

# Office of Inspector General Corporation for National and Community Service

## AGREED-UPON PROCEDURES OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO THE VIRGINIA OFFICE ON VOLUNTEERISM AND COMMUNITY SERVICE

OIG REPORT 11-14



Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

Prepared by:

Reed & Associates  
8700 Centreville Road, Suite 203  
Manassas, VA 20111

This report was issued to Corporation management on May 23, 2011. 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 November 22, 2011 and complete its corrective actions by May 22, 2012. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.




## OFFICE OF INSPECTOR GENERAL

May 23, 2011

TO: John Gomperts  
Director, AmeriCorps\*State and National

Margaret Rosenberry  
Director, Office of Grants Management

FROM: Stuart Axenfeld   
Assistant Inspector General for Audit

SUBJECT: OIG Report 11-14, *Agreed-Upon Procedures Review of Corporation Grants Awarded to the Virginia Office on Volunteerism and Community Service (VA Commission)*

Attached is the final report for the above-noted agreed-upon procedures, which were performed for the OIG under contract by the independent certified public accounting firm of Reed and Associates. The contract required Reed & Associates to conduct its review in accordance with generally accepted government auditing standards.

Reed & Associates is responsible for the attached report, dated May 23, 2011, and the conclusions expressed therein. The agreed-upon procedures, unlike an audit in accordance with U.S. generally accepted auditing standards, was not intended to enable us to express opinions on the VA Commission's Consolidated Schedule of Awards and Claimed and Questioned Costs or the Subgrantees' Schedule of Awards and Claimed and Questioned Costs, conclusions on the effectiveness of internal controls, or compliance with laws, regulations, and grant provisions.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by November 22, 2011. Notice of final action is due by May 22, 2012.

If you have questions pertaining to this report, please call me at (202) 606-9360, or Darian Mims, Auditor, at (202) 606-9367.

### Attachment

cc: Nikki Nicholau, Director, Virginia Office on Volunteerism and Community Service  
Martin Brown, Commissioner, Virginia Department of Social Services  
Walt Kucharski, Auditor of Public Accounts  
Robert Velasco II, CNCS Chief Operating Officer  
William Anderson, CNCS Chief Financial Officer  
Rocco Gaudio, Deputy Chief Financial Officer, CNCS Grants & Field Financial Management  
Claire Moreno, Audit Liaison, CNCS Office of Grants Management  
Jack Goldberg, CNCS Grant Officer  
Deirdre Reed, Partner, Reed & Associates

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## Table of Contents

	<u>Page</u>
Executive Summary	1
Independent Accountants' Report on Applying Agreed-Upon Procedures	4
Results – Costs Claimed	5
Exhibit A Consolidated Schedule of Claimed and Questioned Costs	6
Schedule A Schedule of Claimed and Questioned Costs – Administrative Grant	7
Schedule B Schedule of Claimed and Questioned Costs – Program Development and Training (PDAT) Grants	8
Schedule C Schedule of Claimed and Questioned Costs – Competitive and Formula Grant (Boaz and Ruth)	9
Schedule D Schedule of Claimed and Questioned Costs – Formula Grant (Mountain Empire Community College)	10
Schedule E Schedule of Claimed and Questioned Costs – Formula Grant (University of Virginia)	11
Results – Internal Control and Compliance Findings	12
Appendix A – <b><i>Corporation for National and Community Service's Response to Draft Report</i></b>	
Appendix B – <b><i>Virginia Office on Volunteerism and Community Service's Response to Draft Report</i></b>	



**REED&associates**  
CPAs and Consultants

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## EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Reed & Associates (Reed) to perform agreed-upon procedures of grant costs and compliance testing for Corporation-funded Federal assistance provided to the Virginia Office on Volunteerism and Community Service (Commission).

### Results

As a result of applying our procedures, we identified the following 10 findings:

1. Subgrantees did not comply with AmeriCorps citizenship eligibility requirements for members.
2. Subgrantees did not have controls in place to ensure proper member timekeeping.
3. Subgrantee members performed non-AmeriCorps activities and claimed unallowable service hours.
4. Subgrantee members claimed service hours prior to their enrollment date, prior to the program start date and after the member's term had expired.
5. Weaknesses were identified with accounting systems of the Commission and a subgrantee.
6. Member compliance requirements were not met for compelling personal circumstances.
7. Commission and subgrantees claimed unallowable other direct costs.
8. Exceptions specific to AmeriCorps member requirements were identified at each of the three subgrantees reviewed.
9. Exceptions related to the administration of grants were identified at each of the three subgrantees reviewed.
10. Timekeeping procedures at two of the three subgrantees reviewed did not meet the standards established by the Office of Management and Budget (OMB) Circulars.

We questioned claimed Federal-share costs of \$53,131. We also questioned AmeriCorps members' education awards of \$61,056 and accrued interest of \$8,981. A questioned cost is an alleged violation of a 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, includes costs not supported by adequate documentation. Detailed results of our agreed-upon procedures on claimed costs are presented in Exhibit A *Consolidated Schedule of Claimed and Questioned Costs*, and supporting schedules.

### Agreed-Upon-Procedures Scope

We performed the agreed-upon procedures detailed in the OIG's *Agreed-Upon Procedures (AUP) Program for Corporation Awards to Grantees (including subgrantees)*, dated April 2010. Our procedures covered testing of the following grants:

Grant Program	Award No.	Award Period	AUP Period	Total Costs During AUP Period
Administrative	08CAHVA001	01/01/08 – 12/31/10	01/01/08 – 06/30/10	\$696,811
Program Development and Training (PDAT)	07PTHVA001	01/01/07 – 12/31/09	01/01/08 – 12/31/09	\$199,804
PDAT	10PTHVA001	01/01/10 – 12/31/12	01/01/10 – 06/30/10	\$29,463
Disability	08CDHVA001	01/01/08 – 12/31/10	01/01/08 – 06/30/10	\$63,549
Recovery Act – Formula	09RFHVA001	06/01/09 – 09/30/10	06/01/09 – 06/30/10	\$397,599
AmeriCorps – Competitive	06ACHVA001	09/01/06 – 08/31/09	09/01/07 – 08/31/09	\$1,210,888
AmeriCorps – Formula	06AFHVA001	09/01/06 – 08/31/13	10/01/07 – 03/31/10	\$5,888,625

We performed onsite testing at the Commission and three subgrantee sites from October 11, 2010 through December 2, 2010, and completed our testing off-site on January 7, 2011.

### Background

The Corporation, pursuant to the authority of the National Community Service Trust Act of 1993, as amended, awards grants and cooperative agreements to State Commissions and National Direct Grantees to assist in the creation of full-time and part-time national and community service positions. Participants who have completed their term of service qualify for an educational award. The amount of the award is based on the length of the participant's term of service.

The Commission is part of the Virginia Department of Social Services located in Richmond, VA. The Commission is also associated with the Governor's Office because its Executive Director shares time between the Commission and the Governor's Office.

The Commission employs eight persons, including the Executive Director. It relies on fiscal personnel within the Department of Social Services for accounting and financial reporting. The Commission has been subject to monitoring visits by Corporation personnel, as well as a previous full-scope audit by the OIG. The Commission currently has 24 subgrantees located throughout the state. They include non-profits, as well as colleges and universities.

### **Exit Conference**

We discussed the contents of the draft report with the Corporation, the Commission and its subgrantees at an exit conference on January 27, 2011. We summarized the Commission's comments following each finding and have included the verbatim comments of the Corporation and Commission as Appendices A and B, respectively. The Corporation did not respond to the individual findings and recommendations.



# REED & associates

## CPAs and Consultants

Office of the Inspector General  
Corporation for National and Community Service  
1201 New York Avenue, NW, Room 830  
Washington, DC 20520

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

We have performed the procedures detailed in the OIG's *Agreed-Upon Procedures (AUP) for Corporation Awards to Grantees (including Subgrantees)*, dated April 2010. These procedures were agreed to by the OIG solely to assist it in grant costs and compliance testing of Corporation-funded Federal assistance provided to Virginia Office on Volunteerism and Community Service (the Commission) for the awards shown below.

This AUP 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 awards:

Grant Program	Award No.	Award Period	AUP Period	Total Costs During AUP Period
Administrative	08CAHVA001	01/01/08 – 12/31/10	01/01/08 – 06/30/10	\$696,811
PDAT	07PTHVA001	01/01/07 – 12/31/09	01/01/08 -12/31/09	\$199,804
PDAT	10PTHVA001	01/01/10 – 12/31/10	01/01/10 – 06/30/10	\$ 29,463
Disability	08CDHVA001	01/01/08 – 12/31/11	01/01/08 – 06/30/10	\$63,549
Recovery Act- Formula	09RFHVA001	06/01/09 – 09/30/10	06/01/09 – 06/30/10	\$397,599
AmeriCorps – Competitive	06ACHVA001	09/01/06 – 08/31/09	09/01/07 – 08/31/09	\$1,210,888
AmeriCorps – Formula	06AFHVA001	09/01/06 – 08/31/13	10/01/07 – 03/31/10	\$5,888,625

## Results - Costs Claimed

We questioned claimed Federal-share costs of \$53,131. 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, includes costs not supported by adequate documentation.

We questioned AmeriCorps members' education awards of \$61,056 and accrued interest of \$8,981. Grant participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards and repayment of student loan interest accrued during the term of service from the Corporation's 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 AUP, and using the same criteria as claimed costs, we determined the effect of our findings on education and accrued interest award eligibility.

Detailed results of our AUP on claimed costs are in Exhibit A and the supporting schedules. 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.

This report is intended solely for the information and use of the management of the Corporation and the Commission, and should not be used by those who have not agreed to the procedures or have not taken responsibility for the sufficiency of the procedures for their purposes. However, the report is a matter of public record and its distribution is not limited.



*Reed & Associates, CPAs*

**Reed & Associates, CPAs, Inc.**

May 6, 2011



**Exhibit A**

**Virginia Office on Volunteerism and Community Service  
Corporation for National and Community Service Awards  
Consolidated Schedule of Claimed and Questioned Costs**

<b>Grant Number</b>	<b>Program</b>	<b>Total Funding</b>	<b>Costs Claimed for Audit Period</b>	<b>Costs Questioned</b>	<b>Education Awards Questioned</b>	<b>Accrued Interest</b>	<b>Reference</b>
08CAHVA001	Administrative Grant	\$ 865,357	\$ 696,811	\$ 8,314			Schedule A
07PTHVA001	PDAT	274,315	199,804	9,922			Schedule B
10PTHVA001	PDAT	96,429	29,463	3,907			Schedule B
08CDHVA001	Disability	141,560	63,549				
09RFHVA001	Recovery Act – Formula	525,808	397,599				
06ACHVA001	AmeriCorps – Competitive	1,791,491	1,210,888	18,054	\$20,655	\$ 480	Schedule C
06AFHVA001	AmeriCorps – Formula	12,151,624	5,888,625	12,934	40,401	8,501	Schedules C, D, & E
<b>TOTAL</b>		<b><u>\$15,846,584</u></b>	<b><u>\$8,486,739</u></b>	<b><u>\$53,131</u></b>	<b><u>\$61,056</u></b>	<b><u>\$8,981</u></b>	

**Virginia Office on Volunteerism and Community Service  
Schedule of Claimed and Questioned Costs  
Administrative Grant**

		Notes
Claimed Costs	\$696,811	
Questioned Costs:		
Parking	\$8,309	1
Unsupported Journal Entry	<u>5</u>	2
Total Questioned Costs	\$8,314	

**NOTES:**

1. The Commission claimed costs to the grant for employee parking. However, employee parking is included in the costs of Commission's building lease, and employees reimburse the Commission for the parking costs they incur. Therefore, employee parking costs should have been credited to the grant. Additionally, the grant award budget did not include these types of costs. These questioned costs are discussed under Finding No. 7.
2. The Commission claimed costs to the grant that had no supporting documentation. These questioned costs are discussed under Finding No. 7.

**Virginia Office on Volunteerism and Community Service  
Schedule of Claimed and Questioned Costs  
PDAT Grants**

	07PTHVA001	10PTHVA001	Notes
Claimed Costs	\$199,804	\$29,463	
Questioned Costs			
Parking	\$ 94	\$ 532	1
Rent	9,168	3,475	2
Recycling	635		2
Security	<u>25</u>		2
Under-claimed – Upward Adjustment		<u>(100)</u>	3
Total Questioned Costs	\$9,922	\$3,907	

**NOTES:**

1. The Commission claimed costs to the grant for employee parking. However, employee parking is included in the cost of the Commission's building lease, and employees reimburse the Commission for the parking costs they incur. Therefore, employee parking costs should have been credited to the grant. Additionally, the grant award budget did not include these types of costs. These questioned costs are discussed under Finding No. 7.
2. These costs were allocated to the PDAT grants after being fully recovered from the allocation to the Administrative grant. In addition, the costs were not included in the grant award budget. These questioned costs are discussed under Finding No. 7.
3. A fee imposed from the State's procurement office was claimed in error as \$100 less than the actual fee. As a result, we are recommending an upward adjustment to the costs claimed and netting this amount against the costs questioned. These costs are discussed under Finding No. 7.

**Boaz and Ruth (Subgrantee)  
Schedule of Claimed and Questioned Costs  
Competitive and Formula Grants**

	06ACHVA001	06AFHVA001	Notes
Claimed Costs	\$707,699	\$93,019	
Questioned Costs			
Living Allowances & Fringe Benefits	\$ 8,791		1
Health Insurance Premiums	2,529		2
Unsupported Costs	5,832		3
Living Allowances & Fringe Benefits		\$5,948	4
Administrative Fee	<u>902</u>	<u>313</u>	5
Total Questioned Costs	\$18,054	\$6,261	
Total Questioned Education Awards and Interest	\$21,135	\$19,191	6

**NOTES:**

1. Our review at Boaz and Ruth identified AmeriCorps members who were not eligible due to the lack of U.S. citizenship or legal residency documentation. We also identified member timesheet discrepancies. As a result, member living allowances, fringe benefits and education awards are questioned. These costs are discussed under Findings No. 1 and 2.
2. Costs were claimed to the grant for health insurance premiums for individuals who were not involved in the AmeriCorps program. These questioned costs are discussed under Finding No. 7.
3. Costs were claimed to the grant without supporting documentation. These questioned costs are discussed under Finding No. 7.
4. Member service hours at Boaz and Ruth included activities not related to the AmeriCorps program. We questioned the living allowances related to these hours and reduced the number of hours claimed, thus affecting eligibility for education awards. The living allowances questioned were \$5,948. The education awards questioned were \$5,725. These costs are discussed under Finding No. 3.
5. The administrative fees questioned are the result of the questioned costs from notes 1 through 3 above, multiplied by 5.26 percent.
6. Education awards have been questioned due to eligibility exceptions identified in Finding No. 1, timesheet discrepancies identified in Finding No. 2, non-AmeriCorps service hours identified in Finding No. 3 and exceptions identified with partial education awards in Finding No. 6.

**Mountain Empire Community College (Subgrantee)  
Schedule of Claimed and Questioned Costs  
Formula Grant**

		Notes
Claimed Costs	\$474,967	
Questioned Costs		
Living Allowances & Fringe	\$4,103	1
Member Travel	2,000	2
Member Training	<u>100</u>	2
Total Questioned Costs	\$6,203	
Questioned Education Awards	\$9,801	1 & 3

**NOTES:**

1. Our review at Mountain Empire Community College (MECC) identified discrepancies between timesheets and total service hours claimed by members. As a result, living allowances and fringe benefits totaling \$4,103 have been questioned. A resulting reduction in the service hours also affected the members' eligibility for an education award. As a result, education awards totaling \$8,339 have been questioned. These questioned costs are discussed under Finding No. 2.
2. MECC claimed \$2,100 costs for member travel and member training that had been budgeted from the subgrantee's match share. These questioned costs are discussed under Finding No. 7.
3. Partial education awards were granted to early exiting members at MECC without proper documentation of a compelling personal circumstance. As a result, partial education awards totaling \$1,462 have been questioned. These costs are discussed under Finding No. 6.

**University of Virginia (Subgrantee)  
Schedule of Claimed and Questioned Costs  
Formula Grant**

		Notes
Claimed Costs	\$513,512	
Questioned Costs		
Member Health Insurance	\$446	1
Administrative Fee	<u>23</u>	2
Total Questioned Costs	\$469	
Questioned Education Awards and Interest	\$19,910	3

**NOTES:**

1. The University of Virginia (UVA) claimed two months' health insurance premiums for a former AmeriCorps member after that person had left the program. These questioned costs are discussed under Finding No. 7.
2. The Administrative fees questioned are the result of the questioned costs from Note 1, multiplied by 5.26 percent.
3. Member service hours claimed at UVA included hours prior to the program's allowable start date and hours after the members' term had expired. Reducing the allowable service hours affected the members' eligibility to receive an education award. As a result, education awards totaling \$18,900 and \$1,010 in accrued interest have been questioned. These costs are discussed under Finding No. 4.

## Results – Internal Control and Compliance

The results of our agreed-upon procedures revealed instances of non-compliance with grant provisions, regulations, or OMB requirements, as shown below:

### Finding No. 1 – Subgrantees Did Not Comply With AmeriCorps Citizenship Eligibility Requirements

We determined members to be ineligible due to exceptions noted below.

#### Boaz and Ruth

We reviewed seven members from the Formula grant (06AFHVA001) and 22 members from the Competitive grant (06ACHVA001) to determine whether they were eligible. Three members under the Formula grant lacked proof of U.S. citizenship or legal residency. Proof was subsequently provided by the subgrantee for all three members. 12 members from the Competitive grant lacked proof of U.S. citizenship. Proof was subsequently provided for 10 of these 12 members. Costs for the other two members are questioned in the table below.

Member	Program Year	Eligibility Exception(s)	Education Award Questioned	Living Allowance Questioned	Fringe Benefits Questioned	Admin Questioned @ 5.26%
B-3	07/08	No Evidence of US Citizenship	\$2,363	\$4,010	\$307	\$227
B-10	07/08	No Evidence of US Citizenship		1,053	81	60
		<b>Grant Total</b>	<b>\$2,363</b>	<b>\$5,063</b>	<b>\$388</b>	<b>\$287</b>

Living allowances questioned are net of questioned living allowances from the prior OIG review and also from costs questioned from the Commission and reimbursed by Boaz and Ruth.

#### MECC

We reviewed 18 members from the Formula grant (06AFHVA001) to determine whether they were eligible. We initially determined three members lacked proof of citizenship or legal residency, but subsequently obtained that proof for all three during fieldwork. As a result, we did not question any costs associated with those members.

MECC stated that it is a relatively new subgrantee and is still in the process of strengthening its controls to ensure compliance with all aspects of the grant provisions.

#### *Criteria*

45 C.F.R. § 2522.200, *What are the eligibility requirements for an AmeriCorps participant?*, states:

“An AmeriCorps participant must . . . Be a citizen, national, or lawful permanent resident alien of the United States.”

Eligibility exceptions identified above result in questioned costs totaling \$5,738 and questioned education awards, totaling \$2,363, as shown in the table above.

*Recommendations:*

We recommend that the Corporation:

- 1a. Ensure that the Commission trains its subgrantees on the requirements of grant provisions; and
- 1b. Recover the disallowed costs based on our costs questioned.

**Commission's Response:**

The Commission indicated that it adjusted training and monitoring procedures prior to the start of the engagement. Program director training in June of each year will include a clear direction for ensuring compliance with citizenship-related requirements. The Commission also indicated that the monitoring change required Commission staff to review 100 percent of member files, with member citizenship being reviewed during the first monitoring visit.

The Commission stated that Boaz and Ruth requested the two members' questioned birth certificates from the Virginia Department of Health (VDH). They were unsuccessful in retrieving this information because these types of documents cannot be released to the public. As an alternative, Boaz and Ruth received verification of the members' birth date and place of birth from VDH. The Commission is requesting the questioned costs be omitted from the report.

**Auditor's Comments:**

The Corporation should review the adjusted training and monitoring procedures and determine whether it effectively addresses the finding.

The alternative verifications obtained by Boaz and Ruth do not resolve our member eligibility finding.

**Findings Nos. 2 – 4**

AmeriCorps member service hours were reviewed by examining member timesheets, participation and enrollment periods. We identified specific service hours that were questionable. As a result, questioned living allowances, fringe benefits, administrative costs and education awards were quantified. Findings Nos. 2, 3 and 4 may include members cited for multiple examples of questioned service hours. Questioned amounts are based on the largest category of questioned service hours for a particular member and are therefore only included in one of the findings. The table below summarizes the net effect of Findings Nos. 2 – 4 without duplicating any questioned costs.



Grant No.	Subgrantee	Finding #	Living Allowances & Fringe Benefits	Administrative Fees	Education Awards and Interest
06ACHVA001	Boaz and Ruth	2 – Timesheets	\$3,626	\$191	\$12,293
06ACHVA001	Boaz and Ruth	3 – Non-AmeriCorps Activities			6,479
<b>Competitive Subtotal</b>			<b>\$3,626</b>	<b>\$191</b>	<b>\$18,772</b>
06AFHVA001	Boaz and Ruth	2 – Timesheets			13,466
06AFHVA001	Boaz and Ruth	3 – Non-AmeriCorps Activities	5,948	313	5,725
06AFHVA001	MECC	2 – Timesheets	4,103		8,339
06AFHVA001	UVA	3 – Non-AmeriCorps Activities			9,938
06AFHVA001	UVA	4 – Enrollment Period			9,972
<b>Formula Subtotal</b>			<b>\$10,051</b>	<b>\$313</b>	<b>\$47,440</b>
<b>TOTAL</b>			<b>\$13,677</b>	<b>\$504</b>	<b>\$66,212</b>

**Finding 2 – Subgrantees Did Not Have Controls in Place to Ensure Proper Member Timekeeping.**

Boaz and Ruth

We tested 29 members (22 from the Competitive grant and 7 from the Formula grant) and noted the following timesheet exceptions.

Grant No.	Program Year	Member	Timesheet Exception(s)	Timesheet Hours	Timesheet Hours Questioned	Living Allowance and Related Fringe Benefits Questioned	Administrative Costs Questioned	Education Award and Accrued Interest Questioned
06ACHVA001	07-08	B-2	Unsigned Timesheets and Inconsistent Timesheets	1,411	193.75	\$1,098	\$58	0

Grant No.	Program Year	Member	Timesheet Exception(s)	Timesheet Hours	Timesheet Hours Questioned	Living Allowance and Related Fringe Benefits Questioned	Administrative Costs Questioned	Education Award and Accrued Interest Questioned
06ACHVA001	07-08	B-6	Unsigned Timesheets	107	32.75	366	19	
06ACHVA001	07-08	B-8	n/a <sup>1</sup>	756.25				480
06ACHVA001	07-08	B-9	Unsigned Timesheets	1,706	230.75	1,876	99	4,725
06ACHVA001	07-08	B-10 <sup>2</sup>	Unsigned Timesheets	276.50	61.50	286	15	
06ACHVA001	08-09	B-15.	Inconsistent Timesheets	1,696	77.25			4,725
06ACHVA001	08-09	B-17	Inconsistent Timesheets	1,480.75	20.25			0
06ACHVA001	08-09	B-19	n/a <sup>3</sup>	873				2,363
<b>Competitive Subtotal</b>						<b>\$3,626</b>	<b>\$191</b>	<b>\$12,293</b>
06AFHVA001	09-10	B-24	Inconsistent Timesheets	1,684.50	81.50			12,216
06AFHVA001	09-10	B-25	Unsigned and Inconsistent Timesheets	459.50	30.50			1,250
<b>Formula Subtotal</b>						<b>\$ 0</b>	<b>\$ 0</b>	<b>\$13,466</b>

### Unsigned Timesheets

Unsigned timesheets represent a combination of timesheets not signed by the member, the supervisor or both.

### Timesheet Inconsistencies

Timesheet inconsistencies represent differences between the hard copy timesheets, the electronic OnCorps timesheets and/or the time clock exception reports.

<sup>1</sup> The hours certified to the trust were 1,342 but the total per the timesheets was only 756.25. We questioned the accrued interest applicable to the education award that had already been questioned by the previous OIG review, but the review had failed to question the accrued interest.

<sup>2</sup> The costs from member B-10 have been questioned in Finding No. 1.

<sup>3</sup> The hours certified to the trust were 907, but the total per the timesheets was only 873. We questioned the education award since the hours did not meet the minimum service hour requirements.

Members are required to punch a time clock, complete a hard copy timesheet, and, beginning in Program Year (PY) 2009-2010, submit an electronic timesheet through OnCorps, the Commission's on-line time reporting system. The inconsistencies identified were mostly related to variances in data among these three source documents.

**MECC**

We tested 18 members (16 from the Formula grant and 2 from the Recovery grant) and noted the following timesheet exceptions.

Grant No.	Program Year	Member	Timesheet Exception(s)	Timesheet Hours	Timesheet Hours Questioned	Living Allowance and Related Fringe Benefits Questioned	Education Award and Accrued Interest Questioned
06AFHVA001	08-09	M-3	n/a <sup>4</sup>			\$(195)	
06AFHVA001	08-09	M-4	n/a <sup>4</sup>			(195)	
06AFHVA001	08-09	M-10	n/a <sup>4</sup>			(195)	
06AFHVA001	08-09	M-10	Unsigned Timesheets	531	19	977	
06AFHVA001	09-10	M-11	Unsigned Timesheets	650.25	85.25	781	
06AFHVA001	09-10	M-12	Unsigned Timesheets	869.50	3.5	195	\$2,363
06AFHVA001	09-10	M-13	Unsigned Timesheets	477.50	192.50	586	1,250
06AFHVA001	09-10	M-15	Unsigned Timesheets	892	6		2,363
06AFHVA001	09-10	M-16 <sup>5</sup>	n/a	895			2,363
06AFHVA001	09-10	M-17	Unsigned Timesheets	468.50	48	1,172	
06AFHVA001	09-10	M-18	Unsigned Timesheets	372.50	113	977	
<b>Grant Total</b>						<b>\$4,103</b>	<b>\$8,339</b>

These exceptions were due to the subgrantee lacking established controls to ensure that all timesheets were properly approved and signed.

<sup>4</sup> We found that members M-3 and M-4 had served two hours during pay period ending September 4, 2008 but had not received a living allowance. We found that member M-10 had served 28 hours during pay period ending August 27, 2009, but had not received a living allowance. The College indicated that members' term spanned over the College's 26 pay period year, so those members who served during 27 pay periods could not get paid for the extra pay period.

<sup>5</sup> The hours certified to the trust were 900, but the total per the timesheets was only 895. We questioned the education award since the timesheet hours did not meet the minimum service hour requirements.

## UVA

We tested 14 members from the Formula grant and noted the following timesheet exceptions.

Grant No.	Program Year	Member	Timesheet Exception(s)	Timesheet Hours	Timesheet Hours Questioned
06AFHVA001	08-09	U-1	Duplicate training and service hours	1,731	3
06AFHVA001	08-09	U-4	Duplicate training and service hours	1,843	1.5

### Duplicate Training & Service Hours

These hours were claimed both as service hours and training hours and therefore were counted twice. After deducting the questioned service hours, the members still met the requirement to receive an education award.

The exceptions we noted at each entity are similar to those that have been identified in the past on numerous occasions by the Commission. It appears that the Commission lacks methods to identify clear and concise corrective actions for its subgrantees that will help close gaps in the areas of non-compliance. Although the Commission monitors subgrantees, identifying weaknesses and generating reports, it is not successful in working with subgrantees to identify the root cause of each problem so a solution can be found.

### *Criteria*

2008 AmeriCorps Special Provision Section IV.C.2. *AmeriCorps Members*, states:

The grantee is required to ensure that time and attendance record keeping is conducted by the individual who supervises the AmeriCorps member. This time and attendance record is used to document member eligibility for in-service and post-service benefits. Time and attendance records must be signed and dated both by the member and by an individual with oversight responsibilities for the member.

Segal AmeriCorps Education Awards, states:

After successfully completing a term of service, an AmeriCorps member is eligible to receive an education award from the National Service Trust. The member may use the award to pay for current educational expenses at qualified institutions of higher education, or to repay qualified student loans. The award currently is \$4,725 for a year of full-time service, with correspondingly lesser awards for less-than-full-time service. A member has up to seven years after the term of service has ended to use the award.

Table 1: Term of Service and Education Award

Term of Service Minimum # of Hours Education Award

- Full Time 1700 hours for an education award of \$4,725
- One-Year Half Time 900 hours for an education award of \$2,362
- Two-Year Half Time 900 hours for an education award of \$2,362
- Reduced Half Time 675 hours for an education award of \$1,800
- Quarter Time 450 hours for an education award of \$1,250
- Minimum Time 300 hours for an education award of \$1,000

45 C.F.R. §2541.40 *Monitoring and reporting program performance*, states:

Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

The 2008 AmeriCorps General Provisions, Section V.A.1. *Responsibilities Under the Grant* states:

1. *Accountability of the Grantee.* The grantee has full responsibility for managing all aspects of the grant and grant-supported activities, subject to the oversight of the Corporation. The grantee is accountable to the Corporation for its operation of the AmeriCorps Program and the use of Corporation grant funds. The grantee must expend grant funds in a judicious and reasonable manner, and it must record accurately the service activities and outcomes achieved under the grant.

*Recommendation:*

We recommend that the Corporation:

- 2a. Work with the Commission to identify corrective action plans that address the root cause of each recurring subgrantee exception;
- 2b. Require the Commission to strengthen its training and monitoring procedures to ensure that subgrantees maintain proper member timesheets; and
- 2c. Work with the Commission to ensure that members at MECC who did not receive living allowances are paid for the service hours worked within all pay periods.
- 2d. Calculate and recover the appropriate amount of disallowed costs based on our costs questioned.

### **Commission's Response:**

The Commission is using the finding in this report to identify opportunities for further improvement to its monitoring process, and stated that it would not dispute any issues prior to FY 2009-2010. However, it considered OnCorps the timekeeping system of record, and supports the information contained in it beginning in FY 2009-2010. The Commission is therefore requesting the questioned costs for certain members be omitted from the report.

The Commission agreed to work with MECC to ensure that all members received stipends in accordance with applicable Federal regulations.

### **Auditor's Comments:**

Our analysis of member service hours at Boaz and Ruth was difficult because there were four sets of records from which to base our conclusions. Those records included OnCorps electronic timesheets, hard copy timesheets, time clock reports and time clock exception reports. These records were, for the most part, contradictory. For example, there were numerous instances where supervisor approvals were contained both on the hard copy timesheets and the electronic timesheets, but the hours recorded were different. In the case of member B-24, there were no timesheets originally found in OnCorps. It was not until our audit disclosed this fact that it was discovered that the timesheets had never been approved by the member's supervisor in OnCorps. As a result, in mid-November (during our engagement), timesheets for the entire program year were approved by B-24's supervisor. This retroactive approval poses a risk since the supervisor would have to accurately and fully recall member service hours from over one year ago.

The members' service hours questioned for MECC were based on the timesheets reviewed during audit fieldwork.

We believe the documents used for the analysis described above are appropriate for both subgrantees, and therefore we are not modifying the questioned costs.

### **Finding 3 – Members Performed non-AmeriCorps Activities and Claimed Unallowable Service Hours**

We determined that there were AmeriCorps members performing activities that were not related to the AmeriCorps program.

Boaz and Ruth

Grant No.	Program Year	Member	Timesheet Exception(s)	Timesheet Hours	Timesheet Hours Questioned	Living Allowance and Related Fringe Benefits Questioned	Administrative Costs Questioned	Education Award and Accrued Interest Questioned
06ACHVA001	08-09	B-14	Non-AmeriCorps Activity	883.75	11.75			\$2,363
06ACHVA001	08-09	B-17	Non-AmeriCorps Activity	1,481.25	144.50			4,116
<b>Grant Total</b>						<b>\$0</b>	<b>\$0</b>	<b>\$6,479</b>
06AFHVA001	09-10	B-24	Non-AmeriCorps Activity	1,684.50	45			
06AFHVA001	09-10	B-27	Non-AmeriCorps Activity	1,702.50	1,702.50	5,948	313	\$4,725
06AFHVA001	09-10	B-28	Non-AmeriCorps Activity	295.25	4.5			1,000
<b>Grant Total</b>						<b>\$5,948</b>	<b>\$ 313</b>	<b>\$5,725</b>

Non-AmeriCorps Activities

We identified these activities at Boaz and Ruth through our examination of time clock exception reports, member interviews and member evaluations. The activities included the following:

- Marketing activities for a furniture retail and estate sale website;
- Marketing activities for a restaurant;
- Tracking response rates to marketing e-mails;
- Writing magazine and newspaper ads;
- Overall website maintenance;
- Telecommuting activities for one member to read developmental and training books and watched movies from home. Hours included full 8 hour days on week-ends;
- Clerical activities to assist in the preparation of grant writing;
- Maintenance and repair of non-AmeriCorps real estate holdings; and
- Janitorial services.

UVA

Grant No.	Program Year	Member	Timesheet Exception(s)	Timesheet Hours	Timesheet Hours Questioned	Education Award and Accrued Interest Questioned
06AFHVA001	08-09	U-1	Questioned timesheet hours	1,731	35	\$ 4,725
06AFHVA001	08-09	U-2	Questioned timesheet hours	1,760	20	0
06AFHVA001	08-09	U-4	Questioned timesheet hours	1,843	6.5	0
06AFHVA001	08-09	U-6	Questioned timesheet hours, hours after term	1,708	26.5	5,213
<b>Grant Total</b>						<b>\$9,938</b>

Questioned Timesheet Hours

These hours from UVA have been questioned for various reasons. The School Counselor at a service site disputed the member's service hours, noting that the member had recorded hours for days when she did not come to the site and had inflated hours to make up for late arrivals. These hours were claimed toward her education award. Also, several members claimed 18 to 24 service hours during a single day for a statewide overnight event.

Hours after Term of Service

These hours represent hours that had been claimed after the member's term ended.

These exceptions are due to the subgrantees' failure to properly monitor or assign member activities. They result in questioned education awards for members who had been certified as being eligible for awards.



## *Criteria*

45 C.F.R. §2520.20 *What service activities may I support with my grant, states:*

- (a) Your grant must initiate, improve, or expand the ability of an organization and community to provide services to address local unmet environmental, educational, public safety (including disaster preparedness and response), or other human needs.
  
- (b)(1) You may use your grant to support AmeriCorps members performing direct service activities that meet local needs.

The service activities identified above for Boaz and Ruth above do not meet the requirements of the CFR. The members instead spent their time supplementing the needs of the organization with activities unrelated to the AmeriCorps grant. The hours questioned at UVA did not benefit the program, and; therefore are not allocable to the grant. As a result, the hours claimed for those members are questioned and reduce totals put forth toward earning an education award.

## *Recommendations:*

We recommend that the Corporation:

- 3a. Ensure that the Commission identifies useful corrective action plans that address the root cause of each recurring subgrantee exception;
  
- 3b. Ensure that the Commission establishes a useful training tool to educate its subgrantees on the grant requirements, namely prohibited activities and term of service requirements; and
  
- 3c. Calculate and recover the appropriate amount of disallowed costs based on our costs questioned.

## **Commission's Response:**

The Commission is using the finding in this report to identify opportunities for further improvement to its monitoring process. The Commission indicated that it adjusted training and monitoring procedures prior to the start of the engagement. Program director training in June of each year includes a clear direction for ensuring compliance with term of service and prohibited activity requirements. The Commission also reviews and approves program handbooks during the pre-contract phase. The Commission also indicated that the monitoring change required Commission staff to review 100 percent of member files during the first monitoring visit, including confirming that each member's contract contains a description of term of service requirements and of prohibited activities.

The Commission did not contest the exceptions noted with Boaz and Ruth members, but mentioned that the program is trying new models to maximize success. The Commission stated that the hours in question for member U-1 at UVA should be accepted because the timesheet contained the appropriate supervisor signature.

The Commission is requesting the questioned costs for these members be omitted from the report.

**Auditor’s Comments:**

The Commission is stating the fact that the member timesheets in question for September 2008 and early November 2008 were approved should substantiate the service hours claimed. The documentation found in the UVA member file which refuted the member’s hours was an e-mail dated November 17, 2008, after the timesheets had been approved. Due to the timing of the timesheets being approved and the e-mail refuting the hours, the finding is not resolved.

**Finding 4 – Member Hours Served Outside of the Member Service Period**

We determined that AmeriCorps members served hours outside of the members’ service period.

Boaz and Ruth

Grant No.	Program Year	Member	Timesheet Exception(s)	Timesheet Hours	Timesheet Hours Questioned
06ACHVA001	07-08	B-7	Hours Prior to Enrollment	1,319	32.25
06ACHVA001	07-08	B-9	Hours Prior to Enrollment	1,706	45.50
<b>Grant Total</b>					<b>77.75</b>

Hours Prior to Enrollment

These hours were claimed prior to the member’s enrollment date. The education award for member B-9 was questioned under Finding No. 2 above due to unsigned timesheets, and member B-7 did not receive an education award.

UVA

Grant No.	Program Year	Member	Timesheet Exception(s)	Timesheet Hours	Timesheet Hours Questioned	Education Award and Accrued Interest Questioned
06AFHVA001	08-09	U-2	Hours prior to program	1,760	83	\$4,725 <sup>6</sup>
06AFHVA001	08-09	U-4	Hours prior to program	1,843	151	5,247
<b>Grant Total</b>						<b>\$9,972</b>

<sup>6</sup> Education award was questioned with the combined questioned hours for member U-2 in Findings No. 2, 3 and 4.

### Hours Prior to Program

These hours were claimed prior to the program's allowable start date.

UVA requires its members to enroll and begin serving at school sites prior to the start of the school year, which is also the program's official start date.

#### *Criteria*

The Notice of Grant Award document states: "No member may enroll prior to the approved start date of the member enrollment period."

#### *Recommendations:*

We recommend that the Corporation:

- 4a. Ensure that the Commission assists subgrantees in implementing controls that preclude claiming hours outside of the program start and end date; and
- 4b. Calculate and recover the appropriate amount of disallowed costs based on our costs questioned.

#### **Commission's Response:**

The Commission indicated that it adjusted training and monitoring procedures prior to the start of the engagement. Program director training in June of each year includes a clear direction for ensuring compliance with start and end date requirements, as well as procedures for ensuring that members have ample opportunity for completing their service hours. The Commission also reviews and approves program handbooks during the pre-contract phase. The Commission also indicated that the monitoring change required Commission staff to review 100 percent of member files during the first monitoring visit, ensuring that members have the required information about completion of service hours, and the opportunity to serve the number of hours expected.

In addition, the Commission noted that the use of OnCorps allows it to monitor member service hours on an ongoing basis via routine desk reviews.

#### **Auditor's Comments:**

The Corporation should review the adjusted training and monitoring procedures and determine whether they effectively address the finding.

#### **Finding 5 – Weaknesses Identified With Accounting Systems of the Commission and a Subgrantee**

We identified weaknesses at the Commission and one of the subgrantees in the design and the use of their accounting systems as discussed in detail below.

## Commission

We identified two weaknesses during our site visit at the Commission. The Commission enters budget information into its accounting system based on anticipated award amounts from the Corporation. This data is entered by grant and by cost category. Once the grants are awarded, the Commission cannot modify its budget data within the accounting system to make any needed changes.

Comparisons of budget to actual grant expenditures is performed at a high level using the anticipated budget numbers originally entered into the accounting system. A comparison of budget to actual numbers is not performed for costs at the cost category level. Rather, it is performed based on grant totals rather than cost category amounts.

Budget data is treated in this manner because there is a discrepancy in the timing between the state's budgetary cycle and the receipt of award notices from the Corporation. The Commission is required to submit budget data prior to receiving notification of grant award amounts.

This condition could cause the Commission to exceed a grant's budget line item prior to incurring the costs and submitting financial reports to the Corporation. Any overages in excess of 10 percent of the line items within grant award budgets would be at risk for being questioned.

## Subgrantee – Boaz and Ruth

Boaz and Ruth was unable to provide a clear audit trail from its accounting system to the costs claimed to the Commission. We attempted to obtain reports from the accounting system by quarter and then by month by querying the costs in the AmeriCorps cost center and reconciling the costs from the query to the costs claimed. Our attempts were unsuccessful.

As an alternative, Boaz and Ruth reconstructed the costs claimed by manually attaching supporting documents to hard copy monthly Periodic Expense Reports (PER) that supported costs claimed and fastened those hard copy documents into a binder. Using this binder, we were able to view the population of costs claimed and select a sample of transactions for testing. Our discussion with the former subgrantee accountant indicated that the PERs were prepared directly from invoices rather than from the accounting system.

The accounting system is not being utilized to its full capability and the subgrantee is not meeting the requirement to maintain a financial management system in accordance with the AmeriCorps provisions. More importantly, providing an audit trail to costs claimed becomes a much more difficult task because it requires manual reconstruction. Boaz and Ruth is at risk in losing any type of audit trail the further along in time these accounts go without being reconciled.

## *Criteria*

2008 AmeriCorps General Provisions, Section V.B. *Financial Management Standards*, states:

1. General. The grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail, and written cost allocation procedures, as necessary. Financial management systems must be capable of distinguishing expenditures

attributable to this grant from expenditures not attributable to this grant. The systems must be able to identify costs by programmatic year and by budget category and to differentiate between direct and indirect costs or administrative costs.

*Recommendation:*

5. We recommend that the Corporation work with the grantee and its subgrantees to ensure that the accounting systems are used to their fullest potential so that they meet the grant provision requirements; specifically strong internal controls, the ability to produce useful financial reports for preparation of financial reports and comparison of actual to budget costs by line item and by grant.

**Commission's Response:**

The Commission and the Finance Division have determined that budget modifications can be achieved at any point during the year. This will allow the Commission to insert the Corporation's final budget into the accounting system and enable it to track budget numbers by cost category.

A change in personnel at Boaz and Ruth has occurred since the period under review. With this change, there have also been changes in procedures.

**Auditor's Comments:**

The change to the Finance Division's budgetary process will resolve this finding. In addition, the change in personnel at Boaz and Ruth will improve its ability to comply with the financial requirements of the program. The Corporation should review the new procedures and the roles performed by the new personnel at Boaz and Ruth and determine whether they effectively address the finding.

**Finding 6 – Member Compliance Requirements Were Not Met for Compelling Personal Circumstances**

We found several instances whereby partial education awards were granted to members who exited the program early, but whose reason for departure did not qualify as a compelling personal circumstance. Several of these instances had been identified in a previous OIG review. Others were identified during our fieldwork as shown below.

Boaz and Ruth

Grant No.	Member	Program Year	Compelling Personal Circumstance	Education Award Questioned	Accrued Interest
06ACHVA001	B-2	07-08	Had proven to be a good example for other members	\$0 <sup>7</sup>	
06ACHVA001	B-7	07-08	The award was needed to assist son to attend college	0 <sup>7</sup>	
06ACHVA001	B-8	07-08	Left the program because the pay was not adequate to pay her bills.	0 <sup>8</sup>	\$480
06ACHVA001	B-17	08-09	No justification found in member file.	4,116 <sup>9</sup>	
<b>Grant Total</b>				\$4,116	\$480

Mountain Empire Community College

Grant No.	Member	Program Year	Compelling Personal Circumstance	Education Award Questioned
06AFHVA001	M-4	08/09	Parents Divorced	\$ 709
06AFHVA001	M-5	08/09	Parents Divorced	753
<b>Grant Total</b>				\$1,462

<sup>7</sup> Partial education award was questioned and agreed to be repaid in a previous OIG report.

<sup>8</sup> Partial education award was questioned and agreed to be repaid in a previous OIG report, but the interest forbearance amount had not previously been questioned. This amount was also questioned above in Finding No. 2.

<sup>9</sup> This amount has also been questioned above in Finding No. 3.

According to Boaz and Ruth officials, the previous program director did not have a clear understanding of the requirements for partial education awards and has since been replaced. MECC stated that it is a relatively new subgrantee and is still in the process of learning all the requirements of the program.

### *Criteria*

45 C.F.R. § 2522.230 *Under what circumstances may AmeriCorps participants be released from completing a term of service, and what are the consequences?*, states:

An AmeriCorps program may release a participant from completing a term of service for compelling personal circumstances, as determined by the program, or for cause.

(a) Release for compelling personal circumstances.

- (1) An AmeriCorps program may release a participant upon a determination by the program, consistent with the criteria listed in paragraphs (a)(6) and (a)(7) of this section, that the participant is unable to complete the term of service because of compelling personal circumstances, if the participant has otherwise performed satisfactorily and has completed at least fifteen percent of the agreed term of service.
- (2) A participant who is released for compelling personal circumstances and who completes at least 15 percent of the required term of service is eligible for a pro-rated education award.
- (3) The program must document the basis for any determination that compelling personal circumstances prevent a participant from completing a term of service.
- (4) Compelling personal circumstances include:
  - (i) Those that are beyond the participant's control, such as, but not limited to:
    - (A) A participant's disability or serious illness;
    - (B) Disability, serious illness, or death of a participant's family member if this makes completing a term unreasonably difficult or impossible; or
    - (C) Conditions attributable to the program or otherwise unforeseeable and beyond the participant's control, such as a natural disaster, a strike, relocation of a spouse, or the nonrenewal or premature closing of a project or program, that make completing a term unreasonably difficult or impossible;
  - (ii) Those that the Corporation, has for public policy reasons, determined as such, including:
    - (A) Military service obligations;

- (B) Acceptance by a participant of an opportunity to make the transition from welfare to work; or
- (C) Acceptance of an employment opportunity by a participant serving in a program that includes in its approved objectives the promotion of employment among its participants.

*Recommendations:*

We recommend that the Corporation require the Commission to:

- 6a. Reiterate to its subgrantees what constitutes a valid personal compelling circumstance.
- 6b. Provide second level approval to its subgrantees when verifying documentation and justification of partial education awards.

**Commission's Response:**

The Commission indicated that it adjusted training and monitoring procedures and content prior to the start of the engagement. Program director training in June of each year includes a clear direction for ensuring compliance with release of members due to compelling personal circumstances.

The Commission also indicated that the monitoring change had emphasized proper reasons for members to exit the program early due to compelling personal circumstances.

The Commission also offered more information for members B-8 and B-17. The Commission provided an e-mail exchange and a letter from the Corporation showing that the \$480 interest from member B-8's education award was added to the debt. The Commission also provided an e-mail exchange between Boaz and Ruth and Commission personnel stating that member B-17 was requesting an early departure due to the death of his mother.

**Auditor's Comments:**

We agree that the questioned interest amount of \$480 applicable to member B-8 has been resolved. This information was not provided during fieldwork. The information provided concerning the member's compelling personal circumstance is useful, but does not entirely resolve the finding. The member file did not contain this information and it was not provided to us during fieldwork. The e-mail exchange points out the fact that the member's mother had died, but does not convey how her death made completing the term unreasonably difficult or impossible (as required by the CFR). We suggest that the Commission and Boaz and Ruth work to further clarify the compelling personal circumstance during the audit resolution phase.

The Commission did not respond to recommendation number 6b, that it provides second-level approval to its subgrantees when verifying documentation and justification of partial education awards. We believe that this additional approval is necessary.



**Finding 7 – The Commission and Subgrantees Claimed Unallocable and Unsupported Costs**

Our testing of other direct costs found instances of questionable costs as shown below.

Commission

Costs claimed to the Administrative and PDAT grants included costs which were not allocable to the grants.

The Commonwealth of Virginia Government pays for parking to its landlord for parking spaces at the building in which the Commission resides. These costs are allocated to various funding sources, including the Corporation’s Administrative and PDAT grants. The employees reimburse the state \$42 each month for the use of the parking spaces. These reimbursements, however, have never been credited to the grants. Additionally, we note that the PDAT and Administrative grants do not include parking in its grant award budget. As a result, we questioned \$8,935 (Grant Nos. 07PTHVA001 – \$94, 10PTHVA001 – \$532, and 08CAHVA001 – \$8,309) of parking costs.

The Commonwealth of Virginia Government records the employee reimbursement of parking fees to the indirect cost pools. Indirect costs are not claimed to these grants, and therefore this treatment has no effect in reducing the costs to the Corporation’s grants.

Costs for rent, recycling fees and security services were allocated to the Administrative grant based on the number of individuals employed by the Commission. The basis for this allocation is appropriate. However, the Commission allocated the same type costs to the PDAT grants using two of the same persons already used in the Administrative grant allocation. These represent a duplication of costs and therefore are also considered unsupported. Additionally, we noted that the PDAT grants do not include these types of costs in their award budget. As a result, we have questioned these costs as follows:

Grant No.	Questioned Rent	Questioned Recycling	Questioned Security	Total Questioned
07PTHVA001	\$ 9,168	\$25	\$635	\$ 9,828
10PTHVA001	3,475			3,475
<b>Total</b>	<b>\$ 12,643</b>	<b>\$25</b>	<b>\$635</b>	<b>\$13,303</b>

The personnel head count numbers given to the Commonwealth of Virginia’s Finance Department was provided in error by the Commission.

We found that a procurement fee had been underclaimed by \$100 and a journal entry was not properly supported. According to the Commonwealth of Virginia’s Finance Department, the underclaimed procurement fee was due to human error.

Grant No.	Vendor	Unsupported
10PTHVA001	eVA Procurement	(\$ 100)
08CAHVA001	Journal Entry – Security	5
<b>Total</b>		<b>(\$ 95)</b>

The Commission costs discussed above are summarized in the following table.

Grant No.	Description	Not Allocable or Budgeted	Not Supported
07PTHVA001	Parking	\$ 94	
07PTHVA001	Rent	9,168	\$9,168
07PTHVA001	Security	25	25
07PTHVA001	Recycling	635	635
<b>Grant Total</b>		<b>\$9,922</b>	<b>\$9,828</b>
10PTHVA001	Parking	\$ 532	
10PTHVA001	Rent	3,475	\$3,475
Grant No.	Description	Not Allocable or Budgeted	Not Supported
10PTHVA001	Underclaimed		(100)
<b>Grant Total</b>		<b>\$4,007</b>	<b>\$3,375</b>
08CAHVA001	Parking	\$8,309	
08CAHVA001	Journal Entry		\$5
<b>Grant Total</b>		<b>\$8,309</b>	<b>\$5</b>

#### Boaz and Ruth

Costs claimed to the Competitive and Formula grants included costs which were not supported or allocable to the grants:

- 06ACHVA001 – \$2,529: These were costs claimed for health insurance premiums for participants in a separate Boaz and Ruth program unrelated to AmeriCorps.
- 06ACHVA001 – \$5,832: These were costs claimed which were not properly supported. According to Boaz and Ruth officials, its previous accountant did not have a clear understanding of how costs should be allocated to each grant.

#### MECC

We identified two transactions that were incorrectly claimed to the grant as a Federal share cost when they should have been claimed as match. As a result, these costs have been questioned on the basis that they were not included in the grant award budget as a cost to the Federal government.

- 06AFHVA001 – \$100: Registration for member’s online training seminar during PY 2007-2008

- 06AFHVA001 – \$2,000: Member travel to state AmeriCorps event during PY 2008-2009

The grant award budget, as shown below, does not include costs for member training or member travel. Rather, it specifies that these costs should be the responsibility of MECC and claimed as match. As a result, we question these costs totaling \$2,100.

UVA

We identified two transactions claimed for health insurance premiums for an AmeriCorps member after her term of service had expired. Her term of service expired in August 2009, but the premiums were applicable to coverage in September and October 2009. As a result, we consider these costs of \$223 for each month to be unallocable to the grant.

Costs questioned relating to the subgrantees are summarized and shown below in the table.

Grant No.	Subgrantee	Program Year	Not Allocable	Not Supported	Misclassified
06ACHVA001	Boaz and Ruth	07-08	\$2,427	\$2,144	
	Boaz and Ruth	08-09	102	3,688	
<b>Boaz and Ruth Total</b>			<b>\$2,529</b>	<b>\$5,832</b>	
06AFHVA001	MECC	07-08			\$100
		08-09			2,000
<b>MECC Total</b>					<b>\$2,100</b>
06AFHVA001	UVA	08-09	446		
<b>UVA Total</b>			<b>\$446</b>		
<b>Subtotal</b>			<b>\$2,975</b>	<b>\$5,832</b>	<b>\$2,100</b>
Administrative Fee			157	307	
<b>Total</b>			<b>\$3,132</b>	<b>\$6,139</b>	<b>\$2,100</b>

*Criteria*

Commission

OMB Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A. *General Principles for Determining Allowable Costs*, Section C. *Basic Guidelines*, Paragraph 1, *Factors Effecting Allowability of Costs*, states:

To be allowable under Federal awards, costs must meet the following general criteria:

- Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- Be allocable to Federal awards under the provisions of this Circular.
- Be authorized or not prohibited under State or local laws or regulations.

- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.”
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
- i. Be the net of all applicable credits.
- j. Be adequately documented.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A. *General Principles for Determining Allowable Costs*, Section C. *Basic Guidelines*, Paragraph 4. *Applicable credits*, states:

- a. Applicable credits refer to those receipts or reduction of expenditure type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the governmental unit relate to allowable costs, they shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

#### Subgrantees

OMB Circular A-122 *Cost Principles for Non-Profit Organizations*, Attachment A. *General Principles*, Section A. *Basic Considerations*, Paragraph 2. *Factors Affecting Allowability of Costs*, states:

To be allowable under an award, costs must meet the following general criteria:

- a. Be reasonable for the performance of the award and be allocable thereto under these principles.
- b. Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.
- c. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization.
- d. Be accorded consistent treatment.
- e. Be determined in accordance with generally accepted accounting principles (GAAP).

- f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- g. Be adequately documented.

*MECC Grant Award Budget*

**Member Travel**

Purpose -Calculation	CNCS Share	Grantee Share	Total Amount
Member travel to state meeting (1): trip = 770 mi. 4 ds (2 trav ds); 75% State Com. Mileage: (3 vs: Dir.'s v in C.1.) 770 mi. x \$.505 per mi x 2 vs = \$778 (in-kind) Per diem = 2 ds x 35 mbrs = \$3,780. \$42 per diem x 2 ds x 35 mbrs = \$2940. Parking = \$7 x 2 vs x 2 ds = \$28	0	7,526	7,526

**Member Training**

Purpose -Calculation -Daily Rate	CNCS Share	Grantee Share	Total Amount
Member Training: Training sessions provided by counseling staff, faculty and volunteers. \$50 per hour X 20 hours = \$1,000- Daily Rate of 400	0	1,000	1,000
Scholarships to attend college to support tutoring skills: \$500 scholarship X 40 Members = \$20,000- Daily Rate of 10	0	20,000	20,000

*Recommendations:*

We recommend the Corporation:

- 7a. Ensure that the Commission adheres to claiming only costs found in grant award budgets.
- 7b. Ensure that the Commission devises a method to capture applicable credits.
- 7c. Ensure that the Commission pays closer attention to allocations to the grant.
- 7d. Ensure that the Commission works with its subgrantees in identifying corrective actions to ensure proper recording of allowable costs.
- 7e. Calculate and recover the appropriate amount of disallowed costs based on our costs questioned.

**Commission's Response:**

The Commission agreed with a portion of the questioned costs, but disagreed with half the \$8,309 costs questioned under parking and the entire amount questioned for member travel at MECC.

The Commission stated that the parking was included in the budget because it was included in the lease costs. The Commission further stated that the computation by the auditors was incorrect because only half of the fee is the agency's liability as the other half is paid by the employees. The Commission agreed that the rental, parking and security costs of \$9,992 and \$4,007 charged to the PDAT (07PTHVA001 and 10PTHVA001) grants were unallowable because they were duplicate charges due to a coding error. The Commission indicated that it adjusted training procedures prior to the start of the engagement. Program director training in June of each year includes a clear direction for ensuring compliance with fiscal management requirements. Commission officials also indicated that they are identifying methods for providing improved financial management direction and evaluation.

In regard to the questioned member travel costs at MECC of \$2,000, the Commission stated that the expenditure had been verbally approved via a phone conversation with the subgrantee and that the amount did not exceed the 10 percent threshold for transferring funds among approved direct cost categories.

The Commission is requesting the questioned costs of 50 percent of the \$8,309 in parking expenses and \$2000 in travel expenses be omitted from the report.

**Auditor's Comments:**

The parking fees were \$84 per month per employee. The majority of the computation of questioned parking costs was computed by multiplying \$42 times the number of employees within the Commission indicating that our analysis had already considered that only half the parking fees had been claimed to the grant. As a result, the analysis offered by the Commission is not accurate. The Commission's position that member travel costs are allowable because they are allowed to transfer up to 10 percent between approved direct cost categories is correct. However, we do not believe that member travel or training was an approved direct cost category because the budget contained \$0 under member travel Corporation share. As a result, we believe our analysis is correct.

## Finding 8 – Member Compliance Requirement Exceptions

We reviewed 61 member files and timesheets, which resulted in numerous instances of non-compliance with grant provisions. Eligibility exceptions that resulted in questioned costs are noted above in Finding No. 1. Other exceptions that do not warrant questioned costs are summarized below.

Description	Criteria Ref.	Boaz and Ruth (29 sample size)	MECC (18 sample size)	UVA (14 sample size)	Total (61 sample size)
Service Hours prior to Contract Signature	A	11	1	10	22
Member enrollment forms not submitted timely	B			14	14
Pre-service orientation not evident	C	27	11		38
Mid-term evaluations not in file	D	13	7		20
Member contracts signed by the member, but not the Program Director	A	1	5		6
Lack of evidence that Prohibited Activities is received and reviewed	A	3	18		21
Drug Free Workplace Act acknowledgement form is not signed by the member.	A		1		1
Members not informed of position descriptions	A		2		2
Grievance Procedure acknowledgement form not signed	A	10	1		11
Member files do not contain Grant Civil Rights Policy	E	29	18		47
Member paid in unequal installments	F	13	1		14

The subgrantees have met all requirements of the grant. As a result, there are numerous areas of non-compliance. These instances, however, do not result in questioned costs.

*Criteria*

A. 2008 AmeriCorps Special Provisions, Section IV. D.2. *Member Contracts*, states:

The grantee must require that each member signs a contract that, at a minimum, includes or refers to the following:

- a. Member position description;

\* \* \*

- e. Prohibited activities, including those specified in the regulations;
- f. Requirements under the Drug-Free Workplace Act (41 U.S.C. 701 *et seq.*);
- g. Suspension and termination rules;
- h. The specific circumstances under which a member may be released for cause;
- i. Grievance procedures; and
- j. Other requirements as established by the grantee.

The Grantee should ensure that the contract is signed before commencement of service so that the members are fully aware of their rights and responsibilities.

B. 2008 AmeriCorps Special Provisions, Section IV.C.1. *Notice to the Corporation's National Service Trust*, states: The grantee must notify the Corporation's National Service Trust within 30 days of a member's selection for, completion of, suspension from, or release from, a term of service.

C. 2008 AmeriCorps Special Provisions, Section IV.D.3 *Supervision*, states: "The grantee must conduct an orientation for members and comply with any pre-service orientation or training required by the Corporation."

D. 2008 AmeriCorps Special Provisions, Section IV.D.4 *Performance Reviews*, states: "The grantee 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."

E. 2008 AmeriCorps Provisions, Civil Rights/Equal Opportunity Requirements, states:

As with all federal grant programs, you must ensure that your programs or activities, including those of any sub-grantees, will be conducted, and facilities operated, in compliance with the applicable civil rights statutes and their implementing regulations. You must obtain assurances of such compliance prior to extending federal financial assistance to sub-grantees. For civil rights purposes, all programs and projects funded or receiving service members under the National and Community Service Act, as amended, are programs or activities receiving federal financial assistance.



F. 2008 AmeriCorps Special Provision, Section IV.F.1. *Living Allowance Distribution*, states:

Grantees should pay the living allowance in regular increments, such as weekly or bi-weekly, paying an increased increment only on the basis of increased living expenses such as food, housing, or transportation. Payments should not fluctuate based on the number of hours served in a particular time period, and must cease when a member concludes a term of service.

*Recommendations:*

8. We recommend the Corporation work with the Commission and its subgrantees to ensure that the subgrantees understand the test results and why the testing produced an exception. More importantly, all parties should be cognizant of these requirements going forward.

**Commission’s Response:**

The Commission indicated that it adjusted training and monitoring procedures prior to the start of the engagement. Program director training in June of each year includes a clear direction for ensuring compliance with a wide range of program requirements. The Commission also reviews and approves program handbooks and member contracts during the pre-contract phase to ensure that all required elements are included. The Commission also indicated that the monitoring change required Commission staff to review 100 percent of member files during the first monitoring visit, ensuring that member-related requirements are adequately covered.

**Auditor’s Comments:**

The Corporation should review the adjusted training and monitoring procedures and determine whether they effectively address the instances of noncompliance noted in this finding.

**Finding 9 – Subgrantee Administrative Compliance Exceptions**

Subgrantees are required to comply with all grant provisions. These include financial reporting, member contracts, the manner in which living allowances are paid, and matching requirements. Our tests of these requirements revealed the following:

Late Financial Status Reports: Two subgrantees failed to provide the Commission with timely financial status reports as shown in the table below.

Grant No.	Subgrantee	Number of Reports Late	Range of Days Late
06ACHVA001	Boaz and Ruth	3 out of 3	5 – 28
06AFHVA001	Boaz and Ruth	2 out of 5	5 – 20
06AFHVA001	MECC	3 out of 3	7 – 31

Late PERs: Two subgrantees failed to provide the Commission with timely PER's as shown below in the table.

Grant No.	Subgrantee	Number of Reports Late	Range of Days Late
06ACHVA001	Boaz and Ruth	15 out of 23	6 – 95
06AFHVA001	Boaz and Ruth	4 out of 30	12 – 18
06AFHVA001	MECC	3 out of 6	1 – 10

The financial activity at Boaz and Ruth is manually created. This is time consuming and has resulted in the programs inability to prepare these reports in a timely manner.

Member Contracts: Boaz and Ruth member contracts provide for various living allowances for like or similar position descriptions, as shown in the table below. Members may be paid different amounts for performing the same services because the amounts in member contracts are not consistent.

Program Year	Member Type	Minimum Contract	Maximum Contract
07-08	Full Time	\$11,200	\$18,000
07-08	Half Time	5,600	11,200
07-08	Quarter Time	2,200	2,800
08-09	Full Time	8,550	14,400
08-09	Half Time	5,700	7,500

Boaz and Ruth's PY 2008-2009 AmeriCorps grant application specified that full time members would receive a minimum of \$11,400 in living allowances. However, we found two Boaz and Ruth member contracts that stated living allowances below the minimum required amounts, as shown in the table below.

Program Year	Member Type	Contract Amount	Minimum Amount Required
08-09	Full Time	\$ 8,550	\$11,400
09-10	Full Time	11,000	11,400

Boaz and Ruth contracts contain inaccurate education award amounts as shown in the table below.

Program Year	Member Type	Ed Award Per Contract	Actual Ed Award
07-08	Full Time	\$2,362.50	\$4,725
07-08	Half Time	2,350.00	2,362
08-09	Quarter Time	1,000.00	1,250

Boaz and Ruth officials stated that living allowances vary and are sometimes below the minimum required amount because contract amounts are at their discretion. Officials also indicated that they rely solely on the National Service Trust and have no control over the amounts given to members for the education awards. As a result, they do not pay close attention to the education award amounts stipulated in the member contracts.

UVA did not meet its match requirement for the PY 2008-2009 Formula grant. This, however, did not affect the Commission's overall match requirements.

CNCS Costs Claimed per PER	Match Claimed per PER	Actual Match Percentage	Required Match per Budget
\$ 222,594	\$ 461,193	67%	70%

The match shortfall went unnoticed because the Commission was paying close attention to dollar amounts rather than percentages.

UVA's claimed match did not reconcile to cost share reports from its accounting system.

Period	Costs per the PER	Costs per Cost Share Reports	Variance (Under Report)
April 2008	\$38,070	\$37,013	\$ 1,057
September 2008	37,482	45,470	(7,988)
May 2009	45,991	45,398	593
<b>TOTAL</b>			<b>\$(6,338)</b>

We also noted that an error had been made in the match costs reported for December 2008 wherein fringe benefits were reported as \$3,500 but should have been reported as \$2,987. This was due to an input error.

There was no process in place to reconcile costs from the cost share reports to costs reported on the PER each month.

#### *Criteria*

#### Financial Reporting

45 C.F.R. §2541.41 *Financial Reporting*, states:

- (4) Due date. When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period.

The Office on Volunteerism and Community Service, Virginia AmeriCorps Reporting Schedule states the following:

- Quarterly fiscal reports are due on, or before, the tenth workday following the reporting period.
- Monthly fiscal reports are due on, or before, the sixth workday following the reporting period.

## Contracts

The Corporation's Member Frequently Asked Question Handbook, issued September 6, 2005, and discussed via conference call on November 18, 2005, covered the following question on member living allowance amounts:

10. Can we pay an average living allowance across our members? E.g., if the living allowance can be between \$11,100 and \$22,200, can the average stipend be \$11,500? Could some AmeriCorps members receive less or more than the average through match contributions? Members must receive at least the minimum. Also, members performing like service should receive the same living allowance. If you intend to vary living allowance amounts, you must describe it in your application, including appropriate budget calculations and projections. Federal funds can cover only 85% of the minimum living allowance.

Our examination of Boaz and Ruth's budget submitted to the Commission indicated that the member living allowances were to be equal in amounts.

The 2008 and 2009 AmeriCorps applications provide the minimum and maximum living allowance amounts for each type of member. Section II of the AmeriCorps application *Member Costs Part A. Living Allowances* specifies that full time members will receive a minimum of \$11,400 for their service.

Title 45 from the Code of Federal Regulations §2527.10. *What is the amount of an AmeriCorps education award?*, states:

- (a) *Full-time term of service*. The education award for a full-time term of service of at least 1,700 hours is \$4,725.
- (b) *Part-time term of service*. The education award for a part-time term of service of at least 900 hours is \$2,362.50.
- (c) *Reduced part-time term of service*. The education award for a reduced part-time term of service of fewer than 900 hours is –
  - (1) An amount equal to the product of --
    - (i) The number of hours of service required to complete the reduced part-time term of service divided by 900; and
    - (ii) 2,362.50; or
  - (2) An amount as determined otherwise by the Corporation.

## Matching

2008 AmeriCorps General Provisions, Section V.B. *Financial Management Standards*, states:

1. General. The grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail, and written cost allocation procedures, as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this grant from expenditures not attributable to this grant.

### *Recommendations:*

We recommend that the Corporation:

- 9a. Ensure that the Commission is aware of all the requirements for administering grants and helps it to design procedures and controls that will ensure compliance.
- 9b. Ensure that the Commission assists its subgrantees in writing member contracts.
- 9c. Ensure that the Commission assists its subgrantees in the reporting of match costs.

### **Commission's Response:**

The Commission indicated that it adjusted training and monitoring procedures prior to the start of the engagement. Program director training in June of each year includes a clear direction for ensuring compliance with a wide range of program requirements. The Commission also reviews and approves program handbooks and member contracts during the pre-contract phase, ensuring that issues related to position descriptions, stipends, and education awards are appropriately and accurately reflected. The Commission also indicated that the monitoring change required its' staff to review 100 percent of member files during the first monitoring visit, allowing staff to address any needed adjustments. In addition, the Commission stated that its staff will review match costs via monthly PERs and providing feedback to subgrantees.

### **Auditor's Comments:**

The Corporation should review the adjusted training and monitoring procedures and observe the Commission's review of match costs to determine whether they effectively address the finding.

### **Finding Number 10 – Administrative Subgrantee Staff Timekeeping Weaknesses**

We tested payroll costs at the Commission and at the subgrantee level, and identified the following timekeeping weaknesses at two subgrantees.

#### Boaz and Ruth

Boaz and Ruth claimed staff personnel costs to the grants based on budgeted percentages of staff salaries rather than after-the-fact reports indicating actual levels of effort. We found that there were no job descriptions or employee contracts to alternatively justify the personnel costs claimed to the grant.

Boaz and Ruth officials believed that an allocation plan was acceptable and precluded them from completing timesheets. Our discussion with the Commission found, however, that there is no such plan and that it is currently developing a plan for subgrantees.

## MECC

MECC has claimed 100 percent of the Program Director's wages to the Formula grant. This corresponds with the award budget and also with their job description. However, we determined that there was no record of time nor was there any certification prepared by a supervisor for the effort.

We asked MECC program and Human Resource Department officials, as well as the MECC Payroll Accountant, about timekeeping policies or certifications that would meet the standards described under OMB A-21. We found that there does not appear to be any policy on timekeeping at MECC.

The subgrantees are not tracking their effort in administering the program and therefore may not be reporting their time and effort accurately.

## *Criteria*

OMB Circular A-122 *Cost Principles for Non-Profit Organizations*, Attachment A. *Selected Items of Cost*, Paragraph 7.m. *Compensation for personal services* states:

### **Support of salaries and wages.**

- (1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph (2), except when a substitute system has been approved in writing by the cognizant agency. (See subparagraph E.2 of Attachment A.)
- (2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:
  - (a) The reports must reflect an *after-the-fact* determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

- (b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.

OMB Circular A-21 *Cost Principles for Educational Institutions*, Section J. *General Provisions for Selected Items of Cost*, Paragraph 10.b. *Payroll Distribution*, states:

(1) General Principles.

- (a) The distribution of salaries and wages, whether treated as direct or F&A costs, will be based on payrolls documented in accordance with the generally accepted practices of colleges and universities. Institutions may include in a residual category all activities that are not directly charged to sponsored agreements, and that need not be distributed to more than one activity for purposes of identifying F&A costs and the functions to which they are allocable. The components of the residual category are not required to be separately documented.

*Recommendation:*

We recommend that the Corporation work with the Commission to ensure that:

- 10a. Boaz and Ruth establishes employee contracts and job descriptions.
- 10b. Its subgrantees develop policies and procedures to complete timesheets or periodic certifications to comply with the requirements of the OMB circulars.

**Commission's Response:**

The Commission stated that it will emphasize the need for subgrantee staff to track staff time in compliance with applicable OMB Circular requirements. The Commission stated that it is requiring timesheets be prepared by subgrantee staff until OnCorps can properly accommodate program staff timekeeping.

**Auditor's Comments:**

The Corporation should review the Commission's work with the subgrantee and determine whether the revised procedures effectively address the finding.

**APPENDIX A**

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**VIRGINIA OFFICE ON VOLUNTEERISM AND COMMUNITY SERVICE RESPONSE TO  
AUDIT REPORT**





# COMMONWEALTH of VIRGINIA

## DEPARTMENT OF SOCIAL SERVICES

April 28, 2011

Stuart Axenfeld  
Assistant Inspector General for Audit  
Office of the Inspector General  
Corporation for National and Community Service  
1201 New York Avenue NW  
Washington, DC 20525

Dear Mr. Axenfeld:

Enclosed is the Virginia Office on Volunteerism and Community Service's response to the draft results of the recently completed audit of its AmeriCorps grants. We appreciate the assistance provided by Jack Goldberg in your office.

We look forward to receiving your comments and to final resolution based on the information provided herein.

Sincerely,

A handwritten signature in black ink, appearing to read "Nikki Nicholau".

Nikki Nicholau

Enclosures

Copy:

Darian Mims, Auditor  
Amanda Healy, AmeriCorps Program Manager  
J. R. Simpson, Director for Administration, Virginia Department of Social Services  
Jack B. Frazier, Division Director, Community and Volunteer Services, Virginia Department of Social Services

**Finding 1. Commission's Response: The Commission accepts this Finding and offers corrective documentation.**

1a. Prior to this audit, Commission staff adjusted training and monitoring procedures and content in the following ways: (1) Program Director training in June of each year includes clear direction for ensuring compliance with citizenship-related requirements; and (2) at the first monitoring visit with each program, Commission staff conducts a review of 100% of member files. One element of this review is confirming that each member has provided the documentation necessary to confirm his or her citizenship and other participation eligibility.

These changes, now that they are consistently implemented, will prevent a repeat of these incidents of noncompliance.

1b. Please see *Attachment RE 1 B3 and B10*. Boaz and Ruth requested copies of birth certificates for the two individuals in question and was told that birth certificates are not released to the public until 100 years after the birth date. As an alternative, the birth dates and Richmond location were verified by the Director and State Registrar of the Division of Vital Records in the Virginia Department of Health.

Given this documentation from the Virginia Department of Health, the Commission requests that the amount associated with this Finding, \$8101.00, be removed from Commission and subrecipient liability.

**Finding 2. Commission's Response: The Commission accepts this Finding, with exceptions.**

2a. Adjustments to the OVCS monitoring process over the last few years have already created both clear communication of needed corrective actions and a succinct method of tracking corrective actions taken. As a result of this report, the Program Manager and staff are reviewing key aspects of the OVCS AmeriCorps monitoring process to identify opportunities for further improvements

2b. DSS contracts with Settanni and Company to provide OnCorps, a comprehensive reporting and data management system. Since Program Year 2009 – 2010, OnCorps has been the official timekeeping system of record for the Virginia AmeriCorps\*State program, and has provided a clear timekeeping system for use by service members. We note that developing skill in using elements of OnCorps has been challenging for members, Site Supervisors, and Program Directors, alike. The Commission requires its AmeriCorps programs to use OnCorps for member timesheets, and is considering requiring AmeriCorps programs to use OnCorps for staff timesheets, as well. (Note that OnCorps is not yet set up to accommodate staff timesheets.) Programs are strongly discouraged from using other, supplemental timekeeping methods in addition to OnCorps, because of the potential result of contradictory or incomplete timesheets. (Programs have sometimes used supplemental methods such as timesheets or timeclocks for convenience or to meet internal organizational requirements.) The OnCorps timekeeping system not only shows hours served in one time period, it ensures adequate approvals, shows totals hours served, and compares the hours yet to be served with the number of weeks left in each members' contracts. This clearly shows if and when a member is getting in trouble with his or her hours served.

2c. Staff will work with MECC to ensure that all members are provided stipends in accord with applicable federal regulation.

2d. Regarding findings against Boaz and Ruth, and against MECC, the Commission will not dispute or offer alternative views for any issues prior to 2009 – 2010. Beginning in 2009 – 2010, OVCS considered OnCorps the timekeeping system of record, and supports the information contained therein.

Specifically:

Boaz and Ruth – Under Formula 06AFHVA001, hours served by members B24 (full time) and B25 (quarter time) are both questioned based on unsigned and inconsistent timesheets. Nonetheless, the timekeeping system of record, OnCorps, indicates hours served of 1712.5 and 459.50, respectively, each exceeding the minimum requirement. Further, the Education Award and Accrued Interest Questioned for member B24 is shown as \$12,216. This includes a questioned award of \$4725, and interest of \$7491.00. The Commission will follow up with the Trust to confirm and understand this interest amount.

MECC - MECC notes that in some situations, training occurred and was overseen by the Program Director prior to a member receiving a service site assignment. In these cases, it was not possible for an as-yet-unnamed Site Supervisor to sign a timesheet. The Commission requests an opportunity to confirm that this is not the situation with members cited in this report. Additionally, the timekeeping system of record, OnCorps, indicates that members M12, M13, M15, and M16 successfully completed their contracted service hours.

Given the information provided by the timekeeping system of record, the Commission requests that amounts related to B24 and B25 (\$13,446), and related to M12, M13, M15, and M16 (living allowance and fringe totaling \$781.00, and ed awards and interest totaling \$8339.00), be removed from subrecipient and Commission liability. The total proposed reduction in liability is \$22,556.00

**Finding 3. Commission’s Response: The Commission accepts this Finding, with exceptions.**

3a. Adjustments to our monitoring process over the last few years have already created both clear communication of needed corrective actions and improved methods of tracking corrective actions taken. As a result of this report, the Program Manager and staff are reviewing key aspects of the OVCS AmeriCorps monitoring process to identify opportunities for further improvements

3b. Prior to this audit, Commission staff adjusted training and monitoring procedures and content in the following ways: (1) Program Director training in June of each year includes clear direction for ensuring compliance with term of service and prohibited activity requirements; (2) program handbooks are reviewed and approved during the precontract phase, including determination that prohibited activity and term of service requirements are covered in the handbook; and (3) at the first monitoring visit with each program, Commission staff conducts a review of 100% of member files. One element of this review is confirming that each member contract contains a thorough description of term of service requirements and of prohibited activities.

3c. Regarding findings against Boaz and Ruth, the Commission will not dispute or offer alternative views for any issues prior to 2009 – 2010. Beginning in 2009 – 2010, OVCS considered OnCorps the timekeeping system of record.

The Commission notes that Boaz and Ruth members B24, B27, and B28 are all shown in OnCorps as having fulfilled their service commitments. Again, the 2009 – 2010 program year was a transitional year not only in member and staff familiarity with OnCorps, but also in shared understandings of activity eligibility. We understand now that a portion of the 2009 – 2010 activities engaged in by AmeriCorps members, including telecommuting, can be seen as inappropriate. On the other hand, this program is on the national creative vanguard of trying new program models to maximize success.

Regarding findings related to UVa from program year 2008 – 2009 (preceding OnCorps), please see Attachment RE 3c U1. The Commission and UVa note that although subrecipient files contain notes from a site supervisor questioning member U1's attendance and hours recorded on her timesheet, ultimately the site supervisor approved the hours served as recorded. Given this, the Commission and UVa maintain that the member's hours, as recorded on her timesheets, are appropriate and should be accepted.

The Commission requests that the amounts associated with B24 (previously addressed), B28 (\$1000.00), and U1 (\$4725.00) in this Finding be removed from Commission and subrecipient liability. This represents a proposed reduction in liability of \$5725.00.

**Finding 4. Commission's Response: The Commission accepts this Finding.**

4a. Prior to this audit, Commission staff adjusted training and monitoring procedures and content in the following ways: (1) Program Director training in June of each year includes clear direction for ensuring compliance with start and end date requirements, as well as procedures for ensuring that members have ample opportunity for completing their service hours; (2) program handbooks are reviewed and approved during the precontract phase, including determination that handbooks include adequate information about the timing of completion of service hours; (3) at the first monitoring visit with each program, Commission staff conducts a review of 100% of member files. One element of this review is ensuring that members have the required information about completion of service hours, and the opportunity to serve the number of hours expected.

Additionally, beginning in Program Year 2009 – 2010, OnCorps has been the timekeeping system of record. The Commission requires all AmeriCorps programs to use OnCorps for member timekeeping, and strongly discourages use of additional or supplementary member timekeeping methods. The use of OnCorps, and staff access to member records, supports both random spotchecking and routine desk monitoring of member service documentation.

4b. The Commission will work with the Subrecipients to recover the appropriate amount of questioned costs.

**Finding 5. Commission's Response: The Commission accepts this Finding.**

5. Regarding the Commission: The Commission does track costs by cost category on a fiscal year basis using the Department's financial management system. At the time of the audit these reports were run on state fiscal year, July through June. It was also determined that department budgets can be modified at any point during the fiscal year. As a result of the audit, a new calendar year budget tracking report has been developed for the AmeriCorps program budget. The Commission's budget will be modified each year at the time of the final allocation by CNCS and will be tracked in accordance with the budget submitted through E-grants by cost category.

Regarding Boaz and Ruth: The accounting staff and procedures of Boaz and Ruth have changed considerably since the period under audit. A fulltime CPA with more than 10 years of experience is now managing the organization's accounting department. This change will result in consistent implementation of appropriate accounting procedures.

**Finding 6. Commission's Response: The Commission accepts this Finding as it relates MECC members, and partially accepts this Finding as it relates to Boaz and Ruth members.**

6a. Prior to this audit, Commission staff adjusted training and monitoring procedures and content in the following ways: (1) Program Director training in June of each year includes clear direction for ensuring compliance with release of members due to personal compelling circumstances; and (2) the OVCS policy guidance manual clearly speaks to both what constitutes personal compelling circumstances, and the requirements for documenting its applicability.

6b. As outlined in the AmeriCorps Program Guidance Manual, Program Directors are expected to request and receive written approval by their Program Officers of personal compelling circumstances. A Program's failure to document receipt of this prior approval will result in a Finding of NonCompliance, and possible liability for the education award.

Additional information:

MECC – The Program Director clarified that the Human Resources Director is relatively new to the Program, not that the MECC AmeriCorps program is relatively new. Further, the Program Director noted that 'learning curve' issues were applicable to use of OnCorps, not to the program overall.

Boaz and Ruth –

Member B-8 – Please see Attachment Re 6, B-8. This includes communication with Jill Montgomery from September 2010, confirming that the amount in question, \$480.00, has been added to the amended CNCS OIG File Number 08-036 for \$36,371.11. Given this, this amount should not be included in Boaz and Ruth questioned costs or liability calculations.

Member B-17 – This member did not meet the required hours due to the death of his mother. As noted above, compelling personal circumstances include the death of a participant's family member if this makes completing a term unreasonably difficult or impossible. The Boaz and Ruth Program Director at the time received approval from the Commission Program Officer for this individual to be released from service due to compelling personal circumstances, and thus, eligible for the education award.

The Commission will work with the Subrecipients to recover the appropriate amount of questioned costs. The Commission also requests that the amounts associated with B8 (\$480.00) and B17 (\$4116.00) in this Finding be removed from Commission and subrecipient liability. This represents a proposed reduction in liability of \$4596.00.

**Finding 7. Commission's Response: The Commission accepts portions of this Finding, and takes exception to other portions.**

7a. The Commission disagrees that parking costs were not included in the budget. In fact, parking costs were included in the budget as part of the DSS building lease costs; rent is included in budget submitted. We do agree that the \$42 per employee should have been credited toward the federal portion of the grant. We therefore dispute 50% of the \$8309 questioned which is the difference between the agency's liability for parking (\$84 per person and the \$42 collected from employees).

7b. The Commission agrees that the \$9.992 for rental costs and other allowable costs in PDAT07 were duplicated charges due to a coding error.

The Commission agrees that the \$3,907 for rental costs and other allowable costs in PDAT10 were duplicated charges due to a coding error.

7c. The Commission agrees to pay closer attention to allocations.

7d. Prior to this audit, Commission staff adjusted training procedures and content in the following ways by ensuring that the Program Director training in June of each year includes clear direction for elements related to compliance with fiscal management requirements. Additionally, as a result of this audit, OVCS is identifying methods for providing improved financial management direction and evaluation.

Re MECC - The Commission disagrees with this portion of the audit finding.

The charge of \$2000 to CNCS funds was approved by OVCS via a phone conversation between the OVCS Director and Sue Graham. This cost was incurred to bring MECC members by bus to an AmeriCorps event held in Richmond. Using a bus to provide transportation (as compared with individual cars) minimized the AmeriCorps risk, enhanced esprit de corps, and was cost effective.

Member travel costs were an approved direct cost category in the award budget. According to the award's terms and conditions, the Commission has authority to transfer funds among approved direct cost categories as long as the cumulative amount of such transfers does not exceed 10 percent of the total program budget. The Commission's re-budgeting of member travel costs from the State's Share to the Federal Share in the budget did not exceed 10 percent. Additionally, the Commission's re-budgeting of member travel from the State Share to the Federal Share did not affect the Commission's matching obligation as the Commission met its matching requirement.

7e. The Commission will work with the Subrecipients to recover the appropriate amount of questioned costs. The Commission asserts that 50% of the \$8309 questioned in Commission expenditures, and \$2000 travel expense should be excluded from questioned costs and liability calculations.

**Finding 8. Commission's Response: The Commission accepts this Finding.**

8. Prior to this audit, Commission staff adjusted training and monitoring procedures and content in the following ways: (1) Program Director training in June of each year emphasizes myriad program details, including those outlined here; (2) program handbooks and member contracts are reviewed and approved during the precontract phase to ensure that all required elements are included; and (3) at the first monitoring visit with each program, Commission staff conducts a review of 100% of member files. This review includes confirmation that all member-related requirements are adequately covered.

**Finding 9. Commission's Response: The Commission accepts this Finding.**

9a and 9b. Prior to this audit, Commission staff adjusted training and monitoring procedures and content in the following ways: (1) Program Director training in June of each year includes clear direction for ensuring compliance with a wide range of program requirements; (2) program handbooks and member contracts are among the subrecipient program materials that are reviewed and approved during the precontract phase, allowing OVCS staff to help ensure that issues related to position descriptions, stipends, and education awards are appropriately and accurately reflected; and (3) at the first monitoring visit with each program, Commission staff conducts a review of 100% of

member files, allowing staff to address any needed adjustments.

9c. Commission staff now reviews match reported via PER monthly, by program, and provides feedback to subrecipients. Please see Attachment Re 9, a sample feedback memo. Further, subrecipients have been reminded that we track expenditure and documentation of required match. Staff will make adjustments to CNCS expenditures to ensure that CNCS fund expenditures and grantee expenditures are aligned with the approved budget. Finally, the OVCS Fiscal Officer is now required to randomly, by program, reconcile claimed monthly grantee contributions with amounts shown on programs' PERs. This is part of monthly desk review, and ensures that programs have adequate documentation to support claimed expenditure of grantee match.

**Finding 10. Commission's Response: The Commission accepts this Finding.**

10a. Commission staff will work with Boaz and Ruth to ensure the implementation of acceptable staff timekeeping practices.

10b. Commission staff now emphasizes not only the need for subrecipient staff to track staff time in compliance with the applicable OMB circular, but is also expressing a clear preference for timesheets until OnCorps is able to accommodate program staff timekeeping. In the absence of a written alternative and approved staff timekeeping policy, OVCS will expect OnCorps timekeeping (if available, or timesheets if OnCorps is not yet available) for all program staff from its 2011 – 2012 subrecipients.

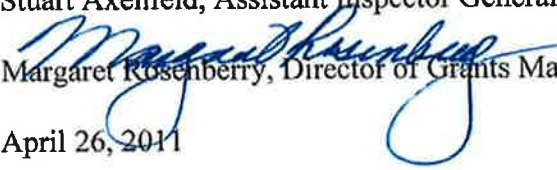
**APPENDIX B**

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**CORPORATION'S RESPONSE TO AUDIT REPORT**





**To:** Stuart Axenfeld, Assistant Inspector General for Audit  
**From:**  Margaret Rosenberry, Director of Grants Management  
**Date:** April 26, 2011  
**Subject:** Response to OIG Draft of Agreed-Upon Procedures of Corporation Grants Awarded to the Virginia Office on Volunteerism and Community Service

Thank you for the opportunity to review the draft Agreed-Upon Procedures report of the Corporation's grants awarded to the Virginia Office on Volunteerism and Community Service (the Commission). We will work with the Commission to ensure its corrective action plan adequately addresses the findings. We will respond with our management decision after we receive the final report and the auditor's working papers and have reviewed the Commission's corrective action plan.

**Cc:** William Anderson, Chief Financial Officer  
John Gomperts, Director of AmeriCorps  
Wilsie Minor, Acting General Counsel