

Office of Inspector General Corporation for National and Community Service

AGREED-UPON PROCEDURES FOR CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO COMMONWEALTH OF NORTHERN MARIANA ISLANDS PUBLIC SCHOOL SYSTEM

OIG REPORT NUMBER 11-15



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

Cotton & Company LLP
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This report was issued to Corporation management on June 6, 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 December 6, 2011, and complete its corrective actions by June 6, 2012. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



June 6, 2011

TO: John Gomperts
Director, AmeriCorps*State and National

Margaret Rosenberry
Director, Office of Grants Management

FROM: Stuart Axenfeld /s/
Assistant Inspector General for Audit

SUBJECT: *OIG Report 11-15, Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Commonwealth of Northern Mariana Islands Public School System (CNMI)*

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 Cotton and Company LLP. The contract required Cotton and Company to conduct its procedures in accordance with generally accepted government attestation standards.

Cotton and Company is responsible for the attached report, dated June 6, 2011, and conclusions expressed therein. The agreed-upon procedures, unlike an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express opinions on CNMI's Consolidated Schedule of Claimed and Questioned Costs or the Schedule of Claimed and Questioned Costs for individual awards, 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 December 6, 2011. Notice of final action is due by June 6, 2012.

If you have questions pertaining to this report, please call me at (202) 606-9360, or Ronald Hurlitz, Audit Manager, at (202) 606-9355.

Attachment

cc: Tim Thornburgh, Federal Programs Officer, CNMI/PSS
William Anderson, Chief Financial Officer, CNCS
Rocco Gaudio, Deputy Chief Financial Officer, Grants & Field Financial Management
Claire Moreno, Senior Grants Officer, CNCS
Jack Goldberg, Audit Resolution, CNCS
Michael Pai, Public Auditor, Saipan CNMI
Tony Babauta, Assistant Secretary for Insular Areas, U.S. Department of Interior
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**OFFICE OF INSPECTOR GENERAL
AGREED-UPON PROCEDURES FOR
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GRANTS AWARDED TO
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM**

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- A: Commonwealth of the Northern Mariana Islands Response to Draft Report
- B: Corporation for National and Community Service Response to Draft Report

EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service, contracted with Cotton & Company LLP to perform agreed-upon procedures to assist the OIG in grant cost and compliance testing of Corporation-funded Federal assistance provided to the Commonwealth of the Northern Mariana Islands Public School System (CNMI).

SUMMARY OF RESULTS

As a result of applying our procedures, we questioned claimed Federal-share costs of \$68,288 and education awards of \$13,678. 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 the supporting schedule.

Participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards and, in some cases, accrued interest awards funded by the Corporation's National Service Trust. These award amounts are not funded by Corporation grants and thus, are not included in claimed costs. As part of our agreed-upon procedures and using the same criteria used for the grantee's claimed costs, we determined the effect of our findings on member eligibility for education awards and accrued interest awards.

The following is a summary of grant compliance testing results. These results, along with applicable recommendations, are discussed in Exhibit B, Compliance Results.

1. CNMI claimed unallowable and unsupported costs.
2. CNMI did not comply with AmeriCorps requirements for criminal history checks and National Sex Offender Public Registry (NSOPR) searches.
3. CNMI did not follow AmeriCorps requirements for compelling personal circumstances.
4. CNMI did not accurately record all timesheet hours, did not have procedures to verify member activities and timesheet accuracy, and, in some instances, timesheets did not support member eligibility for education awards.
5. CNMI did not comply with AmeriCorps citizenship eligibility requirements.
6. CNMI could not demonstrate that some members received performance evaluations, and all end-of-term evaluations did not meet AmeriCorps requirements.
7. CNMI did not complete all member enrollment and exit forms and approve them in the Corporation's reporting systems in accordance with AmeriCorps requirements.
8. CNMI did not follow AmeriCorps requirements for pre-service orientation training, training and fundraising hours, member agreement, record retention, annual progress report submittal, and member Federal Insurance Contributions Act (FICA) withholding taxes.

9. CNMI could not support all site supervisor labor costs, and site supervisors did not sign their timesheets.

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 Award During AUP Period
AmeriCorps State	06TTHMP001	08/16/06-12/07/09	04/01/08-12/07/09	\$1,061,679
AmeriCorps State	09TTHMP001	08/18/09-08/17/12	08/18/09-03/31/10	\$340,186

OIG’s AUP program included:

- Obtaining an understanding of CNMI’s operations and programs.
- Reconciling CNMI’s claimed Federal grant costs to its accounting system.
- Testing CNMI’s member files to verify that records support eligibility to serve, allowability of living allowances, and eligibility to receive education awards.
- Testing CNMI’s compliance with selected AmeriCorps provisions and award terms and conditions.
- Testing CNMI’s claimed Federal grant costs to ensure:
 - AmeriCorps grants were properly recorded in CNMI’s general ledger; and
 - Costs were allowable and properly documented in accordance with applicable Office of Management and Budget (OMB) circulars, grant provisions, award terms, and conditions.

We performed testing from July through November 2010.

BACKGROUND

The Corporation

The Corporation supports a range of national and community service programs that provide an opportunity for participants to engage in full- or part-time periods of service. It funds service opportunities that foster civic responsibility and strengthen communities. The Corporation also provides educational opportunities for those who have made a substantial commitment to service.

The Corporation has three major service initiatives: National Senior Service Corps, AmeriCorps, and Service-Learning (Learn and Serve America). AmeriCorps, the largest of the initiatives, is funded through grants to states and territories with commissions, grants to states and territories without commissions, and National Direct funding to organizations. Grantees

recruit and select volunteers, who must qualify to earn living allowances and/or education awards.

Commonwealth of the Northern Mariana Islands Public School System

CNMI was created pursuant to Article 15 of the Commonwealth of the Northern Mariana Islands Constitution effective January 11, 1988. CNMI is the state education agency for pre-school, elementary, and secondary education programs for students ages 6 to 16. It also provides special programs in early interventions for children from birth to 3 years of age and children ages 3 to 5 in Head Start. CNMI consists of 21 school campuses: 12 elementary schools, 4 junior high schools, and 5 high schools.

The CNMI AmeriCorps program is an AmeriCorps State program funded by the Corporation. CNMI recruits part-time members from public and private schools who, under the guidance of site supervisors within CNMI, serve in all public elementary and middle schools throughout the islands of Rota, Tinian, and Saipan. The members provide tutoring and service learning activities for the community.

EXIT CONFERENCE

The contents of this draft report were discussed with CNMI and Corporation representatives during a teleconference on March 16, 2011. We have summarized CNMI's comments in the appropriate sections of this report and have included its complete comments in Appendix A.

The Corporation did not have specific comments but stated that it will work with CNMI to ensure its corrective action plan adequately addresses the findings. It intends to respond in its management decision at a later date (see Appendix B).



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June 1, 2011

Office of Inspector General
 Corporation for National and Community Service

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

Cotton & Company LLP performed the procedures detailed in the OIG's *Agreed-Upon Procedures for Corporation Awards to Grantees (including Subgrantees)*, dated April 2010. These procedures were agreed to by the OIG solely to assist it in grant cost and compliance testing of Corporation-funded Federal assistance provided to CNMI for the awards detailed below.

This AUP engagement was performed in accordance with attestation 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 Award During AUP Period
AmeriCorps State	06TTHMP001	08/16/06-12/07/09	04/01/08-12/07/09	\$1,061,679
AmeriCorps State	09TTHMP001	08/18/09-08/17/12	08/18/09-03/31/10	\$340,186

We performed testing of these AmeriCorps program awards at CNMI. We selected samples of labor, benefits, and other direct costs that CNMI reported on its November 15, 2009, and March 31, 2010, Federal Financial Reports (FFR). We also tested certain grant compliance requirements by sampling 25 of CNMI's 179 total members, as shown on the following page. We performed all applicable testing procedures in the AUP program for each sampled member.

Award No.	Program Year	Members	
		Total	Sampled
06TTHMP001	2007-2008	50	7
06TTHMP001	2008-2009	69	7
09TTHMP001	2009-2010	<u>60</u>	<u>11</u>
Total		<u>179</u>	<u>25</u>

RESULTS OF AGREED-UPON PROCEDURES

We questioned claimed Federal-share costs of \$68,288. 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 education awards of \$13,678. 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. 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 agreed-upon procedures on claimed costs are in Exhibit A and the supporting schedules. Results of testing grant compliance are summarized in Exhibit B. We were not engaged to and did not perform an examination, the objective of which would be expression of an opinion on the subject matter. Accordingly, we do not express such an opinion. Had we performed other procedures, other matters might have come to our attention that would have been reported.

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

COTTON & COMPANY LLP



Michael W. Gillespie, CPA, CFE
Operations Managing Partner

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

Award No.	Federal Costs			Questioned	
	Awarded	Claimed	Questioned	Ed Awards	Reference
06TTHMP001	\$1,061,679	\$584,257	\$66,345	\$4,726	Schedule A
09TTHMP001	<u>340,186</u>	<u>109,190</u>	<u>1,943</u>	<u>8,952</u>	Schedule A
Total	<u>\$1,401,865</u>	<u>\$693,447</u>	<u>\$68,288</u>	<u>\$13,678</u>	

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM

SCHEDULE OF CLAIMED AND QUESTIONED COSTS

	Award No. 06TTHMP001	Award No. 09TTHMP001	Notes
Claimed Federal Costs	<u>\$584,257</u>	<u>\$109,190</u>	
Questioned Federal Costs:			
Criminal history search not conducted	\$3,345	\$0	1
Insufficient citizenship documentation	4,275	0	2
Unallocable other costs	8,242	0	3
Unallocable travel costs	14,999	0	4
Unsupported other costs	31,435	1,909	5
Unsupported labor costs	<u>2,940</u>	<u>0</u>	6
Subtotal	\$65,236	1,909	
Administrative Costs	<u>1,109</u>	<u>34</u>	7
Total Questioned Federal Costs	<u>\$66,345</u>	<u>\$1,943</u>	
Questioned Education Awards:			
Insufficient citizenship documentation	\$2,363	\$0	2
Members service activities	2,363	0	8
Compelling personal circumstances	0	8,952	9
Timekeeping discrepancies	<u>0</u>	<u>0</u>	10
Total Questioned Education Awards	<u>\$4,726</u>	<u>\$8,952</u>	

1. CNMI did not conduct a criminal history check for one member:

- CNMI did not conduct a criminal history check for one PY 2007-2008 member who was over 18 years of age. It did not have procedures to ensure that members who were over 18 years of age received criminal history checks.¹ As discussed below, we questioned living allowance and benefits of \$3,345 for the PY 2007-2008 member (Member No. 13).
- CNMI did not conduct NSOPR searches on its members as required. Instead, it conducted CNMI sex offender registry searches, which did not comply with AmeriCorps regulations because these were searches of the local registry only. CNMI was unaware that its sex offender registry search did not comply with AmeriCorps regulations. In addition, during fieldwork CNMI could not provide documentation to demonstrate that CNMI sex offender registry searches were conducted on two PY 2008-2009 members. However, after the exit conference, CNMI provided copies of NSOPR searches for the members. Therefore, we did not question any costs or education awards for these members. See compliance Finding 2 (Exhibit B).

¹ CNMI did not conduct criminal history checks on members under 18 years of age, because CNMI law prohibits release of criminal history information for minors.

Criteria

45 Code of Federal Regulations (CFR) § 2540.202, *What two search components of the National Service Criminal History Check must I satisfy to determine an individual's suitability to serve in a covered position?*, requires programs to conduct state criminal history checks and NSOPR searches.

45 CFR § 2540.203, *When must I conduct a State criminal registry check and a NSOPR check on an individual in a covered position?*, states that criminal registry checks are to be conducted on individuals who enrolled or were hired by the program after November 23, 2007. The NSOPR check was required to be performed for individuals serving or who had applied to serve in a covered position (member or grant-funded employee) on or after November 23, 2007.

45 CFR § 2540.205, *What documentation must I maintain regarding a National Service Criminal History Check for a covered position?*, requires grantees to maintain results of checks unless prohibited by state law, and to document in writing that results were considered when selecting members for the program.

- 2. Files for one Program Year (PY) 2007-2008 member and one PY 2008-2009 member did not contain documentation to support the members' citizenship.

Criteria

According to 45 CFR § 2522.200, every AmeriCorps participant is required to be a citizen, national, or lawful permanent resident alien of the United States. In addition, *2007 AmeriCorps Grant Provisions*, Section IV, AmeriCorps Special Provisions, Subsection C.1, Member Enrollment Procedures, states that an individual is enrolled as an AmeriCorps member when the program has verified a member's eligibility to serve. Further, the CNMI AmeriCorps Service Program School Year 2007-2008 Member Agreement, Minimum Qualification, required members to certify that they were a citizen, national, or lawful permanent resident alien of the United States and provide proof of citizenship and age, with a driver's license and passport or a driver's license and birth certificate.

The CNMI AmeriCorps program director was recently hired by CNMI and did not know why member files were missing citizenship documentation. The failure to verify citizenship before a member's start date could result in enrolling ineligible members who are not citizens, nationals, or lawful permanent residents. After the exit conference, CNMI provided documentation to support citizenship for the PY 2008-2009 member.

As shown below, we questioned living allowance and benefits (member costs) and an education award for the PY 2007-2008 member without citizenship documentation. See Compliance Finding 5 (Exhibit B).

PY	Member No.	Questioned Education Awards	Questioned Member Costs
2007-2008	1	<u>\$2,363</u>	<u>\$4,275</u>

3. CNMI claimed \$8,242 against Award No. 06TTHMP001 that was allocable to Award No. 09TTHMP001. Award No. 06TTHMP001 supported expenses for PYs 2006-2007, 2007-2008, and 2008-2009, and Award No. 09TTHMP001 supported expenses for PY 2009-2010. Expenses were claimed in November 2009, but should have been claimed as PY 2009-2010 expenses. Details follow:
 - \$2,097 for conference room rental and conference services for the PY 2009-2010 AmeriCorps member training session held in November 2009.
 - \$2,221 for office supplies ordered in October 2009 after PY 2008-2009 members had exited the program.
 - \$2,499 for document scanning and digital printing services for copying the PY 2009-2010 AmeriCorps Member and Volunteer Manual on flash drives, which were distributed to members and site supervisors at the November 2009 training session.
 - \$1,425 for purchase of 75 flash drives for the document scanning project cited above.

Criteria

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments Attachment A, Subsection C.3., *Allocable costs*, states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objectives in accordance with relative benefits received.

After the exit conference, CNMI provided a copy of journal voucher that showed the above transactions were moved from Award No. 06TTHMP001 to Award No. 09TTHMP001. However, CNMI did not provide any documentation to demonstrate that it had adjusted its Final FFR for Award No. 06TTHMP001. Therefore, we questioned \$8,242 of unallocable costs. See Compliance Finding 1 (Exhibit B).

4. CNMI claimed unallocable costs against Award No. 06TTHMP001, as follows:
 - It claimed \$11,770 of airfare and per diem for trips taken in October 2009:
 - \$6,198 (\$2,638 in per diem and \$3,560 in airfare), the full amount of the CNMI AmeriCorps Program Director's trip to Denver and Washington, DC.
 - \$3,560 in airfare, the full amount of the CNMI Federal Grants Officer's airfare to Denver, Washington, DC, and Honolulu.
 - \$2,012 of per diem, a portion of the Assistant Superintendent for Curriculum and Instruction's trip to Denver, Washington, DC, and Honolulu.

These expenses were not allocable to the AmeriCorps award because the only portion of the trip that was AmeriCorps-related was a half-day meeting with the Corporation's program officer. The program officer was unaware that these costs were charged to the

grant. In addition, this trip was not included in the approved grant budget. The approved budget only included travel to Corporation-sponsored conferences and events.

The Washington, DC, trip purpose was to meet with program officers at the U.S. Departments of Education and Interior, and the CNMI Congressional delegate. The Denver trip purpose was to meet with an organization about its growth model and peer review process. The Honolulu trip purpose was to meet with a private organization on a variety of education issues.

- CNMI also claimed \$3,229 of travel expenses for a Board of Education representative who attended the National Service Learning Conference in Nashville. According to the organization chart provided by CNMI, this person was not directly involved in the administration of the AmeriCorps program and was not identified in the budget. We questioned \$3,229.

CNMI also claimed an additional \$1,537 of costs related to this trip, but did not provide supporting documentation. These costs are questioned in Schedule A, Note 5, below.

After the exit conference, CNMI provided a copy of journal voucher that showed the above transactions were moved from Award No. 06TTHMP001 to a non-AmeriCorps CNMI account. However, CNMI did not provide any documentation to demonstrate that it had adjusted its Final FFR for Award No. 06TTHMP001. Therefore, we questioned \$14,999 (\$11,770 + \$3,229). See Compliance Finding 1 (Exhibit B).

Criteria

OMB Circular A-87 Attachment A Subsection C.3., *Allocable costs*, states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objectives in accordance with relative benefits received.

5. CNMI did not provide supporting documentation for 21 of 88 sampled transactions totaling \$21,395 from Award No. 06TTHMP001, and 6 of 20 sampled transactions totaling \$1,127 from Award No. 09TTHMP001.

In addition, it did not provide adequate supporting documentation for seven sampled transactions totaling \$10,040 from Award No. 06TTHMP001 and two sampled transactions totaling \$782 from Award No. 09TTHMP001.

Award No. 06TTHMP001

- CNMI claimed \$345 of travel expenses against Award No. 09TTHMP001 for an AmeriCorps site supervisor's attendance at a May 2009 AmeriCorps ceremony. CNMI claimed \$202 of per-diem and lodging expenses and \$142 of rental car expenses. The rental car invoice supported \$113, a difference of \$29. We questioned \$29.
- CNMI claimed \$4,800 (\$400 x 12) of rent expenses from August 2008 through July 2009 for the AmeriCorps office located at Marianas High School. CNMI provided a copy of a purchase order and an invoice on Marianas High School letterhead but it did not provide documentation to support the valuation of the rent expenses was determined. Because we could not determine how these costs were valued, we questioned the entire amount of \$4,800.

- CNMI claimed airfare expenses of \$2,581 for program director to attend the National Conference on Volunteering and Service in San Francisco from June 19-28, 2009. CNMI provided an itinerary and travel authorization for which showed \$2,581 as the cost of the airfare. The itinerary provided showed that the program director was to depart San Francisco on June 28; however, copies of boarding passes provided for the return flight showed the traveler did not return until July 3, 2009 and departed from a different city than the conference. CNMI did not provide documentation to explain why the return days were different. Because of the discrepancies between the itinerary and boarding passes and because CNMI did not provide any documentation to show that flight changes did had not reduce the amount claimed, Therefore we questioned \$2,581.
- CNMI claimed travel expenses of \$2,821 for the program director to attend National Conference on Volunteering and Service in San Francisco. CNMI claimed \$248 of transportation expenses, \$1,543 of lodging expenses, \$530 of per diem expenses, and a \$500 registration fee for this conference. CNMI did not provide documentation to support payment of the \$500 conference registration fee. Instead, it only provided a copy of a web page printout showing the amount of the registration fee. We questioned \$500.
- CNMI claimed \$253 of travel expenses for the Board of Education Chairperson to attend the AmeriCorps awards ceremony on the island of Saipan on May 23, 2009. CNMI claimed \$115 of rental car expenses and \$138 of per diem expenses. The rental car expenses were supported by an invoice but CNMI did not provide documentation that identified whether the \$138 per diem costs consisted of lodging, meals and incidental expenses, or a combination of the two. Therefore, we questioned \$138.
- CNMI claimed \$1,799 of travel expenses for the program director to meet with officials in Washington, DC from March 31 to April 7, 2008 and to attend the National Service Learning Conference in Minneapolis, MN from April 8 to April 13, 2008. CNMI claimed \$971 of per diem expenses and \$828 of other expenses. CNMI provided an online credit card statement showing various charges, but it did not identify which charges made up the \$1,799 claimed. Therefore, we questioned \$1,799.
- CNMI claimed \$291 of travel expenses for the program director to conduct site visits in Rota on December 11 and 12, 2008. CNMI claimed \$98 of rental car and gas expenses and \$193 of per diem expenses. CNMI provided invoices for the rental car and gas expenses, but CNMI did not provide documentation that identified whether \$193 of per diem costs consisted of lodging and meals and incidental expenses, or a combination of the two. Therefore, we questioned \$193.

Award No. 09TTHMP001

- CNMI provided supporting documentation for \$245 of \$958 sampled internet costs for the AmeriCorps Program Director and Assistant, but did not provide supporting documentation for the remaining \$713.
- CNMI claimed \$207 of per-diem and rental car expenses for an AmeriCorps site supervisor to attend a January 2010 meeting on the island of Saipan. It did not, however, support \$69 of rental car expenses.

Criteria

OMB Circular A-87 Attachment A, Subsection C.1., *Factors affecting allowability of costs*, states that an award cost must be adequately documented to be allowable. Further, 45 CFR § 2541.420, *Retention and access requirements for records*, requires retention of supporting documents and records pertinent to an award for 3 years from the date of submission of the final expenditure report.

We questioned unsupported costs of \$31,435 (\$21,395 + \$10,040) from Award No. 06TTHMP001 and \$1,909 (\$1,127 + \$782) from Award No. 09TTHMP001. See Compliance Finding 1 (Exhibit B).

6. CNMI claimed \$8,940 of AmeriCorps site supervisor salaries in January 2009 for work performed in December 2008. It provided site supervisor timesheets and certifications by the AmeriCorps program director supporting only \$6,000 of the \$8,940 claimed. CNMI could not locate documentation to support the remaining \$2,940 of AmeriCorps site supervisor labor costs.

Criteria

OMB Circular A-87, Attachment B, Subsection 8.h., *Support of salaries and wages*, requires charges for salaries and wages for individuals working solely on a single Federal award or cost objective to be supported by periodic certifications that the employee worked solely on the program for the period covered by the certification. These certifications must be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. Further, personnel activity reports are required for employees working on multiple activities. These reports must be signed by each employee and account for all time worked.

45 CFR § 2541.420, *Retention and access requirements for records*, requires retention of supporting documents and records pertinent to an award for 3 years from the date of submission of the final expenditure report.

We questioned \$2,940 of unsupported costs. See Compliance Finding 9 (Exhibit B).

7. CNMI claimed administrative costs of 1.7 percent for Award No. 06TTHMP001 and 1.8 percent for Award No. 09TTHMP001. Questioned costs in Notes 1 through 6 resulted in \$1,109 (\$65,236 x 1.7 percent) of unallowable administrative costs on Award No. 06TTHMP001. Questioned costs in Note 5 resulted in \$34 (\$1,909 x 1.8 percent) of unallowable administrative costs on Award No. 09TTHMP001. See Compliance Finding 1 (Exhibit B).
8. One PY 2008-2009 member recorded 80 hours of clerical work performed at the CNMI Department of Military Affairs as service time on her August 2009 timesheet. CNMI identified these service hours as "Life after AmeriCorps" hours. The member performed administrative duties, including filing and organizing files and assisting the executive office on matters pertaining to veteran health benefits and the veterans cemetery.

Criteria

Clerical activities were inconsistent with activities described in the grant application, which lists activities such as after school, weekend, and summer tutoring; mentoring; and reading, as well as participation in family days and community clean ups.

We deducted the 80 service hours recorded by the member. After deducting these hours, remaining hours were insufficient to qualify the member for an education award.

PY	Member No.	Timesheet Hours			Hours Required	Questioned Education Award
		Total	Life After AmeriCorps	Adjusted		
2008-2009	11	934	80	854	900	\$2,363

We questioned the education award of \$2,363 for this member because these activities were inconsistent with activities described in the grant application. See Compliance Finding 4 (Exhibit B).

9. CNMI exited eight PY 2009-2010 members for compelling personal circumstances, but did not document the basis for its determinations. Its AmeriCorps director was newly hired and was unaware of AmeriCorps requirements for compelling personal circumstances, thus did not maintain any documentation of compelling personal circumstances.

Criteria

According to 45 CFR § 2522.230 *Under what circumstances may AmeriCorps participants be released from completing a term of service, and what are the consequences?*, an AmeriCorps program may release a participant from completing a term of service for compelling personal circumstances as demonstrated by the participant, or for cause. Further, the program must document the basis for any determination that compelling personal circumstances prevent a participant from completing a term of service.

We questioned prorated education awards of \$8,952 for these members (Member Nos. 3 through 10). See Compliance Finding 3 (Exhibit B).

PY	Member No.	Questioned Education Awards
2009-2010	3	\$587
2009-2010	4	776
2009-2010	5	1,504
2009-2010	6	1,339
2009-2010	7	1,520
2009-2010	8	797
2009-2010	9	864
2009-2010	10	<u>1,565</u>
Total		<u>\$8,952</u>

10. Timesheets for 21 of 25 (5 PY 2007-2008 members, 6 PY 2008-2009 members, and 10 PY 2009-2010 members) tested did not agree with hours recorded in the Portal or on CNMI exit documents. Timesheet hours for three PY 2009-2010 members were insufficient to qualify them for partial education awards.

PY	Member No.	Portal Hours	Timesheet Hours	Questioned Education Awards²
2009-2010	4	291	259	Note 9
2009-2010	5	564	517	Note 9
2009-2010	9	324	276	Note 9

Criteria

2007 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection C.2, requires grantees to keep time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits. The Corporation uses time-and-attendance information entered in the Portal (and formerly in the Corporation's Web Based Reporting System) to track member status, which forms the basis for calculating education awards.

AmeriCorps requirements address policy but do not address specific timesheet procedures. It is, however, good business practice to check the accuracy of hours recorded on timesheets.

Without procedures to verify member activities or timesheet accuracy, the potential exists for members to receive education awards for which they are not entitled. We questioned the prorated portion of the partial education awards for three members (Member Nos. 4, 5, and 9). The prorated portion is included in the education awards questioned in Note 9. See Compliance Finding 4 (Exhibit B).

²We calculated the questioned amount as follows: (Portal hours/900 hours x \$2,363) – (timesheet hours/900 hours x \$2,363).

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM**

COMPLIANCE RESULTS

Our agreed-upon procedures identified the compliance findings described below.

Finding 1. CNMI claimed unallowable and unsupported costs.

Notes to Schedule A describe questioned costs of \$68,288, which are summarized on Exhibit A. A questioned cost is an alleged violation of provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds or a finding that, at the time of testing, such cost was not supported by adequate documentation.

Recommendations: We recommend that the Corporation:

- 1a. Calculate and seek to recover the appropriate amount of disallowed costs based on our costs questioned;
- 1b. Calculate and seek to recover administrative costs related to the disallowed costs;
- 1c. Require CNMI to adjust its FFRs for the unallowable costs; and
- 1d. Instruct CNMI to review applicable regulations and develop policies and procedures to ensure that claimed costs are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations.

CNMI's Response: CNMI provided the following responses:

- It transferred the \$14,999 of questioned travel costs to a non-AmeriCorps account and adjusted its FFR;
- It transferred the \$8,242 of questioned other costs claimed on Award No. 06TTHMP001 to award No. 09TTHMP001 and adjusted its FFR;
- Documents supporting the \$31,435 of unsupported other costs, \$1,909 of unsupported other costs, and \$2,940 of unsupported labor costs are not available. It stated that the files supporting these costs were transferred to another building for storage but the building was demolished and all contents stored in the building were destroyed. It asked the Corporation to allow these costs because the costs were legitimate program expenses incurred to conduct program activities;
- Beginning on May 1, 2011, all program records will be maintained and retained electronically using a newly implemented Public School System policy. This system will ensure that program documents are retained for the time limits described in CNMI and AmeriCorps regulations; and

- It is working on finalizing a comprehensive standard operating procedure that addresses compliance with Corporation requirements and procedures for financial requests. The procedures will be consistent with the program's approved program budget. It will provide a copy of the finalized standard operating procedure before July 1, 2011.

Accountants' Comments: Our responses follow:

- Transferring the \$14,999 of questioned costs to a non-AmeriCorps account and transferring the \$8,242 of questioned costs to the Award No. 09TTHMP001 are responsive to our recommendation. However, CNMI did not provide copies of its adjusted FFRs. We recommend that the Corporation verify that CNMI has adjusted its FFRs and has returned the \$14,999 of questioned costs and related administrative costs to the Corporation;
- CNMI did not mention the destroyed building and records during planning, on-site fieldwork, and the exit conference. Further, CNMI did not provide documentation to support its statement that these records and the building the records were stored in were destroyed. We recommend that the Corporation disallow and seek to recover \$36,284 (\$34,375 from Award No. 06TTHMP001 and \$1,909 from Award No. 09TTHMP001) of these costs and any related administrative costs from CNMI.
- We recommend that the Corporation verify that CNMI's electronic records system meets the requirements for electronic record keeping that are described in the AmeriCorps Grant Provisions;
- Creating a standardized operating procedure is responsive to our recommendation. We recommend that the Corporation verify that the new procedure has been provided by July 1, 2011, and that it includes measures for ensuring claimed costs are allowable, adequately documented, allocable to Corporation awards, and are in the approved budget; and
- We recommend that the Corporation verify that CNMI's revised procedures have been implemented and are working as intended.

Finding 2. CNMI did not comply with AmeriCorps requirements for criminal history checks and NSOPR searches.

CNMI did not conduct NSOPR searches for all members and did not conduct a criminal history check for one member:

- CNMI did not conduct NSOPR searches on its members as required. Instead, it conducted CNMI sex offender registry searches, which did not comply with AmeriCorps regulations because these were searches of the local registry only. CNMI was unaware that its sex offender registry search did not comply with AmeriCorps regulations. CNMI also did not conduct its own search on two PY 2008-2009 members. After the exit conference, CNMI provided documentation of NSOPR searches for all sampled members. Therefore, we did not question the education awards for these members.

- CNMI did not conduct a criminal history check for one PY 2007-2008 member who was over 18 years of age. It did not have procedures to ensure that members who were over 18 years of age received criminal history checks.³

As discussed in Schedule A Note 1, we questioned living allowance and member benefits of \$3,345 for the PY 2007-2008 member (Member No. 13).

Criteria

45 CFR § 2540.202, *What two search components of the National Service Criminal History Check must I satisfy to determine an individual’s suitability to serve in a covered position?*, requires programs to conduct state criminal history checks and NSOPR searches.

45 CFR § 2540.203, *When must I conduct a State criminal registry check and a NSOPR check on an individual in a covered position?*, states that criminal registry checks are to be conducted on individuals who enrolled or were hired by the program after November 23, 2007. The NSOPR check was required to be performed for individuals serving or who had applied to serve in a covered position (member or grant-funded employee) on or after November 23, 2007.

45 CFR § 2540.205, *What documentation must I maintain regarding a National Service Criminal History Check for a covered position?*, requires grantees to maintain results of checks unless prohibited by state law, and to document in writing that results were considered when selecting members for the program.

CNMI also did not conduct CNMI sex offender registry searches for 23 of 25 sampled members until several months after the members started service. As shown in the table below, the number of days between member start dates (and dates when members could have been working with vulnerable populations) and search dates ranged from 80 to 190 days:

PY	Number of Members	Days to Perform Searches
2007-2008	7	122-135
2008-2009	5	184-190
2009-2010	11	80-115

Criteria

45 CFR § 2540.205 requires grantees to document in writing that results were considered when selecting members for the program.

Not obtaining criminal history checks for members with substantial recurring contact with children and vulnerable populations before a member’s start date could present a danger to the individuals being served by the members.

³ CNMI did not conduct criminal history checks on members under 18 years of age, because CNMI law prohibits release of criminal history information for minors.

Recommendations: We recommend that the Corporation:

- 2a. Provide guidance to CNMI to ensure that it conducts, maintains, and retains documentation to support member criminal history checks conducted in compliance with AmeriCorps regulations; and
- 2b. Verify that CNMI has implemented effective background check procedures.

CNMI's Response: CNMI provided the following responses:

- An auditor must ascertain if a cost has been incurred before it can be questioned;
- It is working on finalizing a comprehensive standard operating procedure that addresses compliance with Corporation requirements and procedures on background checks. It will provide a copy of the standard operating procedure before July 1, 2011; and
- It has implemented the Corporation requirements for background checks by conducting NSOPR searches nationally instead of locally for new members. In addition, all future background checks will be conducted in accordance with Corporation requirements prior to the start date of each member.

Accountants' Comments: Our responses follow:

- CNMI did not provide a response to the \$3,345 of living allowance costs questioned for the member who was over 18 years of age and did not have a criminal history check. Documents supporting that the costs were incurred include the member's enrollment form, mid-term evaluation form, exit form, and timesheets. We recommend that the Corporation disallow and seek to recover these costs and any related administrative costs;
- Creating a standardized operating procedure is responsive to our recommendation. We recommend that the Corporation verify that the new procedure has been provided by July 1, 2011, and includes measures for conducting criminal history checks on members over 18 years of age, and conducting NSOPR searches on all members. In addition, we recommend that the Corporation verify that CNMI's standard operating procedure includes measures for retaining documentation of criminal history checks and NSOPR checks;
- Conducting NSOPR searches nationally instead of locally for new members and conducting future background checks prior to the start date of each member are responsive to our recommendations. We recommend that the Corporation verify that these procedures are documented in CNMI's standard operating procedure; and
- We recommend that the Corporation verify that the revised procedures have been implemented and are working as intended.

Finding 3. CNMI did not follow AmeriCorps requirements for compelling personal circumstances.

CNMI exited eight PY 2009-2010 members for compelling personal circumstances, but did not document the basis for its determinations. Its AmeriCorps director was newly hired and was unaware of AmeriCorps requirements for compelling personal circumstances and did not maintain any supporting documentation for the compelling personal circumstances.

Criteria

According to 45 CFR § 2522.230, an AmeriCorps program may release a participant from completing a term of service for compelling personal circumstances as demonstrated by the participant, or for cause. The program must document the basis for any determination that compelling personal circumstances prevent a participant from completing a term of service. Further, compelling personal circumstances do not include leaving a program to enroll in school; leaving a program to obtain employment, other than moving from welfare to work, or leaving a program that includes in its approved objectives the promotion of employment among its participants; or dissatisfaction with the program.

As discussed in Schedule A, Note 9, we questioned \$8,952 of prorated education awards for eight members (Member Nos. 3-10).

Recommendations: We recommend that the Corporation:

- 3a. Disallow and, if already used, recover education awards made to members who did not meet the AmeriCorps requirements for compelling personal circumstances;
- 3b. Require CNMI to strengthen its policies and procedures to ensure that it complies with Corporation requirements concerning compelling personal circumstances; and
- 3c. Verify implementation of CNMI's strengthened policies and procedures.

CNMI's Response: CNMI provided the following responses:

- It disagrees with our recommendation to disallow and recover the education awards made to the members who did not meet the AmeriCorps requirements for compelling personal circumstances. It stated that the eight members had compelling circumstances and it provided reasons for each member. As summarized below, it stated that three members exited for personal reasons, three members left to attend college outside of CNMI, and two members left to join the military.
 - **Member No. 3** had too many school and extracurricular activities. The member felt that he was unable to give his full attention to the AmeriCorps program;
 - **Member No. 4** took on a part-time job to help his family;
 - **Member No. 5** left to attend college at the University of Guam;
 - **Member No. 6** was “burnt out” and lost interest in the program;

- **Member No. 7** left to attend college at the University of Guam;
 - **Member Nos. 8 and 9** left to join the military; and
 - **Member No. 10** left to attend Hawaii Pacific University.
- Of the three members who exited the program for personal reasons, Member No. 4 has a compelling personal circumstance. CNMI is in a major economic crisis that forces many families to seek additional employment opportunities, including relying on family members who are of age to take on part-time jobs to help support the family.
 - While the Corporation does not recognize the reasons provided for Member Nos. 3 and 6 as compelling personal circumstances, CNMI has tightened its monitoring and tracking systems to identify members who are not meeting the required hours on a monthly basis. It will provide these members with solutions to prevent the members from exiting early and will replace members who do not perform the required hours;
 - The three members (Nos. 5, 7, and 10) who exited to attend college outside of the CNMI have compelling personal circumstances but the Corporation does not recognize attending college as a compelling personal circumstance. It further stated that its students have limited options after they graduate from high school. Students attend college in CNMI or at a college outside of CNMI, serve in the military, or seek employment opportunities;
 - It is working on finalizing a comprehensive standard operating procedure that addresses policies and procedures for complying with Corporation requirements for compelling personal circumstances. It will provide a copy of the standard operating procedure before July 1, 2011.

Accountants' Comments: Our responses follow:

- We do not agree with CNMI's statement that Member Nos. 3, 4, 5, 6, 7, and 10 left for compelling personal circumstances.

As discussed above, compelling personal circumstances do not include leaving a program to enroll in school; leaving a program to obtain employment, other than moving from welfare to work, or leaving a program that includes in its approved objectives the promotion of employment among its participants; or dissatisfaction with the program.

We continue to recommend that the Corporation disallow and, if already used, recover education awards of \$7,291 made to members who did not meet the AmeriCorps requirements for compelling personal circumstances;

- CNMI stated that Member Nos. 8 and 9 left for military service; however, CNMI did not provide any documentation to support this explanation. We recommend that the Corporation require CNMI to provide documentation to support its statement that these members left for military service. If CNMI is unable to provide such

documentation, we recommend that the Corporation disallow and recover the \$1,661 of education awards made to these members;

- Creating a standardized operating procedure is responsive to our recommendation. We recommend that the Corporation verify that the new procedure has been provided by July 1, 2011, and that it includes procedures for complying with Corporation requirements for compelling personal circumstances;
- We recommend that the Corporation verify that CNMI's revised procedures have been implemented and are working as intended.

Finding 4. CNMI did not accurately record all timesheet hours, did not have procedures to verify member activities and timesheet accuracy, and, in some instances, timesheets did not support member eligibility for education awards.

We tested timesheets for 25 members. As described below, timesheet hours were not always accurately recorded in the Portal or on CNMI exit documents, and we identified weaknesses in how timesheets were prepared.

- a. Timesheets for 21 of 25 (5 PY 2007-2008 members, 6 PY 2008-2009 members, and 10 PY 2009-2010 members) tested did not agree with hours recorded in the Portal or on CNMI exit documents. Timesheet hours for three PY 2009-2010 members did not support the hours used to calculate the members' partial education awards.

PY	Member No.	Portal Hours	Timesheet Hours
2009-2010	4	291	259
2009-2010	5	564	517
2009-2010	9	324	276

Criteria

2007 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection C.2, requires grantees to keep time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits. The Corporation uses time-and-attendance information entered in the Portal (and formerly in the Corporation's Web Based Reporting System) to track member status, which forms the basis for calculating education awards.

AmeriCorps requirements address policy but do not address specific timesheet procedures. It is, however, good business practice to check the accuracy of hours recorded on timesheets.

- b. One PY 2008-2009 member recorded 80 hours of clerical work performed at the CNMI Department of Military Affairs as service time on her August 2009 timesheet. CNMI identified these service hours as "Life after AmeriCorps" hours. The member performed administrative duties, including filing and organizing files and assisting the executive office on matters pertaining to veteran health benefits and the veterans cemetery.

Criteria

Clerical activities were inconsistent with activities described in the grant application, which lists activities such as after school, weekend, and summer tutoring; mentoring; and reading, as well as participation in family days and community clean ups. We deducted the 80 service hours recorded by the member. After deducting these hours, remaining hours were insufficient to qualify the member for an education award.

PY	Member No.	Timesheet Hours			Hours Required	Questioned Education Award
		Total	Life After AmeriCorps	Adjusted		
2008-2009	11	934	80	854	900	\$2,363

Without procedures to verify member activities, the potential exists for members to perform prohibited activities or receive education awards to which they are not entitled.

We questioned the prorated portion of the partial education awards for the three PY 2009-2010 members (Member Nos. 4, 5, and 9). The prorated portion is included in the education awards questioned for compelling personal circumstances Schedule A, Note 9. We also questioned in Schedule A, Note 8, the education award of \$2,363 for the PY 2008-2009 member (Member No. 11) who had insufficient number of hours after deducting the Life after AmeriCorps hours.

- c. We noted weaknesses in timekeeping procedures. A summary of timesheet discrepancies by program year follows:

Timesheet Discrepancies	Program Years		
	2007-2008	2008-2009	2009-2010
Member and supervisor signatures not dated	7	7	1
Supervisor signatures not dated	2	1	0
Member signatures not dated	0	3	0
Corrections made with whiteout	0	1	2
Corrections not initialed	0	2	8
Member signatures missing	0	0	1
Mathematical errors	<u>0</u>	<u>0</u>	<u>1</u>
Total	<u>9</u>	<u>14</u>	<u>13</u>

Criteria

AmeriCorps requirements address policy but do not address specific timesheet procedures, which is the responsibility of the grantee or subgrantee. It is, however, good business practice to maintain original documents, initial changes, make corrections without pencil or whiteout, sign and date documents. As a result, accountability is maintained, and timesheets are consistent with member and management intentions.

Recommendations: We recommend that the Corporation:

- 4a. Disallow and, if already used, recover education awards made to members who did not serve the minimum required service hours;

- 4b. Require CNMI to strengthen its procedures to ensure that proper member timesheets are maintained; and
- 4c. Verify that CNMI's strengthened member timesheet procedures have been implemented.

CNMI's Response: CNMI provided the following responses:

- Its program director has informed site supervisors of Corporation requirements for member timesheets, and it documented this notification in its November 2010 site supervisor quarterly meeting minutes. In addition, the program director will conduct training on proper maintenance of member timesheets prior to the start of the new program year and it will retain evidence of this training. Finally, the program director will check submitted timesheets for accuracy and completeness prior to approving them; and
- It is working on finalizing a comprehensive standard operating procedure that addresses policies and procedures on properly maintaining timesheets. It will provide a copy of the finalized standard operating procedure before July 1, 2011.

Accountants' Comments: Our responses follow:

- Informing site supervisors of the requirements for member timesheets, conducting site supervisor training on proper maintenance of member timesheets, and checking submitted timesheets for accuracy and completeness are responsive to our recommendation;
- Creating a standardized operating procedure that addresses policies and procedures on properly maintaining member timesheets is responsive to our recommendation. We recommend that the Corporation verify that the standard operating procedure has been provided by July 1, 2011, and that it includes procedures for informing site supervisors of the requirements for member timesheets; conducting site supervisor training on member timesheets, and reviewing timesheets for completeness and accuracy;
- We recommend that the Corporation verify that CNMI's revised procedures have been implemented and are working as intended;
- CNMI did not respond to the three PY 2009-2010 members (Member Nos. 4, 5, and 9) who had a prorated portion of their partial education awards questioned because their timesheets did not support the hours used to calculate their partial education awards. Because Member Nos. 4 and 5 did not meet the requirements for compelling personal circumstances, their education awards continue to be questioned in Finding 3. If CNMI provides documentation to support the military service of Member No. 9, we recommend that the Corporation disallow and, if already used, recover the prorated education award of \$127 for this member; and
- CNMI did not respond to the one member whose education award was questioned for performing clerical activities. We continue to recommend that the Corporation

disallow and, if already used, recover the education award of \$2,363 for this member.

Finding 5. CNMI did not comply with AmeriCorps citizenship eligibility requirements.

Files for one PY 2007-2008 member (Member No. 1) and one PY 2008-2009 member did not contain documentation to support citizenship.

Criteria

45 CFR § 2522.200 states that every AmeriCorps participant is required to be a citizen, national, or lawful permanent resident alien of the United States. In addition, *2007 AmeriCorps Grant Provisions*, Section IV, AmeriCorps Special Provisions, Subsection C.1, Member Enrollment Procedures, states that an individual is enrolled as an AmeriCorps member when the program has verified a member's eligibility to serve. Further, the CNMI AmeriCorps Service Program School Year 2007-2008 Member Agreement, Minimum Qualification, requires members to certify that they were a citizen, national, or lawful permanent resident alien of the United States. The members were also required to provide proof of citizenship and age, with a driver's license and passport or a driver's license and birth certificate.

The CNMI AmeriCorps program director was recently hired by CNMI and did not know why member files were missing citizenship documentation. Not verifying citizenship before a member's start date could result in enrolling ineligible members who are not citizens, nationals, or lawful permanent residents. After the exit conference, CNMI provided documentation to support citizenship for the PY 2008-2009 member

As discussed in Schedule A, Note 2, we questioned living allowance and benefits of \$4,275 and the education award of \$2,363 for the PY 2007-2008 member (Member No. 1).

Recommendations: We recommend that the Corporation:

- 5a. Disallow and, if already used recover the education awards made to members without citizenship documentation,
- 5b. Require CNMI to strengthen its procedures for citizenship verification.
- 5c. Ensure that CNMI implements policies and procedures to verify that citizenship documentation is retained in the member files.

CNMI's Response: CNMI provided the following responses:

- Eligibility documents were missing from some member files; however, it found the documents in a separate file and that CNMI provided the eligibility documents for the two members to the auditors. In addition, it has verified the eligibility of all members enrolled in its AmeriCorps program and that all member files contain eligibility documents;
- It is working on finalizing a comprehensive standard operating procedure that addresses policies and procedures for ensuring that members are eligible to join AmeriCorps. The policies include citizenship verification, acceptable documents to

support eligibility, and procedures to file these documents in the member files. It will provide a copy of the finalized standard operating procedure before July 1, 2011.

Accountants' Comments: Our responses follow:

- We do not agree with CNMI's statement that it provided all eligibility documentation for the two members. On March 25, 2011, it provided a copy of the birth certificate for Member No. 12 but did not provide documentation to support citizenship eligibility for Member No. 1. Therefore, we recommend that the Corporation disallow, and, if already used, recover this member's education award of \$2,363. In addition, we recommend that the Corporation also disallow and seek to recover the member's living allowance of \$4,275 and any related administrative costs;
- Creating a standardized operating procedure that addresses policies and procedures for ensuring members are eligible to join AmeriCorps is responsive to our recommendation. We recommend that the Corporation verify that the new procedure has been provided by July 1, 2011, and that it includes measures for citizenship verification, acceptable documents to supporting eligibility, and procedures to file these documents in the member files; and
- We recommend that the Corporation verify that CNMI's revised procedures have been implemented and are working as intended.

Finding 6. CNMI could not demonstrate that some members received performance evaluations, and all end-of-term evaluations did not meet AmeriCorps requirements.

CNMI could not demonstrate that 4 of 7 sampled PY 2007-2008 members, 5 of 7 sampled PY 2008-2009 members, and 7 of 11 sampled PY 2009-2010 members received end-of-term performance evaluations. In addition, none of the evaluations tested at CNMI indicated if the members had completed the required number of service hours to be eligible for education awards.

Evaluations are necessary to ensure that members are eligible for additional service terms and education awards, and that grant objectives have been met.

Criteria

2007 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection D.6, states that grantees must conduct and keep records of at least a mid- 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 to document that the member has:

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

45 CFR § 2522.220(c) states that a participant is not eligible for a second or additional term of service and/or for an AmeriCorps education award without satisfactory performance evaluations.

We identified other issues with mid- and end-of-term evaluations:

- Final evaluations for one sampled PY 2007-2008 member and one sampled PY 2008-2009 member were not signed by the member or supervisor.
- The final evaluation for one PY 2009-2010 member was not signed by the member.
- Final evaluations for three PY 2009-2010 members were completed before the members completed their service.

Recommendations: We recommend that the Corporation:

- 6a. Provide training to CNMI on requirements for member evaluations, and ensure that it strengthens procedures for conducting and documenting member evaluations.
- 6b. Verify implementation of CNMI's procedures for member evaluations.

CNMI's Response: CNMI provided the following responses:

- Its program director will take the new program directors training when it is offered, and the director will use the training resources in the Portal to strengthen its program to comply with Corporation requirements;
- The program director has informed site supervisors of the Corporation requirements for member evaluations and documented its notification in its November 2010 site supervisor quarterly meeting minutes;
- The program director will conduct training on member evaluations prior to the start of its new program year and it will retain documentation of this training;
- The program director will ensure that member evaluations are submitted on time and conducted as required by the guidelines; and
- It is working on finalizing a comprehensive standard operating procedure that directly addresses policies and procedures on conducting and documenting member evaluations. It will provide a copy of the finalized standard operating procedure before July 1, 2011.

Accountants' Comments: Our responses follow:

- The program director's attendance at the Corporation's new program director training, informing site supervisors of Corporation requirements for member evaluations, and conducting training on member evaluations are responsive to our recommendation;
- Creating a standardized operating procedure that addresses policies and procedures on properly conducting and documenting member evaluations is responsive to our recommendation. We recommend that the Corporation verify that the new procedure has been provided by July 1, 2011, and that it includes procedures for informing site supervisors of the requirements for member evaluations, conducting training on new

member evaluations, ensuring member evaluations are submitted timely, and ensuring that member evaluations comply with Corporation requirements; and

- We recommend that the Corporation verify that CNMI's revised procedures have been implemented and are working as intended.

Finding 7. CNMI did not complete all member enrollment and exit forms and approve them in the Corporation's reporting systems in accordance with AmeriCorps requirements.

CNMI did not approve some member enrollment and exit forms in WBRS or the Portal within 30 days after members started or ended their service terms. The number of late instances for each situation is noted below:

Type of Form	PY 2007-2008	PY 2008-2009	PY 2009-2010	Days to Approve
Enrollment Form (Approved in Portal)	0	0	11	139-323
Exit Form (Approved in Portal)	6	2	9	33-154

Criteria

2007 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection E.2, Notice to the Corporation's National Service Trust, states that the grantee must notify the Corporation's National Service Trust within 30 days upon entering into a commitment with an individual to serve; upon a member's enrollment; and completion of lengthy or indefinite suspension from, or release from, a term of service.

In addition, we noted other compliance issues with member forms for the 25 sampled members:

- Files for 11 PY 2009-2010 members did not have enrollment forms.
- One PY 2007-2008 member signed the enrollment form after exiting the program.
- Enrollment forms for two PY 2008-2009 members did not have supervisor signatures.
- Three PY 2008-2009 members did not date their signatures on the enrollment forms.
- One PY 2008-2009 member and one PY 2009-2010 member completed their service terms, but were not exited from the Portal.
- Files for one member each from PYs 2007-2008, 2008-2009, and 2009-2010 did not have exit forms.
- Four PY 2007-2008 members did not sign exit forms.
- One PY 2007-2008 member and five PY 2009-2010 members did not date their signatures on exit forms.
- Four PY 2008-2009 members and one PY 2009-2010 member signed exit forms before completing service.

- The eligibility for education award certifications were incomplete for one sampled PY 2007-2008 member, two sampled PY 2008-2009 members, and seven sampled PY 2009-2010 members.

Criteria

2007 AmeriCorps Grant Provisions, Section V, General Provisions, Subsection E, Retention of Records, requires grantees to retain all program records for 3 years from the date of submission of the final financial status report (now the Federal financial report). AmeriCorps requirements do not specifically address procedures for preparing forms. It is, however, good business practice to maintain original forms and to obtain all necessary signatures and dates.

2007 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection J, requires that in order for a member to receive a post-service education award from the National Service Trust, the grantee must certify to the National Service Trust that the member is eligible to receive the education benefit.

Without timely completion and submission of enrollment and exit forms, the Corporation cannot maintain accurate member records. This may also impact the member's eligibility to receive an education award.

Recommendations: We recommend that the Corporation:

- 7a. Require CNMI to strengthen its procedures to ensure proper completion of member enrollment and exit forms; and
- 7b. Verify that member forms are properly completed and submitted in accordance with grant requirements.

CNMI's Response: CNMI provided the following responses:

- Its program director has informed site supervisors of the Corporation requirements for proper completion of member enrollment and exit forms, and it documented its notification in the November 2010 site supervisor meeting minutes;
- Its program director will conduct training on proper completion of member enrollment and exit forms prior to start and end of the new program year and it will retain documentation of this training;
- The program director will ensure that enrollment and exit forms are completed and properly executed in the portal system on time in accordance with procedures;
- It is working on finalizing a comprehensive standard operating procedure that directly addresses policies and procedures on member enrollment and exiting. It will provide a copy of the finalized procedure before July 1, 2011.

Accountants' Comments: Our responses follow:

- Informing site supervisors of the requirements for proper completion of member enrollment and exit forms and conducting site supervisor training on these requirements is responsive to our recommendation;
- Creating a standardized operating procedure that addresses policies and procedures on member enrollment and exiting is responsive to our recommendation. We recommend that the Corporation verify that the new procedure has been provided by July 1, 2011, and that it includes procedures for informing site supervisors of the requirements for proper completion of member enrollment and exit forms and conducting site supervisor trainings on the requirements; and
- We recommend that the Corporation verify that CNMI's revised procedures have been implemented and are working as intended.

Finding 8. CNMI did not follow AmeriCorps requirements for pre-service orientation training, training and fundraising hours, member agreement, record retention, annual progress report submittal, and member FICA withholding taxes.

CNMI did not follow AmeriCorps requirements for pre-service orientation training, training and fundraising hours, member agreement, record retention, annual progress report submittal, and member FICA withholding taxes.

Pre-Service Orientation Training

CNMI did not have documentation to demonstrate that one sampled PY 2007-2008 member, two sampled PY 2008-2009 members, and two sampled PY 2009-2010 members attended AmeriCorps pre-service orientation before starting service. CNMI retained the pre-service orientation agendas and sign-in sheets for these program years, but these members did not sign them. As a result, we could not determine if the members received an orientation covering AmeriCorps requirements.

Criteria

2007 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection D, Training, Supervision, and Support, Subsection 3, states that grantees must conduct orientation for members and comply with any pre-service orientation or training required by the Corporation. In addition, grantees are required to provide members with training, skills, knowledge, and supervision necessary to perform tasks required in their assigned project positions, including specific training in a particular field and background information on the community served. Orientation should cover member rights and responsibilities, prohibited activities Drug-Free Workplace Act requirements, suspension and termination from service, grievance procedures, sexual harassment, and other non-discrimination issues.

Training and Fundraising

CNMI could not provide documentation to demonstrate that no more than 20 percent of member service hours in PY 2007-2008 were spent on training activities, and no more than 10 percent of member service hours in PY 2007-2008 were spent on fundraising activities. As a result, we

could not determine if CNMI complied with Corporation requirements for training and fundraising.

Criteria

45 CFR § 2520.50, *How much time may AmeriCorps members in my program spend in education and training activities?*, states no more than 20 percent of the aggregate of all AmeriCorps member service hours in a program year, as reflected in the member enrollment in the National Service Trust, may be spent in education and training activities.

45 CFR § 2520.45, *How much time may an AmeriCorps member spend fundraising?*, states that an AmeriCorps member may spend no more than 10 percent of his or her originally agreed-upon term of service, as reflected in the member enrollment in the National Service Trust, performing fundraising activities.

Member Agreement

One sampled PY 2007-2008 member started service before signing the member agreement. The member started service on September 4, 2007, but did not sign the member agreement until November 6, 2007. Members are not considered enrolled in a program until a contract is signed. In addition, supervisor signatures were missing on member contracts for two sampled PY 2008-2009 members.

Criteria

2007 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection C.1, Member Enrollment Procedures, Subsection b, stipulates that AmeriCorps programs are required to sign a member contract with an individual or otherwise enter a legally enforceable commitment as defined by state law before enrolling a member.

Record Retention

CNMI's record retention policy did not comply with AmeriCorps regulations. CNMI's record retention policy requires that administrative records be kept for 5 years instead of 3 years after submission of the final expenditure report. As a result, CNMI may not retain financial records and documents supporting member eligibility and compliance with applicable regulations for the required period.

Criteria

45 CFR § 2541.420, *Retention and access requirements for records*, requires supporting documents and records pertinent to an award to be retained for a period of 3 years from the date of submission of the final expenditure report.

Annual Progress Report

CNMI submitted its 2009 progress report for Award No. 06TTHMP001 to the Corporation 38 days late. The report was due on December 7, 2009, but was submitted on January 14, 2010. Timely submission of reports is necessary to ensure that the Corporation is aware of all grant activities.

Criteria

2009 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions Subsection I.1, *Grantee Progress Reports*, requires grantees to submit an annual progress report to the Corporation by the first Monday in December. The report is to be submitted through the appropriate electronic system.

Member FICA Taxes

Prior to calendar year 2010, CNMI did not withhold FICA taxes (Social Security and Medicare Taxes) from member stipends and did not provide members with W-2 forms as required by AmeriCorps regulations. CNMI was unaware of AmeriCorps requirements and believed that the living allowance was not taxable, because it was called a stipend, and the Internal Revenue Service (IRS) has ruled that stipends are not taxable. CNMI may be required to pay the unpaid taxes plus interest.

Criteria

2007 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection I.3.b, FICA (Social Security and Medicare Taxes), states that unless the grantee obtains a FICA exemption from IRS, it is required to pay FICA for any member receiving a living allowance. Additionally, the grantee is required to withhold 7.65 percent from a member's living allowance.

2007 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection I.3.c, *Income taxes*, requires grantees to withhold Federal personal income taxes from member living allowances, require members to complete a W-4 form at the beginning of each service term, and provide a W-2 form to the members at the close of the tax year.

Recommendations: We recommend that the Corporation:

- 8a. Require CNMI to strengthen its policies and procedures to ensure that it complies with AmeriCorps requirements for pre-service orientation training, member training, fundraising, member agreements, record retention, and annual progress reports;
- 8b. Require CNMI to implement procedures to ensure it withholds and remits employer and member shares of FICA to the IRS;
- 8c. Require CNMI to implement procedures to ensure it provides W-2 forms to members at the close of the tax year; and
- 8d. Verify implementation of CNMI's policies and procedures.

CNMI's Response: CNMI provided the following responses:

- **Pre-Service Orientation Training.** It is working on finalizing a comprehensive standard operating procedure that directly addresses policies and procedures on pre-service orientation training; including acceptable evidence to support member participation prior to the start of the program. It will provide a copy of the finalized standard operating procedure before July 1, 2011;

- **Training and Fundraising.** Beginning in PY 2009-2010, a new database system was implemented and is now utilized to track training and fundraising activities. The system is updated monthly.
- **Member Agreement.** It is working on finalizing a comprehensive standard operating procedure that addresses policies and procedures on member agreements. Prior to approving members, the program director will double check to ensure that the agreement is signed by both the supervisor and member, and that members start the program only after the member agreement is properly executed and approved. In addition, member agreements will be filed in member files. It will provide a copy of the finalized standard operating procedure before July 1, 2011;
- **Record Retention.** Beginning on May 1, 2011, all program records will be maintained and retained electronically using a newly implemented Public School System policy. This system will ensure that program documents are retained for the time limits described in CNMI and AmeriCorps regulations;
- **Annual Progress Report.** Its AmeriCorps program was in a transition period in December 2009 with the resignation and replacement of its program director. All other annual progress reports were submitted in a timely manner and before the deadlines; and
- **Member FICA Withholding Taxes** Beginning in PY 2009-2010, it began withholding member FICA taxes and W-2 (Wage and Tax Statement) forms are now available for every member.

Accountants' Comments: Our comments follow:

- CNMI's responses for pre-service orientation training, training and fundraising hours, member agreement, record retention, annual progress report submission, and member FICA withholding taxes are responsive to our recommendation.
- Creating a standardized operating procedure that addresses policies and procedures on pre-service orientation training and member agreements is responsive to our recommendation. We recommend that the Corporation verify that the new procedure has been provided by July 1, 2011, and that it includes procedures for pre-service orientation training, documenting member attendance at orientation training, tracking of member training and fundraising hours; ensuring member agreements are signed by members and supervisors; member agreements are signed before members started service; and member agreements are retained in member files. In addition, the standard operating procedure should include measures for ensuring records are retained in accordance with Corporation requirements; ensuring annual progress reports are filed timely; ensuring FICA taxes are withheld from member living allowances; and ensuring that W-2 forms are provided to members.
- We recommend that the Corporation verify that CNMI's revised procedures have been implemented and are working as intended.

Finding 9. CNMI could not support all site supervisor labor costs, and site supervisors did not sign their timesheets.

As discussed in Schedule A, Note 6, in January 2009, CNMI claimed \$8,940 of AmeriCorps site supervisor salaries for December 2008. It provided site supervisor timesheets and certifications by the AmeriCorps program director for site supervisors supporting \$6,000 of the \$8,940 claimed by CNMI. CNMI did not provide documentation to support the remaining \$2,940 of AmeriCorps site supervisor labor costs. In addition, AmeriCorps site supervisors did not sign their timesheets.

Criteria

OMB Circular A-87 Attachment B, Subsection 8.h., *Support of salaries and wages*, requires charges for salaries and wages for individuals working solely on a single Federal award or cost objective to be supported by periodic certifications that the employee worked solely on the program for the period covered by the certification. These certifications must be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. Further, personnel activity reports are required for employees working on multiple activities. These reports must be signed by each employee and account for all time worked.

45 CFR § 2541.420, *Retention and access requirements for records*, requires retention of supporting documents and records pertinent to an award for 3 years from the date of submission of the final expenditure report.

We questioned \$2,940 of unsupported costs in Schedule A, Note 6.

Recommendations: We recommend that the Corporation:

- 9a. Ensure that CNMI develops and implements timekeeping policies and procedures that are compliant with applicable cost principles;
- 9b. Ensure that CNMI implements controls to ensure the allowability of reported costs; and
- 9c. Verify implementation of CNMI's controls to ensure allowability of reported costs.

CNMI's Response: CNMI provided the following responses:

- It disagrees with the finding because the Federal Financial Report states that this item is reported as local share and funded by the Public School System and is not a Federal cost incurred by the Corporation. U.S. Territories under P.L. 96-205 amended (48 U.S.C 1469a [d]), CNCS shall waive any requirement for local matching funds under \$200,000 including in-kind contributions to American Samoa, Guam, the Virgin Islands, and the Northern Mariana Islands;
- Its program director will conduct training on timesheets and monthly report requirements for site supervisors prior to start of the new program year and it will retain evidence of this training. In addition, the program director will check the timesheets for accuracy and completeness before approving the timesheets and submitting them to its finance office for payment;

- Beginning on May 1, 2011, it implemented a policy which requires all financial requests including timesheet documents to be submitted and processed electronically. This system will ensure that finance documents, including authorizing certifications and supporting documents are retained for the time limits described in CNMI and AmeriCorps regulations;
- It is working on finalizing a comprehensive standard operating procedure that addresses policies and procedures on timesheets and monthly reports for site supervisors. It will provide a copy of the finalized standards operating procedure before July 1, 2011 as evidence of this commitment.

Accountants' Comments:

- We do not agree with CNMI's statement that the \$2,940 of questioned Federal costs were reported as match on its FFRs and were funded by the Public School System. While CNMI did claim \$180,546 of site supervisor costs as match on its final FFR for Award No. 06TTHMP001, the \$2,940 of questioned site supervisor costs were not included in this total.

In CNMI's original budget for PY 2008-2009, site supervisor costs were budgeted as Federal and match costs. On May 22, 2008, the Corporation issued Notice of Grant Award Amendment No. 3. This amendment deobligated \$307,165 of funds from CNMI's original PY 2008-2009 budget and obligated \$160,746 of funds for PY 2008-2009. CNMI provided a copy of a budget for this amendment that showed total budgeted Federal costs of \$160,746. This budget also included \$30,705 of budgeted Federal costs for site supervisors. This is the same amount of site supervisor costs that were included in the original PY 2008-2009 budget. These costs were identified on the budget as Account No. 4116 Other Differentials. During planning, we reconciled accounting reports provided by CNMI to total Federal costs claimed on its November 15, 2009 FFR. We noted that \$35,999 of the \$1,023,447 of Federal costs were from Account No. 4116 Other Differentials. Our sample amount of \$8,940 was selected from these costs.

During fieldwork, CNMI provided copies of spreadsheets supporting the \$180,546 of match claimed on CNMI's November 15, 2009 FFR. The spreadsheets showed that these costs were comprised of \$14,855 of site supervisor costs incurred prior to January 2007, \$108,192 of site supervisor costs incurred from January 2007 through February 2008, and \$57,499 of site supervisor costs incurred from July 2009 through September 2009. However, the \$2,940 of unsupported costs appears to be site supervisor costs for December 2008. CNMI provided site supervisor timesheets from December 2008 to support \$6,000 of the \$8,940 sample costs.

- Training site supervisor on timesheets and reporting requirements and reviewing timesheets for accuracy and completeness is responsive to our recommendation. We recommend that the Corporation verify that site supervisor training has been conducted and that the program director is reviewing site supervisor timesheets;
- We recommend that the Corporation verify that CNMI's electronic records system complies with the requirements for electronic record keeping that are described in the AmeriCorps Grant Provisions;

- Creating a standardized operating procedure is responsive to our recommendation. We recommend that the Corporation verify that the standard operating procedure has been provided by July 1, 2011. We further recommend that the Corporation verify that it includes timekeeping policies and procedures that are compliant with OMB Cost Circular A-87 and includes controls for ensuring the allowability of reported costs; and
- We recommend that the Corporation verify that CNMI's revised procedures have been implemented and are working as intended.

APPENDIX A

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM**

RESPONSE TO THE DRAFT REPORT



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS



STATE BOARD OF EDUCATION
PUBLIC SCHOOL SYSTEM
P.O. BOX 501370
SAIPAN, MP 96950

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Non Public School Rep.

Student Representative
Joyceleen V. Aialig, Rito High School

Teacher Representative

Commissioner of Education
Rita A. Sablan, Ed.D.
cae.us@cnmipss.org

May 13, 2011

Mr. Stuart Axenfeld
Assistant Inspector General for Audit
Corporation for National Community Service
Washington, D.C. 20525

Dear Mr. Axenfeld:

The CNMI Public School System AmeriCorps program hereby submits its responses to the audit findings prepared by Cotton & Company LLP and based on the OIG's draft report on the Agreed-Upon procedures for Corporation and Community Service grants awarded to the Commonwealth of the Northern Marianas Islands Public School System (CNMI).

Thank you and we look forward to working with the Corporation in addressing its recommendations within the next few months.

Respectfully,

Debra M. Diaz
Program Director
CNMI AmeriCorps
debra.diaz@cnmipss.org
(670) 237-3293

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS**

RESPONSES

Finding 1. CNMI claimed unallocable and unsupported costs.

CNMI's Response:

Unallocable other costs: \$8,242 (06TTHMP001)

Unallocable travel costs: \$14,999 (06TTHMP001)

The CNMI transferred the \$14,999 to a non-AmeriCorps account, transferred the \$8,242 to the 09 AmeriCorps account and adjusted the FFR as requested.

The CNMI is working on finalizing a comprehensive standard operating procedure that addresses compliance on the Corporations requirements and procedures on financial requests that are consistent with the program's approved budget for intended program activities. We will provide a copy of the finalized Standards Operating Procedure before July 1, 2011 as evidence of this commitment.

Unsupported other costs: \$31,436 (06TTHMP001); \$1,909 (09TTHMP001)

Unsupported labor costs: \$2,940 (06TTHMP001)

Documents that support the expenses are no longer available as a result of files transferred to lower base facility for storage. Subsequently, the building (along with its contents) has been destroyed and demolished. We ask that these costs be allowed because they are legitimate program expenses incurred to conduct program activities.

Beginning on May 1, 2011, all program records will be maintained and retained electronically per newly implemented Public School System policy. This will ensure that program documents are available for periods encompassing record retention policy thresholds for both the CNMI and AmeriCorps regulations.

Finding 2. CNMI did not comply with AmeriCorps requirements for criminal history checks and NSOPR searches.

CNMI's Response:

Before any cost can be questioned, an auditor must first ascertain if a cost has been incurred. Since this is still a potential debt we request that item 2a be dismissed. To prevent any future misunderstandings on education awards, the CNMI is working on finalizing a comprehensive standard operating procedure that addresses compliance on the Corporations requirements and procedures on background checks. We will provide a copy of the finalized Standards Operating Procedure before July 1, 2011 as evidence of this commitment.

The CNMI AmeriCorps has implemented the Corporations requirements for background checks by conducting NSOPR searches nationally instead of locally for new members. Moving forward, all background checks will be conducted in accordance with the Corporations requirements prior to the start date of each member in the CNMI AmeriCorps program.

Finding 3. CNMI did not follow AmeriCorps requirements for compelling personal circumstances.

The CNMI disagrees with the auditor's recommendation as we have compelling circumstances for early program exit. The following is a listing of students affected by this finding and the reasons for exiting the Program early:

PY	NAME	REASON FOR EXITING EARLY
09-10	Member Number 1	Too many school and extracurricular activities. He felt that he was unable to give the AmeriCorps program the proper time it deserves.
09-10	Member Number 4	Take on part-time job to help family.
09-10	Member Number 5	To attend college at University of Guam.
09-10	Member Number 6	Burnt-out; loss interest.
09-10	Member Number 7	To attend college at University of Guam.
09-10	Member Number 8	Joined the military.
09-10	Member Number 9	Joined the military.
09-10	Member Number 10	To attend college at Hawaii Pacific University.

Of the 8 student members, 3 members exited due to personal reasons, 3 members exited due to attending college outside of the CNMI, and 2 members exited due to joining the military.

We believe that of the 3 members that exited the program for personal reasons, Member Number 4 has a compelling personal circumstance to exit the program. The CNMI is in a major economic crisis that forces many families to seek additional employment opportunities including relying on other family members who are of age to take on part-time jobs to provide supplemental financial support to sustain younger siblings and to help with household expenses. Many families, including high school aged students, do not have any other options but to obtain part-time employment to defray the rising cost of living that puts a huge burden on already struggling low and middle income families in the CNMI.

While the Corporation does not recognize member 1 and 6 as compelling reasons for exiting, the CNMI AmeriCorps has tightened its monitoring and tracking systems to identify members who are not meeting the required hours on a monthly basis; and provide remedial solutions early on that will prevent members from exiting early and replace members who have not been performing required hours and fall below the 30% threshold.

We also believe that the 3 members (5, 7,10) that exited the program to attend college outside of the CNMI have compelling personal circumstances to exit the program; although the Corporation does not recognize attending college as compelling personal circumstance for exiting. Please note that the CNMI is extremely limited in the options that students have after graduating from high school. To attend college (there is only one College in the CNMI offering only 1 baccalaureate program), serve in the military, or seek employment opportunities. Of these (according to PSS survey of exiting students) 55% of students choose to go to College and 30% of them opt for military; while the remaining 15% of students are undecided and/or choose to seek employment opportunities.

The CNMI is working on finalizing a comprehensive standard operating procedure that directly addresses policies and procedures on compelling personal circumstances to comply with Corporations requirements on such. We will provide a copy of the finalized Standards Operating Procedure before July 1, 2011 as evidence of this commitment.

Finding 4. CNMI did not accurately record all timesheet hours, did not have procedures to verify member activities and timesheet accuracy, and, in some instances, timesheets did not support member eligibility for education awards.

CNMI's Response:

The Director has informed site supervisors of the Corporations requirements for member timesheets. This is noted in November 2010 site supervisor quarterly meeting minutes and is readily available for reference if needed. The Director will conduct training on proper maintenance of member timesheets prior to start of new cycle; and evidence of this will be on file to support commitment. As a final measure, the Director cross-checks submitted timesheets for accuracy and completeness in accordance with procedures prior to approving timesheets.

The CNMI is working on finalizing a comprehensive standard operating procedure that directly addresses policies and procedures on properly maintaining timesheets. We will provide a copy of the finalized Standards Operating Procedure before July 1, 2011 as evidence of this commitment.

Finding 5. CNMI did not comply with AmeriCorps citizenship eligibility requirements.

CNMI's Response:

The eligibility documents were missing from some student files, however, later it was discovered that separate files were kept in another filing compartment and the CNMI was able to provide eligibility documents to auditors accordingly thereafter. All member files have been verified and do contain eligibility documents of every member enrolled in the CNMI AmeriCorps.

The CNMI is working on finalizing a comprehensive standard operating procedure that directly addresses policies and procedures on ensuring that members are eligible to join AmeriCorps based on citizenship verification; and acceptable documents supporting eligibility is filed in

member's files. We will provide a copy of the finalized Standards Operating Procedure before July 1, 2011 as evidence of this commitment.

Finding 6. CNMI could not demonstrate that some members received performance evaluations, and all end-of-term evaluations did not meet AmeriCorps requirements.

CNMI's Response:

The newly-hired Director will take up training opportunity for new Directors when available and in accordance with the budget. The Director continues to utilize the training resources in the portal to strengthen the Program and comply with requirements. In addition, the Director has informed site supervisors of the Corporations requirements for member evaluations. This is noted in November 2010 site supervisor quarterly meeting minutes and is readily available for reference if needed. The Director will conduct training on member evaluations prior to start of new cycle; and evidence of this will be on file to support commitment. The Director will ensure that member evaluations are submitted on time and properly conducted as required in the guidelines.

The CNMI is working on finalizing a comprehensive standard operating procedure that directly addresses policies and procedures on conducting and documenting member evaluations. We will provide a copy of the finalized Standards Operating Procedure before July 1, 2011 as evidence of this commitment.

Finding 7. CNMI did not complete all member enrollment and exit forms and enter them into the Corporation's reporting systems in accordance with AmeriCorps requirements.

CNMI's Response:

The Director has informed site supervisors of the Corporations requirements for proper completion of member enrollment and exit forms. This is noted in November 2010 site supervisor quarterly meeting minutes and is readily available for reference if needed. The Director will conduct training on proper completion of member enrollment and exit forms prior to start and end of new cycle; and evidence of this will be on file to support commitment. The Director will ensure that enrollment and exit forms are completed and properly executed in the portal system on time in accordance with procedures.

The CNMI is working on finalizing a comprehensive standard operating procedure that directly addresses policies and procedures on member enrollment and exiting. We will provide a copy of the finalized Standards Operating Procedure before July 1, 2011 as evidence of this commitment.

Finding 8. CNMI did not follow AmeriCorps requirements for pre-service orientation training, training and fundraising hours, member agreement, record retention, annual progress report submittal, and member FICA withholding taxes.

CNMI's Response:

Pre-Service Orientation Training

The CNMI is working on finalizing a comprehensive standard operating procedure that directly addresses policies and procedures on pre-service orientation training; including acceptable evidence that support participation of members prior to start of program. We will provide a copy of the finalized Standards Operating Procedure before July 1, 2011 as evidence of this commitment.

Training and Fundraising

Beginning in PY 2009-2010, a new database system has been implemented and now is utilized to track training and fundraising activities in the CNMI AmeriCorps program. Training and fundraising hours report is updated monthly and readily accessible and available for immediate reference.

Member Agreement

The CNMI is working on finalizing a comprehensive standard operating procedure that directly addresses policies and procedures on member agreement. Prior to approving members, Director will double check to ensure that agreement is signed by both supervisor and member; and that members start the program only after member agreement is properly executed and approved. Member agreement document will be filed in member files accordingly. We will provide a copy of the finalized Standards Operating Procedure before July 1, 2011 as evidence of this commitment.

Record Retention

Beginning in May 1, 2011, all program records will be maintained and retained electronically per newly implemented Public School System policy. This will ensure that program documents are available for periods encompassing record retention policy thresholds for both the CNMI and AmeriCorps regulations.

Annual Progress Report

The CNMI AmeriCorps program was in a transition period in December 2009 with the resignation and replacement of the Program Director. To our knowledge, all other annual progress reports were submitted in a timely manner and before the deadlines.

Member FICA Withholding Taxes

Beginning in PY 2009-2010, the CNMI has begun withholding member FICA taxes; and W-2's are now readily available for every member.

Finding 9. CNMI could not support all site supervisor labor costs, and site supervisors did not sign their timesheets.

CNMI's Response:

The CNMI disagrees with the finding because the Federal Financial Report states that this item is reported as local share and funded by the Public School System and is not a federal cost incurred by the Corporation. U.S. Territories under P.L. 96-205 amended (48 U.S.C 1469a [d]) CNCS shall waive any requirement for local matching funds under \$200,000 including in-kind contributions to American Samoa, Guam, the Virgin Islands, and the Northern Marianas Islands.

However, moving forward and in compliance to the Corporation's timesheet requirements for staff serving the Program, the Director will conduct training on timesheet and monthly report requirements for Site Supervisors prior to start of new cycle; and evidence of this will be on file to support commitment. As a final measure, the Director cross-checks submitted timesheets for accuracy and completeness in accordance with procedures prior to approving timesheets and submitting to Finance for payment.

Please note that beginning in May 01, 2011, the Public School System implemented a policy requiring all financial requests including timesheet documents to be submitted and processed electronically. This will ensure compliance in financial activities including authorizing certifications and record retention of supporting documents of all accounting transactions.

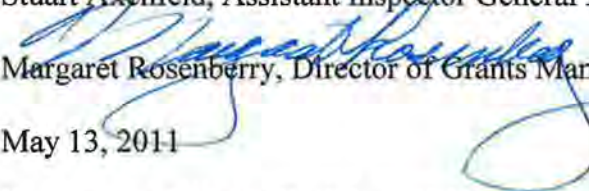
The CNMI is working on finalizing a comprehensive standard operating procedure that directly addresses policies and procedures on timesheets and monthly reports for site supervisors. We will provide a copy of the finalized Standards Operating Procedure before July 1, 2011 as evidence of this commitment.

APPENDIX B

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE'S
RESPONSE TO THE DRAFT REPORT**



To: Stuart Axenfeld, Assistant Inspector General for Audit

From:  Margaret Rosenberry, Director of Grants Management

Date: May 13, 2011

Subject: Response to OIG Draft of Agreed-Upon Procedures of Corporation Grants Awarded to the Commonwealth of Northern Marianna Islands Public School System

Thank you for the opportunity to review the draft Agreed-Upon Procedures report of the Corporation's grants awarded to the Northern Marianna Islands Public School System (CNMI). We will work with CNMI 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 review CNMI's corrective action plan.

Cc: William Anderson, Chief Financial Officer
John Gomperts, Director of AmeriCorps
Valerie E. Green, General Counsel