be shown that the member indeed served the time in the program as reported. Results of this investigation and documentation will be shared with the Corporation, and a determination of the allowability of claimed costs will be made.

Exhibit B: Compliance Results

Finding 1: Unallowable and unsupported costs

As stated in the responses above, OneStar has been diligent in working with the sub-grantees tested to resolve issues of unallowable and unsupported costs. OneStar looks forward to sharing with the Corporation the results of its investigations and determinations, and developing recommendations that address the conclusions.

Finding 2: Verification of member eligibility

OneStar provides extensive sub-grantee training and performs program monitoring procedures to ensure that adequate documentation is obtained and maintained to verify member eligibility before members begin service. OneStar will utilize this finding to strengthen its sub-grantee training in documenting member eligibility, to ensure that appropriate staff members attend trainings, and to ensure that its monitoring procedures verify sub-grantee compliance.

Finding 3: Criminal background checks

OneStar whole-heartedly agrees that criminal background checks are an important compliance issue for programs with members who have substantial contact with children and other vulnerable populations during their terms of service. All subgrantees receive training in this important area, and all programs are monitored for compliance by OneStar.

However, the draft report raises important issues with regard to background checks as they relate to minor members. Several of our sub-grantees enroll minor members (those under the age of 18). As stated in the report, prior to 2005-2006, no age limit was specified regarding use of background checks as part of the member screening process. However, the draft report details a number of undocumented background checks for members under the age of 18 for PY 2005-2006. The 2005 AmeriCorps provisions [reference: Section IV(C)(7)] state that “programs with members (18 and over). . . shall, to the extent permitted by state and local law, conduct background checks. . .” We are unclear as to the relevance of the information contained in the draft report.

In agreeing that background checks are an important compliance procedure, we have been unclear how to interpret the requirements for minor members. We will look for and will follow subsequent guidelines as they are revised and issued by the Corporation. OneStar is also reviewing requirements for background checks for youth under the age of 18 as it relates to and is permitted by state law.

Finding 4: Timesheets supporting eligibility for education awards

Sub-grantees receive detailed and specific instruction and guidance on the importance of and accurate compilation and recording of time and attendance by members. OneStar

will utilize the information developed during the agreed-upon procedures to strengthen its sub-grantee training and program monitoring procedures to ensure that sub-grantees verify the accuracy and reasonableness of service hours.

Finding 5: Incomplete member enrollment, exit, and change-of-status forms

Sub-grantees receive detailed and specific instruction and guidance on the importance and accurate recording of member enrollment, exit, and change-of-status forms. OneStar will utilize the information developed during the agreed-upon procedures and work with the Corporation to strengthen the ability of its sub-grantees to comply with these policies and procedures.

Finding 6: Member contracts signed after term of service begins

Instances were noted where members signed member contracts after they began service. OneStar has strengthened its training and policies regarding member eligibility. OneStar will work with the Corporation to strengthen the policies and procedures of its subgrantees to ensure that member contracts are signed before an applicant becomes a member, and to better account for accurate member hours worked.

Finding 7: Undocumented member orientation

Member orientation is an important step in the member experience. OneStar has strengthened its sub-grantee training and will continue to monitor program procedures to ensure that sub-grantees retain documentation to support member attendance at orientation.

Finding 8: Member evaluations

Member evaluations are an important facet in measuring the effectiveness of the member experience. OneStar has strengthened its sub-grantee training and will continue to monitor program procedures to ensure that sub-grantees conduct and document member evaluations that meet AmeriCorps program requirements.

Finding 9: Inadequate sub-grantee financial management systems

OneStar strives to maintain a portfolio of quality programs. The ability of a sub-grantee to effectively administer not only its grants but also its entire business operations is crucial to the overall success of the organization. The ability to meet reporting deadlines, for example, is an important performance measure for which we hold all programs accountable. OneStar has been diligently working with certain programs to document and verify their reported program income and costs. OneStar will review and strengthen our training processes to ensure sub-grantees are aware of and follow all grant requirements.

APPENDIX B

CORPORATION'S RESPONSE TO AGREED-UPON PROCEDURES REPORT



To: Gerald Walpin, Inspector General

From: Margaret Rosenberry, Director of Grants Management

Margaret Rosenberry 

Cc: Jerry Bridges, Chief Financial Officer
Kristin McSwain, Director of AmeriCorps
William Anderson, Deputy CFO for Finance
Andrew Kleine, Deputy CFO for Planning and Program Management
Sherry Blue, Audit Resolution Coordinator, Office of the CFO

Date: June 15, 2007

Subject: Response to OIG Draft Audit Report: Agreed-upon Procedures for Corporation Grants awarded to the OneStar National Service Commission

Thank you for the opportunity to review the draft audit report of the Corporation's grants awarded to the Texas commission, OneStar National Service Commission. 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 Commission to resolve the audit.