

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

**AGREED-UPON PROCEDURES FOR
CORPORATION FOR NATIONAL
AND COMMUNITY SERVICE GRANTS
AWARDED TO
SERVE GUAM! COMMISSION**

OIG REPORT 11-16



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

Cotton & Company
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Alexandria, VA 22314

This report was issued to Corporation management on August 15, 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 February 15, 2012, and complete its corrective actions by August 15, 2012. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



August 15, 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 11-16, Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Serve Guam! Commission*

Attached is the final report for the above-noted agreed-upon procedures, which were performed for the OIG under contract by the independent certified public accounting firm of 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 August 4, 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 Serve Guam'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 February 15, 2012. Notice of final action is due by August 15, 2012.

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

Attachment

cc: Leah Beth Naholowaa, Director, Guam Department of Labor
Doris Aguon, Program Manager, Serve Guam! Commission
William Anderson, Chief Financial Officer, CNCS
Rocco Gaudio, Deputy Chief Financial Officer, Grants & Field Financial Management
Claire Moreno, Audit Resolution, Office of Grants Management, CNCS
Jack Goldberg, Audit Resolution, Office of Grants Management, CNCS
Jim Stone, AmeriCorps Program Officer, CNCS
Tony Babauta, Assistant Secretary for Insular Areas, U.S. Department of Interior
Mary Kendall, Acting Inspector General, 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
SERVE GUAM! COMMISSION**

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- A: Serve Guam! Commission 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 (Corporation), contracted with Cotton & Company LLP to perform agreed-upon procedures to assist the OIG in grant cost and compliance testing of Corporation-funded Federal assistance provided to the Serve Guam! Commission (SGC).

SUMMARY OF RESULTS

As a result of applying our procedures, we questioned claimed Federal-share costs of \$71,847 and education awards of \$40,344. 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 schedules.

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. However, 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 members' eligibility for education and accrued interest awards.

We determined that, based on the pervasive problems outlined in the report, SGC has mismanaged the AmeriCorps grants. Our observations during fieldwork revealed serious deficiencies in many facets of the program. SGC and its subgrantees charged costs that were not recorded in the accounting system, including \$10,579 on its state administrative grant that SGC was unable to reconcile; claimed costs that were not allocable to the AmeriCorps program, including two instances of living allowance payments to individuals who were not enrolled as members; one instance of consultant costs claimed as living allowance costs; and numerous instances of AmeriCorps member timesheets that did not agree with hours reported and certified in the MyAmeriCorps Portal (Portal). In addition, we found that one subgrantee has not followed AmeriCorps and Internal Revenue Service requirements for withholding and remitting FICA taxes (Social Security and Medicare) for living allowance payments to members. This situation is due to SGC's misinterpretation of rulings obtained from the Guam Department of Revenue and Taxation and the IRS, resulting in a potential tax liability in excess of \$110,000.

In the course of performing our procedures, we also learned that at least one AmeriCorps member at the University of Guam (UOG) subgrantee site was assigned to perform personal duties at government functions that were not allowable service activities under the grant agreement. These activities were inconsistent with UOG's program application narrative, and could be perceived as endorsing an elected official. Such endorsements are prohibited by AmeriCorps regulations. For further details, see the Member Activities section of this report at page 46.

Given the number and nature of the findings summarized above, the Corporation should consider whether SGC warrants being designated a "high-risk grantee," in accordance with 45 CFR §2541.120, and whether a hold should be placed on further grant drawdowns until the foregoing issues are resolved. The Corporation responded (Appendix B) that it agrees the

report raises serious concerns, but that it does not provide sufficient detail to allow it to make a determination on the appropriateness of the high-risk designation.

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

1. SGC and three subgrantees did not have adequate controls to ensure claimed costs were allowable, allocable, and compliant with Office of Management and Budget (OMB) accounting circulars.
2. Two subgrantees did not follow certain AmeriCorps requirements for members exited early due to compelling personal circumstances.
3. Subgrantees did not comply with AmeriCorps requirements for criminal history checks and National Sex Offender Public Registry (NSOPR) searches.
4. Subgrantees did not accurately record all timesheet hours, did not have procedures to verify timesheet accuracy or to ensure all timesheets were signed and, in some instances, timesheets did not support member eligibility for education awards.
5. Subgrantees could not demonstrate that some members received performance evaluations, and all end-of-term evaluations did not meet AmeriCorps requirements.
6. Two subgrantees did not complete all member enrollment and exit forms and enter them into the Corporation's reporting systems in accordance with AmeriCorps requirements.
7. UOG did not follow AmeriCorps and Internal Revenue Service requirements for withholding FICA taxes from members' living allowance payments.
8. SGC and its subgrantees did not follow certain AmeriCorps requirements.
9. Subgrantee Sanctuary, Incorporated (Sanctuary) did not ensure reimbursements received from SGC were disbursed in a timely manner.
10. UOG's timekeeping system did not comply with Federal requirements, and Sanctuary could not provide support for labor costs.
11. SGC did not document its reviews of subgrantee OMB Circular A-133 Single Audit reports.

AGREED-UPON PROCEDURES SCOPE

We performed the agreed-upon procedures detailed in the OIG's *Agreed-Upon Procedures (AUP) for Corporation Awards to Grantees (including Subgrantees)*, dated April 2010. Our procedures covered testing of the grant programs listed in the table below. The grant programs included AmeriCorps State, American Recovery and Reinvestment Act (ARRA), State Administrative (Administrative), and Professional Development and Training (PDAT).

Grant Program	Award No.	Award Period	AUP Period	Total Awarded
AmeriCorps State	05AFHGU001	11/01/05-09/30/11	04/01/08-03/31/10	\$7,288,041
ARRA	09RFHGU001	06/01/09-06/30/10	06/01/09-06/30/10	340,113
Administrative	05CAHGU001	07/01/05-06/30/09	07/01/08-06/30/09	343,095
Administrative	08CAHGU001	01/01/08-12/31/10	07/01/08-06/30/10	438,283
PDAT	06PTHGU001	07/01/06-12/31/09	01/01/08-12/31/09	69,408
PDAT	09PTHGU001	01/01/09-12/31/11	01/01/09-06/30/10	86,559

OIG's AUP program required us to:

- Obtain an understanding of SGC's operations and programs, and its subgrantee monitoring process.
- Reconcile SGC's claimed Federal grant costs to its general ledger accounting system.
- Test subgrantee member files to verify that records support members' eligibility to serve, allowability of living allowances, and eligibility to receive education awards.
- Test SGC's, and a sample of its subgrantees', compliance with selected AmeriCorps provisions and award terms and conditions.
- Test SGC's, and a sample of its subgrantees', claimed Federal grant costs to ensure:
 - AmeriCorps grants were properly recorded in SGC's general ledger and subgrantee records.
 - Costs were allowable and properly documented in accordance with applicable OMB circulars, grant provisions, award terms, and conditions.

We performed testing at SGC and three subgrantee sites from July 2010 through January 2011.

BACKGROUND

The Corporation

The Corporation supports 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 and 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 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 a living allowance and/or education awards.

Serve Guam! Commission

SGC, which administers the AmeriCorps programs in Guam, was established in 2005 and is part of the Guam Department of Labor. The Director of SGC is also the Director of the Guam Department of Labor. SGC receives multiple awards from the Corporation, including AmeriCorps State, ARRA, Administrative, and Professional Development and Training grants. AmeriCorps grants are annual awards passed through SGC to eligible subgrantees that recruit and select members. SGC subgrantees covered by this review included:

- Sanctuary, Incorporated
- University of Guam
- Micronesia Business Association (MBA)

EXIT CONFERENCE

The contents of this report were discussed with SGC and Corporation representatives on May 17, 2011. We have summarized SGC's comments in the appropriate sections of this report and have included its complete comments in Appendix A.

The Corporation met with representatives of SGC and discussed corrective actions to address all findings. It intends to respond to all findings and recommendations in its management decision at a later date (see Appendix B).



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August 4, 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 assistance provided to SGC 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
AmeriCorps State	05AFHGU001	11/01/05-09/30/11	04/01/08-03/31/10	\$7,288,041
ARRA	09RFHGU001	06/01/09-06/30/10	06/01/09-06/30/10	340,113
Administrative	05CAHGU001	07/01/05-06/30/09	07/01/08-06/30/09	343,095
Administrative	08CAHGU001	01/01/08-12/31/10	07/01/08-06/30/10	438,283
PDAT	06PTHGU001	07/01/06-12/31/09	01/01/08-12/31/09	69,408
PDAT	09PTHGU001	01/01/09-12/31/11	01/01/09-06/30/10	86,559

We performed testing of these AmeriCorps program awards at SGC and three of its subgrantees. We selected samples of labor, benefits, and other direct costs at SGC that were reported on its December 31, 2008; June 30, 2009, December 31, 2009; and June 30, 2010 Federal Financial Reports (FFR). We also selected samples of labor, benefits, and other direct costs at the three subgrantees that were reported by SGC on its September 30, 2008; March 31, 2009; September 30, 2009; and March 31, 2010 FFR for program years (PYs) 2007-2008, 2008-2009, and 2009-2010 and the ARRA award. We also tested certain grant compliance requirements by sampling 63 members from subgrantees Sanctuary, UOG, and MBA, as shown on the following page. We performed all applicable testing procedures in the AUP program for each sampled member.

PY	Sanctuary		UOG		MBA	
	Total Members	Sampled Members	Total Members	Sampled Members	Total Members	Sampled Members
2007-2008	42	8	64	7	30	6
2008-2009	42	8	58	7	35	7
2009-2010	47	9	49	4	0	0
ARRA	<u>0</u>	<u>0</u>	<u>33</u>	<u>7</u>	<u>0</u>	<u>0</u>
Total	<u>131</u>	<u>25</u>	<u>204</u>	<u>25</u>	<u>65</u>	<u>13</u>

RESULTS OF AGREED-UPON PROCEDURES

We questioned claimed Federal-share costs of \$71,847. 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 \$40,344. Grant participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards and repayment of student loan interest accrued during the term of service from the Corporation’s National Service Trust. These award amounts are not funded by Corporation grants and thus are not included in claimed costs. However, as part of our AUP, and using the same criteria as claimed costs, we determined the effect of our findings on education and accrued interest award eligibility.

Detailed results of our 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, the Corporation, SGC, and the 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

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

	Federal Costs			Questioned Education Awards	Reference
	Awarded	Claimed	Questioned		
05AFHGU001					
PY 2005-2006	\$1,115,093	\$0	\$0	\$0	
PY 2006-2007	1,411,126	113,061	0	0	
Sanctuary	1,488,713	1,053,850	30,602	10,474	Schedule A
UOG	1,473,949	789,170	9,831	19,945	Schedule B
MBA	500,095	443,702	1,755	0	Schedule D
Others	<u>1,299,065</u>	<u>799,908</u>	<u>0</u>	<u>0</u>	
Total	<u>\$7,288,041</u>	<u>\$3,199,691</u>	<u>\$42,188</u>	<u>\$30,419</u>	
09RFHGU001	<u>\$340,113</u>	<u>\$191,511</u>	<u>\$0</u>	<u>\$9,925</u>	Schedule C
05CAHGU001	<u>\$343,095</u>	<u>\$10,579</u>	<u>\$10,579</u>	<u>\$0</u>	Schedule E
08CAHGU001	<u>\$438,283</u>	<u>\$238,197</u>	<u>\$3,647</u>	<u>\$0</u>	Schedule F
06PTHGU001	<u>\$69,408</u>	<u>\$36,485</u>	<u>\$5,756</u>	<u>\$0</u>	Schedule G
09PTHGU001	<u>\$86,559</u>	<u>\$29,533</u>	<u>\$9,677</u>	<u>\$0</u>	Schedule H
Grand Total			<u>\$71,847</u>	<u>\$40,344</u>	

Reference

Schedule A: Sanctuary AmeriCorps Formula Award No. 05AFHGU001
Schedule B: UOG AmeriCorps Formula Award No. 05AFHGU001
Schedule C: UOG American Recovery and Reinvestment Act Award No. 09RFHGU001
Schedule D: MBA AmeriCorps Formula Award No. 05AFHGU001
Schedule E: State Administrative Award No. 05CAHGU001
Schedule F: State Administrative Award No. 08CAHGU001
Schedule G: PDAT Award No. 06PTHGU001
Schedule H: PDAT Award No. 09PTHGU001

SCHEDULE A

**SERVE GUAM! COMMISSION
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
SANCTUARY, INCORPORATED
AMERICORPS FORMULA
AWARD NO. 05AFHGU001**

	PY 2007-2008	PY 2008-2009	PY 2009-2010	Total	Notes
Claimed Federal Costs	<u>\$399,293</u>	<u>\$480,001</u>	<u>\$174,556</u>	<u>\$1,053,850</u>	
Questioned Federal Costs:					
Unallocable other costs	\$21,881	\$29	\$58	\$21,968	1
Unsupported other costs	1,153	4,305	0	5,458	2
Unsupported claimed costs	1,982	59	0	2,041	3
Unallowable costs, accounting services	0	0	781	781	4
Unsupported labor costs	<u>0</u>	<u>0</u>	<u>354</u>	<u>354</u>	5
Total Questioned Federal Costs	<u>\$25,016</u>	<u>\$4,393</u>	<u>\$1,193</u>	<u>\$30,602</u>	
Questioned Education Awards:					
Compelling personal circumstances	\$4,597	\$1,152	\$0	\$5,749	6
Timekeeping discrepancies, unsigned timesheet	<u>4,725</u>	<u>0</u>	<u>0</u>	<u>4,725</u>	7
Total Questioned Education Awards	<u>\$9,322</u>	<u>\$1,152</u>	<u>\$0</u>	<u>\$10,474</u>	

1. Sanctuary claimed costs that were not in its approved budget and unallocable to the AmeriCorps program.

Seven sampled transactions from PY 2007-2008 were for office supplies that were not in Sanctuary's approved budget. In addition, these items were purchased shortly before Sanctuary's 2007-2008 program year ended on October 31, 2008.

September 2008

- Sanctuary claimed \$649 for the purchase of a computer for the executive director. This computer was not in the approved budget. In addition, none of the executive director's work hours were claimed as Federal costs.

October 2008

- Sanctuary claimed \$3,900 for the purchase of office equipment. Items purchased included hydraulic chairs, folding tables, white boards, filing cabinets, and desks. These items were not included in Sanctuary's approved budget.
- Sanctuary claimed \$5,160 for the purchase of various office supplies. This purchase exceeded Sanctuary's PY 2007-2008 budget for supplies of \$4,420. Sanctuary's Single Audit auditors questioned \$4,160 of these costs in their Single Audit report for Fiscal

Year ending September 30, 2009, dated June 15, 2010. These costs were questioned because Sanctuary did not comply with its procurement regulations for small purchases between \$500 and \$15,000. These regulations required three positive written quotations from businesses to be solicited, recorded, and placed in the procurement file.

- Sanctuary claimed \$2,758 for the purchase of three laptop computers and antivirus software. These items were not in the approved budget.
- Sanctuary claimed \$2,216 for the purchase of 40 cases of paper towels and 20 cases of foam cups. These items were not in the approved budget.
- Sanctuary claimed \$2,395 for the purchase of 100 folding chairs. These items were not included in the approved budget. In addition, Sanctuary's Single Audit auditors questioned these costs in their Single Audit report for Fiscal Year ending September 30, 2009, dated June 15, 2010. These costs were questioned because Sanctuary did not comply with its procurement regulations for small purchases between \$500 and \$15,000. These regulations required three positive written quotations from businesses to be solicited, recorded, and placed in the procurement file.
- Sanctuary claimed \$4,803 for the purchase of four computers, one printer, and four ink cartridges. These items were not included in the approved budget.

We questioned \$21,881 (\$649+3,900+\$5,160+\$2,758+\$2,216+\$2,395+\$4,803) from PY 2007- 2008. See Compliance Finding 1 (Exhibit B).

In addition, one sampled transaction from PY 2008-2009 and one sampled transaction from PY 2009-2010 were also unallocable to the AmeriCorps programs.

- In November 2008 (PY 2008-2009), Sanctuary claimed \$870 (\$29 x 30) for the cost of drug tests for 30 AmeriCorps members. However, 1 of the 30 names identified on the bills was for an individual who was not on the Portal member roster.
- In November 2009 (PY 2009-2010), Sanctuary claimed \$1,392 (\$29 x 48) for the cost of drug tests for 48 AmeriCorps members. However, 2 of the 48 names identified on the bills were for individuals who were not on the Portal member roster.

We questioned \$29 from PY 2008-2009 and \$58 (2 x \$29) from PY 2009-2010. See Compliance Finding 1 (Exhibit B).

Criteria

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A, *General Principles*, Paragraph 4, *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.

2. Three sampled PY 2007-2008 transactions and four sampled PY 2008-2009 transactions were not adequately supported.

PY 2007-2008

- In May 2008, Sanctuary claimed \$957 of lodging costs for the program director's attendance at the 2008 National Conference on Volunteering and Service held in Atlanta, GA, in June 2008. However, Sanctuary did not provide a copy of the hotel bill to support the actual cost of lodging. We questioned \$957.
- In June 2008, Sanctuary incurred \$2,087 of airfare costs for the program director's attendance at the 2008 National Conference on Volunteering and Service held in Atlanta, GA, in June 2008. Of these costs, \$1,889 was allocated to AmeriCorps and Sanctuary claimed these costs on the reimbursement request submitted to SGC. The remaining \$198 was charged to employee advances. However, after Sanctuary submitted its reimbursement request to SGC, it reduced the AmeriCorps portion to \$1,839 and increased the employee advance portion to \$248. Sanctuary made a partial payment of \$500 of the airfare on August 26, 2008, and paid the remaining balance \$1,339 of airfare on September 16, 2008. Sanctuary did not adjust its reimbursement requests for this change. We questioned \$50 (\$1,889-\$1,839).
- In June 2008, Sanctuary claimed \$192 of office supplies. To support these costs, it provided two invoices which totaled \$929. A note attached to one of the invoices indicated that \$46 was allocable to AmeriCorps. We questioned \$146, the difference between \$192 claimed and the \$46.

PY 2008-2009

- In March 2009, Sanctuary claimed \$1,752, (nine days of lodging and meals and incidental expenses (M&IE) per diem) for the AmeriCorps assistant's attendance at the Micronesian Youth Services Network Conference held on the island of Saipan. However, Sanctuary did not provide a copy of the hotel bill to support actual lodging expenses. In addition, we noted that the conference was four days long, but Sanctuary claimed nine days of per diem. We questioned \$1,752.
- In March 2009, Sanctuary claimed \$1,971, (nine days of lodging and M&IE per diem) for the AmeriCorps program director's attendance at the Micronesian Youth Services Network Conference held on the island of Saipan. However, Sanctuary did not provide a copy of the hotel bill to support actual lodging expenses. In addition, we noted that the conference was four days long, but Sanctuary claimed nine days of per diem. We questioned \$1,971.
- In June 2009, Sanctuary claimed a \$360 conference registration fee for its executive director. However, Sanctuary did not provide an invoice to support the amount of the registration fee. We questioned \$360.
- In June 2009, Sanctuary claimed \$649 of travel costs for the program director's attendance at an AmeriCorps conference held in San Francisco, CA. \$222 of these costs were for lodging while traveling to the conference. Sanctuary provided a copy of the hotel confirmation for June 18 and June 19; however, the program director's itinerary showed that the flight to San Francisco departed on the evening of June 19. Additionally, Sanctuary did not provide a copy of the hotel bill to support actual lodging expenses. We questioned \$222.

Criteria

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A, *General Principles*, Paragraph 2, *Factors affecting allowability of costs*, states that costs must be adequately documented.

In total we questioned \$1,153(\$957+\$50+\$146) from PY 2007-2008 and \$4,305 (\$1,752+\$1,971+\$360+\$222) from PY 2008-2009, See Compliance Finding 1 (Exhibit B).

3. Expenditures claimed on the final reimbursement request for PY 2007-2008 and PY 2008-2009 were not supported by Sanctuary's general ledger. In PY 2007-2008 the general ledger was \$1,982 less than the final reimbursement request. In PY 2008-2009 the general ledger was \$59 less than the final reimbursement request.

PY	Final Reimbursement Request	Accounting Report Expenditures	Difference
2007-2008	\$399,293	\$397,311	\$1,982
2008-2009	480,001	479,942	59

Criteria

45 Code of Federal Regulations (CFR) § 2543.21, *Standards for financial management systems*, Subsection (b), recipient financial management systems must provide for accurate, current, and complete disclosure of financial results of each Federally-sponsored program.

We questioned \$1,982 from PY 2007-2008 and \$59 from PY 2008-2009. See Compliance Finding 1 (Exhibit B).

4. In October 2009, Sanctuary claimed as direct program costs \$781 of accounting services for the development of its 2009 indirect cost rate. These costs should have been classified as administrative costs and therefore not billed in addition to the administrative rate. We questioned \$781. See Compliance Finding 1 (Exhibit B).

Criteria

45 CFR § 2510.20, *Administrative costs*, administrative costs include general or centralized expenses of the organization and does not include program costs.

5. The December 2009 salary and benefit costs we sampled for one employee were not supported by a timesheet. We questioned \$354 of unsupported salary and benefit costs. See Compliance Findings 1 and 10 (Exhibit B).

Criteria

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, *Selected Items of Cost*, Paragraph 8.m., *Support of salaries and wages*, states that the distribution of salaries and wages to awards must be supported by personnel activity reports that reflect an after-the-fact determination of actual activity of each employee.

6. Sanctuary exited one PY 2007-2008 member and one PY 2008-2009 member for compelling personal circumstances, but did not document the basis for its determinations.

Criteria

45 CFR § 2522.230, *Under what circumstances may an AmeriCorps participant be released from completing a term of personal 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. Compelling personal circumstances include serious illness of the participant or the participant's family member, death of a participant's family member, and military service obligations. Compelling personal circumstances do not include leaving a program to obtain employment or to attend college.

PY	Member No.	Questioned Education Awards
2007-2008	1	\$4,597
2008-2009	2	1,152

We questioned prorated education awards of \$5,749 (\$4,597+\$1,152) for these members. See Compliance Finding 2 (Exhibit B).

7. One PY 2007-2008 member had an unsigned timesheet for the pay period ending May 31, 2008. We deducted the 66 service hours reported on this timesheet. After the deduction, the remaining hours did not qualify the member for an education award.

PY	Member No.	Timesheet Hours			Hours Required	Questioned Education Award
		Total	Unsigned	Adjusted		
2007-2008	9	1,700	66	1634	1,700	\$4,725

Criteria

2007 AmeriCorps Special Provisions, Section IV, C.2, *AmeriCorps Members*, requires grantees to keep time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits. Time-and-attendance records must be signed and dated by both the member and supervisor.

We questioned the education award of \$4,725 for this member. See Compliance Finding 4 (Exhibit B).

SCHEDULE B

**SERVE GUAM! COMMISSION
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
UNIVERSITY OF GUAM
AMERICORPS FORMULA
AWARD NO. 05AFHGU001**

	PY 2007-2008	PY 2008-2009	PY 2009-2010	Total	Notes
Claimed Federal Costs	<u>\$233,727</u>	<u>\$440,815</u>	<u>\$114,628</u>	<u>\$789,170</u>	
Questioned Federal Costs:					
Unallocable travel costs	\$0	\$4,903	\$0	\$4,903	1
Unallocable consultant costs	0	2,750	0	2,750	2
Living allowance paid to nonmembers	0	1,710	0	1,710	3
Administrative costs	<u>0</u>	<u>468</u>	<u>0</u>	<u>468</u>	4
Total Questioned Federal Costs	<u>\$0</u>	<u>\$9,831</u>	<u>\$0</u>	<u>\$9,831</u>	
Questioned Education Awards:					
Compelling personal circumstances	\$7,441	\$6,529	\$0	\$13,970	5
Timekeeping discrepancies	<u>5,975</u>	<u>0</u>	<u>0</u>	<u>5,975</u>	6
Total Questioned Education Awards	<u>\$13,416</u>	<u>\$6,529</u>	<u>\$0</u>	<u>\$19,945</u>	

1. UOG claimed \$4,903 of travel costs for two PY 2008-2009 members' attendance at the National Science Foundation Islands of Opportunity Alliance conference in Hilo, HI. The \$4,903 of travel costs was comprised of \$2,932 of airfare (\$1,466 x 2) and \$1,971 of per diem (\$1,095 and \$876). At the conference, the AmeriCorps members presented a paper about the efficiency of backyard gardening for families in Guam. According to the travel report submitted by one of the members, the members became involved in this project while working at the UOG's AmeriCorps satellite office at the Guam Department of Agriculture (DOA). UOG believed this trip was allowable because it was related to the service performed by the two members at the satellite office. However, this activity was not allocable to UOG's AmeriCorps program. Its mission was to provide tutoring, mentoring, and counseling services to current and prospective UOG students. In addition, this trip was not included in UOG's approved budget for PY 2008-2009, which only included travel to Corporation-sponsored conferences and events.

Criteria

OMB Circular A-21, *Cost Principles for Educational Institutions* Subsection C.4., *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.

We questioned \$4,903. See Compliance Finding 1 (Exhibit B).

2. UOG claimed \$2,750 of consultant services for an assistant in UOG's AmeriCorps office. These costs were originally recorded as miscellaneous stipends in UOG's general ledger, but documentation supplied by UOG indicated that the costs were re-classified as consultant services per SGC instructions. During our review of these costs, we noted the following:
 - The activities performed by the assistant appeared unrelated to UOG's AmeriCorps office. He worked as an assistant from May 2009 through July 2009 and his timesheets indicated that he was a research assistant on an agriculture project, performing various types of research on fertilizer, agriculture, sustainable living, fishing, composting, vegetables, and pesticides.
 - It appeared that the assistant was an AmeriCorps member who was not officially enrolled in the program. The file maintained in the AmeriCorps office for this person included an AmeriCorps enrollment form signed and dated by the member on May 15, 2009. The file also included AmeriCorps eligibility documentation for citizenship, high school education, and criminal history checks. In addition, he completed an AmeriCorps member interview questionnaire, completed member timesheets, and attended a pre-service orientation and training.

Criteria

OMB Circular A-21, *Cost Principles for Educational Institutions* Subsection C.4., *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.

Because the activities performed by the assistant were unrelated to UOG AmeriCorps program's mission, we questioned \$2,750 of consultant services. See Compliance Finding 1 (Exhibit B).

3. UOG claimed living allowance costs of \$1,710 for stipends of \$855 paid to two individuals who we found were neither enrolled in the Portal as AmeriCorps members, nor were they identified as employees involved with the UOG AmeriCorps program. UOG also claimed living allowance costs of \$1,365 for stipends paid to a former member who worked as an assistant in the UOG AmeriCorps office.

Criteria

2007 AmeriCorps *Special Provisions*, Section IV I.1, *Living Allowance Distribution*, states that the living allowance is designed to help members meet necessary living expenses incurred while participating in the AmeriCorps Program.

We questioned \$1,710 of living allowance. However, we did not question the \$1,365 of stipends because these costs would have been allowable if they were claimed as program costs. See Compliance Finding 1 (Exhibit B).

4. UOG claimed administrative costs of five percent in PY 2008-2009. Questioned costs in Notes 1 through 3 resulted in \$468[(\$4,903+\$2,750+1,710) x 5%] of unallowable administrative costs in one program year. See Compliance Finding 1 (Exhibit B).

5. UOG exited two PY 2007-2008 and two PY 2008-2009 members for compelling personal circumstances but did not have adequate documentation to support its determinations. It appeared these members were exited early because of illness, a death of a family member, and military service obligations.

In addition, one of the two PY 2007-2008 members received a partial education award and was exited from the program on December 31, 2008. Documentation in the file for this member indicated that the member started service in November 2007 and left the program in July 2008 to perform military service. The member then resumed AmeriCorps service in October 2008 and served until December 31, 2008. On January 2, 2009, the member started working as a paid assistant in the AmeriCorps office. UOG did not document its determination of compelling personal circumstances for this member. As a result, we could not determine if the member was exited for compelling personal circumstances (military service), or withdrew from the program to take the paid AmeriCorps assistant position at UOG.

Criteria

45 CFR § 2522.230, *Under what circumstances may an AmeriCorps participant be released from completing a term of personal 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. Compelling personal circumstances include serious illness of the participant or the participant's family member, death of a participant's family member, and military service obligations. Compelling personal circumstances do not include leaving a program to obtain employment.

We questioned prorated education awards of \$13,970 for these members. See Compliance Finding 2 (Exhibit B).

PY	Member No.	Questioned Education Awards
2007-2008	3	\$3,244
2007-2008	4	4,197
2008-2009	5	2,810
2008-2009	6	3,719
Total		<u>\$13,970</u>

6. Timesheet hours did not agree with hours certified in the Corporation's Portal for 10 of 18 (4 from PY 2007-2008, 4 from PY 2008-2009, and 2 from PY 2009-2010) sampled members. UOG did not have procedures to verify timesheet accuracy. The hours for two PY 2007-2008 members were insufficient to qualify the members for education awards.

PY	Member No.	Portal Hours	Timesheet Hours	Hours Required for Award	Questioned Education Awards
2007-2008	10	1,705	1,681	1,700	\$4,725
2007-2008	11	450	443	450	1,250

Criteria

2007 AmeriCorps Special Provisions, Section IV, C.2, AmeriCorps Members, requires grantees to keep time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits. The Corporation uses time-and-attendance information in WBRs* to track member status, which forms the basis for calculating education awards.

Further, *2007 AmeriCorps Special Provisions, Section IV, E.1, Program Requirements*, states that to be eligible for an education award, the member must complete the term of service and hours, as follows:

- Full-time members must serve at least 1,700 hours; and
- Quarter-time members must serve at least 450 hours.

Without procedures to verify timesheet accuracy, the potential exists that members may receive education awards to which they are not entitled. We questioned the education awards of \$5,975 (\$4,725+\$1,250) for the two members who did not meet the minimum requirements to earn an education award. See Compliance Finding 4 (Exhibit B).

*The Web-based Reporting System was replaced by the My AmeriCorps Portal in 2009.

**SERVE GUAM! COMMISSION
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
UNIVERSITY OF GUAM
AMERICAN RECOVERY AND REINVESTMENT ACT
AWARD NO. 09RFHGU001**

	Amount	Notes
Claimed Federal Costs	<u>\$191,511</u>	
Questioned Education Awards:		
Compelling personal circumstances	\$5,200	1
Timekeeping discrepancies	<u>4,725</u>	2
Total Questioned Education Awards	<u>\$9,925</u>	

1. UOG exited two ARRA members for compelling personal circumstances, but did not document its determination.

Criteria

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. 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 totaling \$5,200 (\$3,249+\$1,951) for the two members (Member Nos. 7 and 8). See Compliance Finding 2 (Exhibit B).

2. Timesheet hours did not agree with hours certified in the Corporation's Portal for two of seven sampled members. UOG did not have procedures to verify timesheet accuracy. The hours for one member were insufficient to qualify the member for an education award.

Member No.	Portal Hours	Timesheet Hours	Hours Required for Award	Questioned Education Award
12	1,700	1,693	1,700	\$4,725

Criteria

2007 AmeriCorps Special Provisions, Section IV, C.2, AmeriCorps Members, requires grantees to keep time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits. The Corporation uses time-and-attendance information in WBRS to track member status, which forms the basis for calculating education awards.

Further, *2007 AmeriCorps Special Provisions, Section IV, E.1, Program Requirements*, states that, to be eligible for an education award, the member must complete the term of service and full-time members must serve at least 1,700 hours.

Without procedures to verify timesheet accuracy, the potential exists that members may receive education awards to which they are not entitled. We questioned the education award of \$4,725 for the one member who did not meet the minimum requirements. See Compliance Finding 4 (Exhibit B).

**SERVE GUAM! COMMISSION
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS
 MICRONESIAN BUSINESS ASSOCIATION
 AMERICORPS FORMULA
 AWARD NO. 05AFHGU001**

	PY 2007-2008	PY 2008-2009	Total	Note
Claimed Federal Costs	<u>\$201,221</u>	<u>\$242,481</u>	<u>\$443,702</u>	
Questioned Federal Costs:				
Unallocable other costs	<u>\$0</u>	<u>\$1,755</u>	<u>\$1,755</u>	1

1. MBA claimed \$1,755 for the purchase of a portable microphone and speaker system. These items were purchased in August 2009, shortly before the end of PY 2008-2009 and the end of MBA's AmeriCorps program. MBA stated that it intended to use the equipment for AmeriCorps training, but the decision to purchase it was made before the decision to end the program. These expenses were not included in MBA's approved budget, and neither SGC nor MBA provided a budget modification for these expenses.

Criteria

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A, *General Principles*, Paragraph 4. *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.

We questioned \$1,755. See Compliance Finding 1 (Exhibit B).

**SERVE GUAM! COMMISSION
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
STATE ADMINISTRATIVE AWARD No. 05CAHGU001**

	Amount	Note
Claimed Federal Costs	<u>\$10,579</u>	
Questioned Federal Costs:		
Unsupported costs	<u>\$10,579</u>	1

1. During the agreed-upon procedures period of July 1, 2008, through June 30, 2009, SGC claimed \$10,579 of costs on Award No. 05CAHGU001. SGC was unable to provide an expenditure report from its accounting system to support the \$10,579 of expenditures claimed on its final financial status report for this award.

However, SGC provided copies of two spreadsheets, which listed 27 transactions totaling \$25,740. Each of the transactions was dated between January 2008 and May 2008. In addition, SGC provided copies of documents supporting the transactions listed on the spreadsheet. While the supporting documents indicated that the expenditures were for SGC, none of the supporting documents identified these expenditures as specifically relating to this administrative award. Further, SGC did not provide documentation to demonstrate that the transactions listed on the spreadsheet were recorded as expenditures in its accounting system. We noted further that one of the transactions listed on the spreadsheet was also claimed under Award No. 06PTHGU001. Because we could not verify that the transactions listed on the spreadsheet or the supporting documents were related to this award, we were unable to test the allowability of the transactions or documents.

Criteria

45 CFR §2541.200, *Standards for financial management systems*, subsection (b) requires recipient financial management systems to provide for accurate, current, and complete disclosure of financial results of each Federally-sponsored program.

OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, Attachment A, *General Principles for Determining Allowable Costs*, Paragraph C.1., *Factors affecting allowability of costs*, states that costs must be adequately documented.

We questioned \$10,579. See Compliance Finding 1(Exhibit B).

**SERVE GUAM! COMMISSION
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
STATE ADMINISTRATIVE AWARD NO. 08CAHGU001**

	Amount	Note
Claimed Federal Costs	<u>\$238,197</u>	
Questioned Federal Costs:		
Unsupported costs	<u>\$3,647</u>	1

1. SGC did not provide adequate supporting documentation for the following sampled transactions.
 - SGC claimed \$2,120 (2 x \$265 x 4 days) of per diem costs for an SGC staff member and commissioner to attend the Executive Directors and State Service Commissioner training and meeting held in Arlington, VA, in September 2008. The per diem for each person was comprised of \$201 of lodging per diem and \$64 of M&IE per diem. SGC provided a copy of the “Travel Request and Authorization” form showing an authorized per diem amount of \$1,060 for each traveler, copies of airline boarding passes and conference registration confirmations to show that the SGC staff member and commissioner attended the conference, and a copy of a page from the General Services Administration’s (GSA) domestic per diem website showing per diem rates for the Washington, DC, area. However, SGC did not provide a copy of the hotel bill to support that claimed lodging costs were incurred. We questioned \$1,608 (4 x \$201 x 2) of unsupported lodging costs.
 - SGC claimed \$2,599 (\$297 x 125 percent x 7 days) of per diem costs for a SGC commissioner to attend the 2009 AmeriCorps State and National Meetings held in Arlington, VA, in September 2009. The per diem was comprised of \$2,039 (7 days x \$233 x 125 percent) of lodging per diem and \$560 (7 days x \$64 x 125 percent) of M&IE per diem. According to Guam travel law, the per diem rates for a member of the board of directors or commission are 125 percent of the basic per diem rates. SGC provided a copy of the “Travel Request and Authorization” form along with copies of airline boarding passes and a conference registration confirmation to show that the person attended the conference. However, SGC did not provide a copy of the hotel bill to support that claimed lodging costs were incurred. We questioned the \$2,039 of unsupported lodging costs.

Criteria

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, *General Principles for Determining Allowable Costs*, Paragraph C.1. *Factors affecting allowability of costs*, states that costs must be adequately documented.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, *Selected Items of Cost*, Paragraph 43.b., *Lodging and subsistence*, states that costs incurred for travel, including costs of lodging, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by a

governmental unit in its regular operations as the result of the governmental unit's written travel policy.

Title 5. Guam Code Annotated, Chapter 23, Government Travel Law, §23104. Per Diem Allowance, states an employee may receive an advance allowance for travel expenses. Within ten days following the return from official travel, an employee may submit an itemized statement of account supported by receipts, an affidavit, or both of actual expenses incurred for lodging, meals, and travel actually incurred on official business during the period of official travel. If the employee does not submit a statement of account, the employee shall submit an itinerary of their official travel within ten days of their return. If the employee received an excessive advance allowance, the employee shall reimburse the Government the excessive amount at the time the itinerary was submitted.

SGC representatives stated at the exit conference that subsequent to our onsite visit, it had revised its travel policies. SGC representative also stated at the time the costs were incurred it did not require travelers to submit hotel receipts and it would have to check with each traveler to obtain the hotel receipts. In total, we questioned \$3,647 of unsupported lodging costs. See Compliance Finding 1 (Exhibit B).

**SERVE GUAM! COMMISSION
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
PDAT AWARD No. 06PTHGU001**

	Amount	Note
Claimed Federal Costs	<u>\$36,485</u>	
Questioned Federal Costs:		
Unsupported costs	<u>\$5,756</u>	1

1. SGC did not provide adequate supporting documentation for the sampled transactions listed below.
 - SGC claimed \$890 of per diem expenses (5 days x \$178) for a staff member to attend the 2008 National Conference on Volunteering and Service held in Atlanta, GA, in June 2008. The per diem was comprised of \$645 (5 days x \$129) of lodging per diem and \$245 (5 days x \$49) of M&IE per diem. SGC provided a copy of the “Travel Request and Authorization” form showing an authorized per diem amount of \$890 and copies of airline boarding passes and a conference registration confirmation to show that the staff member attended the conference. However, SGC did not provide a copy of the invoice to support the actual cost of the lodging or any other documentation to support that claimed lodging costs were incurred. We questioned \$645 of lodging costs.
 - SGC claimed \$1,060 of per diem expenses (4 days x \$265) for a staff member to attend the Executive Directors and State Service Commissioner training meeting held in Arlington, VA, in September 2008. The per diem was comprised of \$804 (4 days x \$201) of lodging per diem and \$256 (4 days x \$64) of M&IE per diem. SGC provided a copy of the “Travel Request and Authorization” form showing an authorized per diem amount of \$1,060 and copies of airline boarding passes and a copy of a conference registration fee to show that the staff member attended the conference. However, SGC did not provide a copy of the invoice to support the actual cost of the lodging or any other documentation to support that claimed lodging costs were incurred. We questioned \$804 of unsupported lodging costs.
 - SGC claimed \$1,140 of per diem expenses (5 days x \$228) for a staff member to attend the 2009 National Conference on Volunteering and Service held in San Francisco, CA, in June 2009. The per diem was comprised of \$820 (5 days x \$164) of lodging per diem and \$320 (5 days x \$64) of M&IE per diem. In addition, SGC claimed \$370 for the registration fee to the conference. SGC provided a copy of the “Travel Request and Authorization” form showing an authorized per diem amount of \$1,140 and a registration fee of \$370, and copies of an invoice and itinerary for the airfare to attend the conference. However, SGC did not provide an invoice for the registration fee and a copy of the invoice to support the actual cost of the lodging or any other documentation to Support that claimed lodging costs were incurred. We questioned \$1,190 of unsupported lodging and registration fee costs (\$820+\$370).
 - SGC claimed \$912 of per diem expenses (4 days x \$228) for a staff member to attend the 2009 National Conference on Volunteering and Service held in San Francisco, CA,

in June 2009. The per diem was comprised of \$656 (4 days x \$164) of lodging per diem and \$256 (4 days x \$64) of M&IE per diem. SGC provided a copy of the "Travel Request and Authorization" form showing an authorized per diem amount of \$912; and copies of airline boarding passes and a copy of conference registration confirmation to show that the staff member attended the conference. However, SGC did not provide a copy of the invoice to support the actual cost of the lodging or any other documentation to demonstrate that claimed lodging costs were incurred. We questioned \$656 of unsupported lodging costs.

- SGC claimed \$2,461 of travel expenses for a staff member's attendance at the 2009 Financial and Grants Management Institute Training held in New Orleans, LA, in November 2009. SGC provided a copy of the "Travel Request and Authorization" showing authorized travel expenses of \$4,191 (\$3,150 in airfare, \$816 in per diem, and \$225 of miscellaneous expenses), but did not provide invoices to support the \$2,461 of expenses claimed. We questioned the \$2,461 of unsupported travel costs.

Criteria

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, *General Principles for Determining Allowable Costs*, Paragraph C.1, *Factors affecting allowability of costs* states that costs must be adequately documented.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, *Selected Items of Cost*, Paragraph 43.b, *Lodging and Subsistence*, states that costs incurred for travel, including costs of lodging, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by a governmental unit in its regular operations as the result of the governmental unit's written travel policy.

Title 5. Guam Code Annotated, Chapter 23, Government Travel Law §23104, states an employee may receive an advance allowance for travel expenses. Within ten days following the return from official travel, an employee may submit an itemized statement of account supported by receipts, an affidavit, or both of actual expenses incurred for lodging, meals, and travel actually incurred on official business during the period of official travel. If the employee does not submit a statement of account, the employee shall submit an itinerary of their official travel within ten days of their return. If the employee received an excessive advance allowance, the employee shall reimburse the government the excessive amount at the time the itinerary was submitted.

SGC representatives stated at the exit conference that since our onsite visit, it had revised its travel policies. SGC representative also stated at the time the costs were incurred it did not require travelers to submit hotel receipts and it would have to check with each traveler to obtain the hotel receipts. In total, we questioned \$5,756 of unsupported lodging and travel expenses. See Compliance Finding 1 (Exhibit B).

**SERVE GUAM! COMMISSION
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
PDAT AWARD No. 09PTHGU001**

	Amount	Note
Claimed Federal Costs	<u>\$29,533</u>	
Questioned Federal Costs:		
Unsupported costs	<u>\$9,677</u>	1

1. SGC did not provide adequate supporting documentation for these sampled transactions:
 - SGC claimed \$2,079 (7 days x \$297) of per diem costs for a staff member to attend the 2009 AmeriCorps State and National Meetings held in Arlington, VA, in September 2009. The per diem was comprised of \$1,631 (7 days x \$233) of lodging per diem and \$448 (7 days x \$64) of M&IE per diem. SGC provided a copy of the "Travel Request and Authorization" form along with copies of airline itinerary, a copy of the conference registration fee, and a copy of a page from the GSA's domestic per diem website showing per diem rates for the Washington DC area. However, SGC did not provide a copy of the hotel bill to support the actual cost of the lodging or any other documentation to support that costs were incurred. We questioned \$1,631 of unsupported lodging costs.
 - SGC claimed \$2,539 of airfare costs for a commissioner to attend the 2009 Financial and Grants Management Institute Training held in New Orleans, LA, in November 2009. SGC provided a copy of the "Travel Request and Authorization" form showing \$3,150 of authorized airfare, but did not provide a copy of the invoice supporting the actual cost of the airfare. We questioned \$2,539 of unsupported travel costs.
 - SGC claimed \$816 (4 days x \$204) of per diem costs for a commissioner to attend the 2009 Financial and Grants Management Institute Training held in New Orleans, LA, in November 2009. The per diem was comprised of \$532 (4 days x \$133) of lodging per diem and \$284 (4 days x \$71) of M&IE per diem. SGC provided a copy of the "Travel Request and Authorization" form showing an authorized per diem amount of \$816 and copies of airline boarding passes and a copy of a receipt for the conference registration fee to show that the commissioner attended the conference. However, it did not provide a copy of the invoice to support the actual cost of the lodging or any other documentation to support that claimed costs were incurred. We questioned \$532 of unsupported lodging costs.
 - SGC claimed \$1,632 (\$816 x 2) of per diem costs for a staff member and commissioner to attend the 2009 Financial and Grants Management Institute Training held in New Orleans, LA, in November 2009. The per diem was comprised of \$1,064 (4 days x \$133 x 2) of lodging per diem and \$568 (4 days x \$71 x 2) of M&IE per diem. SGC provided a copy of the "Travel Request and Authorization" form showing an authorized per diem amount of \$816 for each traveler. However, it did not provide invoices for lodging or documentation demonstrating that the staff member and commissioner attended the conference. We questioned \$1,632 of unsupported lodging and M&IE costs.

- SGC claimed \$350 of registration fees for two AmeriCorps members to attend the Micronesian Youth Services Network conference held in Pohnpei, Federal States of Micronesia, in April 2010. SGC provided a copy of the “Travel Request and Authorization” form showing an authorized miscellaneous amount of \$175 for each traveler, but did not provide invoices for the registration fees. We questioned \$350 of unsupported registration fees.
- SGC claimed \$2,208 (\$1,104 x 2) of airfare expenses for two AmeriCorps members to attend the Micronesian Youth Services Network conference in Pohnpei in April 2010. SGC provided a copy of the “Travel Request and Authorization” form showing airfare of \$1,104, but did not provide a copy of the invoice supporting the actual cost of the airfare or evidence that travel was taken. We questioned \$2,208 of unsupported airfare expenses for these two AmeriCorps members.
- SGC claimed \$785 (5 days x \$157) of per diem for an AmeriCorps member to attend the same Micronesian Youth Services Network conference. SGC provided a copy of the “Travel Request and Authorization” form showing an authorized per diem amount of \$785, but did not provide invoices for lodging or documentation demonstrating that the member attended the conference. We questioned \$785 of unsupported per diem costs.

Criteria

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, General Principles for Determining Allowable Costs, Paragraph C.1. Factors affecting allowability of costs, states that costs must be adequately documented.

OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Government*, Attachment B, *Selected Items of Cost*, Paragraph 43.b, *Lodging and Subsistence*, states that costs incurred for travel, including costs of lodging, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by a governmental unit in its regular operations as the result of the governmental unit’s written travel policy.

Title 5. Guam Code Annotated, Chapter 23, Government Travel Law, §23104, states an employee may receive an advance allowance for travel expenses. Within ten days following the return from official travel, an employee may submit an itemized statement of account supported by receipts, an affidavit, or both of actual expenses incurred for lodging, meals, and travel actually incurred on official business during the period of official travel. If the employee does not submit a statement of account, the employee shall submit an itinerary of their official travel within ten days of their return. If the employee received an excessive advance allowance, the employee shall reimburse the Government the excessive amount at the time the itinerary was submitted.

SGC representatives stated at the exit conference that since our onsite visit, it had revised its travel policies. SGC representative also stated at the time the costs were incurred it did not require travelers to submit hotel receipts and it would have to check with each traveler to obtain the hotel receipts. In total we questioned \$9,677 of unsupported lodging and travel expenses. See Compliance Finding 1 (Exhibit B).

SERVE GUAM! COMMISSION

COMPLIANCE RESULTS

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

Finding 1. SGC and three subgrantees did not have adequate controls to ensure claimed costs were allowable, allocable, and compliant with OMB accounting circulars.

Notes to Schedules A through H describe questioned costs of \$71,847, which are summarized in Exhibit A (see page 7). 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.

SGC

SGC could not support all costs claimed on Award No. 05CAHGU001, and did not ensure costs were adequately accounted for in its accounting system.

- As discussed in Schedule E, SGC claimed \$10,579 of costs on Award No. 05CAHGU001 during the agreed-upon procedures period. SGC was unable to provide an expenditure report from its accounting system to support the \$10,579 of expenditures claimed on its final financial status report for this award.

However, SGC provided copies of two spreadsheets which listed 27 transactions totaling \$25,740. The transactions were dated between January 2008 and May 2008. In addition, SGC provided copies of documents supporting the transactions listed on the spreadsheet. While the supporting documents indicated that the expenditures were for SGC, none of the documents identified these expenditures as specifically related to this administrative award. Further, SGC did not provide documentation to demonstrate that the transactions listed on the spreadsheet were recorded as expenditures in its accounting system. Finally, we noted that one of the transactions listed on the spreadsheet was also claimed under Award No. 06PTHGU001. Because we could not verify that the transactions listed on the spreadsheet or the supporting documents were related to this award, we were unable to test the allowability of the transactions or documents. We questioned \$10,579.

- SGC recorded UOG's October 2007 reimbursement request for PY 2006-2007 as expenses for PY 2007-2008. In addition, SGC recorded UOG's November 2007 and December 2007 reimbursement requests for PY 2007-2008 as expenses for PY 2008-2009.

Criteria

45 CFR §2541.200, *Standards for financial management systems*, subsection (b) requires recipient financial management systems to provide for accurate, current, and complete disclosure of financial results of each Federally-sponsored program. Further, OMB Circular A-

87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, *General Principles for Determining Allowable Costs*, Paragraph C.1. *Factors affecting allowability of costs*, states that costs must be adequately documented.

As discussed in Schedules F through H, SGC did not provide adequate documentation to support sampled travel costs.

SGC did not provide adequate documentation to support \$3,647 of lodging costs on Award No. 08CAHGU001, \$2,925 of lodging costs on Award No. 06PTHGU001, and \$3,227 of lodging costs on Award No. 09PTHGU001. SGC provided copies of the "Travel Request and Authorization" forms showing authorized lodging amounts for each traveler. However, it did not provide copies of the hotel bills to support the actual cost of the lodging or any other documentation to demonstrate that the travelers at least incurred those amounts of lodging expenses.

SGC did not provide adequate documentation to support \$2,831 of airfare and registration fees on Award No. 06PTHGU001 and \$6,450 of airfare, registration fees, M&IE per diem, and other expenses on Award No. 09PTHGU001. SGC provided copies of the "Travel Request and Authorization" forms showing authorized airfare, registration fees, and per diem costs for each traveler. However, SGC did not provide copies of invoices or documentation verifying that the travelers attended the conferences.

Criteria

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, *General Principles for Determining Allowable Costs*, Paragraph C.1. *Factors affecting allowability of costs*, states that costs must be adequately documented.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, *Selected Items of Cost*, Paragraph 43.b, *Lodging and Subsistence*, states that costs incurred for travel, including costs of lodging, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by a governmental unit in its regular operations as the result of the governmental unit's written travel policy.

Title 5. Guam Code Annotated, Chapter 23, Government Travel Law, §23104 states an employee may receive an advance allowance for travel expenses. Within ten days following the return from official travel, an employee may submit an itemized statement of account supported by receipts, an affidavit, or both of actual expenses incurred for lodging, meals, and travel actually incurred on official business during the period of official travel. If the employee does not submit a statement of account, the employee shall submit an itinerary of their official travel within ten days of their return. If the employee received an excessive advance allowance, the employee shall reimburse the government the excessive amount at the time the itinerary was submitted.

Sanctuary

As discussed in Schedule A, Sanctuary did not ensure costs were adequately accounted for in its accounting system. Expenditures claimed on the final reimbursement request for PY 2007-2008 and PY 2008-2009 were not supported by its general ledger. In PY 2007-2008, the

general ledger was \$1,982 less than the final reimbursement request. In PY 2008-2009, the general ledger was \$59 less than the final reimbursement request.

PY	Final Reimbursement Request	Accounting Report Expenditures	Difference
2007-2008	\$399,293	\$397,311	\$1,982
2008-2009	480,001	479,942	59

Criteria

According to 45 CFR § 2543.21, *Standards for financial management systems*, Subsection (b), recipient financial management systems must provide for accurate, current, and complete disclosure of financial results of each Federally-sponsored program.

As discussed in Schedule A, Sanctuary claimed costs that were not in its approved budget and not allocable to the AmeriCorps program.

- Seven sampled transactions from PY 2007-2008 were for office supplies that were not in Sanctuary’s approved budget. In addition, these items were purchased shortly before its 2007-2008 program year ended on October 31, 2008.
- One sampled transaction from PY 2008-2009 and one sampled transaction from PY 2009-2010 were not allocable to the AmeriCorps programs.
- Three sampled PY 2007-2008 transactions and four sampled PY 2008-2009 transactions were not adequately supported.
- In October 2009, Sanctuary claimed as direct costs \$781 of accounting services for the development of its 2009 indirect cost rate. These costs should have been classified as administrative costs and therefore not billed in addition to the administrative rate.

Criteria

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A, *Selected Items of Cost*, Paragraph 4. *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.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A, *Selected Items of Cost*, Paragraph 2., *Factors affecting allowability of costs*, states that costs must be adequately documented.

45 CFR § 2510.20, *Administrative costs*, administrative costs include general or centralized expenses of the organization and does not include program costs.

During planning SGC representatives stated that its procedures to ensure that costs were allowable included performing detailed reviews of monthly subgrantee reimbursement. However, it did not comment on the unallowable and unallocable costs described above.

University Of Guam

As discussed in Schedule B, UOG claimed costs that were not allocable to the AmeriCorps program.

- UOG claimed \$4,903 of travel costs for two PY 2008-2009 members' attendance at the National Science Foundation conference in Hilo, HI. At the conference, the AmeriCorps members presented a paper about the efficiency of backyard gardening for families in Guam. UOG believed this trip was allowable because it was related to the service performed by the two members at its satellite office at the Guam DOA. This activity was not allocable to UOG's AmeriCorps program because its mission was to provide tutoring, mentoring, and counseling services to current and prospective UOG students. In addition, the trip was not included in UOG's approved budget for PY 2008-2009. The approved budget only included travel to Corporation-sponsored conferences and events.
- UOG claimed \$2,750 of consultant services for an assistant in UOG's AmeriCorps office. These costs were originally recorded as miscellaneous stipends in UOG's general ledger, but documentation supplied by UOG indicated that the costs were re-classified as consultant services per SGC instructions. The activities performed by the assistant appeared unrelated to UOG's AmeriCorps office. His timesheets indicated that he was a research assistant on an agriculture project. In addition, it appeared that the assistant was an AmeriCorps member who was not officially enrolled in the program. The file maintained in the AmeriCorps office for this person included AmeriCorps member forms, eligibility documentation, timesheets, and pre-service orientation and training documentation.
- In PY 2008-2009, UOG claimed as living allowance costs \$1,710 paid to two individuals who were not enrolled as AmeriCorps members in the Portal, and were not identified as employees involved with the UOG AmeriCorps program.
- In PY 2008-2009, UOG also claimed as living allowance \$1,365 in stipends paid to a former member who worked as an assistant in the UOG AmeriCorps office.
- In PY 2007-2008, UOG claimed \$1,688 of living allowance paid to a PY 2008-2009 member.

Criteria

OMB Circular A-21 Cost Principles for Educational Institutions Subsection C.4., *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.

2007 AmeriCorps Special Provisions, Section IV I.1. *Living Allowance Distribution*, states that the living allowance is designed to help members meet necessary living expenses incurred while participating in the AmeriCorps Program.

During planning SGC representatives stated that its procedures to ensure that costs were allowable included performing detailed reviews of monthly subgrantee reimbursement. However, it did not comment on the unallocable costs described above.

Micronesian Business Association

As discussed in Schedule D, MBA claimed \$1,755 for the purchase of a portable microphone and speaker system. These items were purchased in August 2009, shortly before the end of PY 2008-2009 and the end of MBA's AmeriCorps program. MBA stated that it intended to use the equipment for AmeriCorps training, but the decision to purchase it was made before the decision to end the program. These expenses were not included in MBA's approved budget and neither SGC nor MBA provided a budget modification for these expenses.

Criteria

OMB Circular A-122, *Cost Principles for Non-Profit Organizations, Attachment A, Selected Items of Cost, Paragraph 4, 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.

During planning SGC representatives stated that its procedures to ensure that costs were allowable included performing detailed reviews of monthly subgrantee reimbursement. However, it did not comment on the unallocable costs described above.

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. Instruct SGC to review applicable regulations and develop policies and procedures to ensure that its claimed costs are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations; and
- 1d. Instruct SGC to review applicable regulations and develop policies and procedures to ensure that costs claimed by its subgrantees are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations.

SGC's Response: SGC provided the following responses:

- It did not provide responses to each of the recommendations but stated that it had taken these recommendations under advisement. It will review applicable regulations and amend existing policies and procedures to ensure that costs claimed by subgrantees are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations. It will provide a copy of its finalized standard operating procedures to the Corporation before October 1, 2011.

Accountants' Comments: Our responses follow:

- SGC did not respond to the recommendations or provide documentation to demonstrate that the \$71,847 of Federal costs questioned in Schedules A through H were allowable, adequately documented, and allocable to Corporation awards. We continue to recommend that the Corporation calculate and seek to recover the appropriate amount of disallowed costs and the related administrative costs;

- Amending existing policies and procedures and providing a standard operating procedure for ensuring costs claimed by subgrantees are allowable, adequately documented, and allocable is responsive to our recommendation. SGC should also ensure that its standard operating procedure includes policies and procedures to check that its costs are allowable, adequately documented, and allocable;
- We recommend that the Corporation verify that the standard operating procedure has been provided by October 1, 2011, and that it includes policies and procedures for ensuring that the costs for SGC and its subgrantees are allowable, adequately documented, and allocable; and
- We recommend that the Corporation verify that the standard operating procedure has been implemented and is working as intended.

Finding 2. Two subgrantees did not follow certain AmeriCorps requirements for members exited early due to compelling personal circumstances.

Sanctuary and UOG exited members for compelling personal circumstances but did not document the basis for its determinations.

- As discussed in Schedule A, Sanctuary exited one PY 2007-2008 member and one PY 2008-2009 member for compelling personal circumstances, but did not document its determinations.
- As discussed in Schedule B, UOG exited two PY 2007-2008 and two PY 2008-2009 members for compelling personal circumstances, but did not have adequate documentation supporting its determinations. It appeared that these members were exited early because of illness, a death of a family member, and military service obligations. However, the program's determination of the compelling circumstances was not documented.

In addition, one of the PY 2007-2008 members received a partial education award and was exited from the program on December 31, 2008. Documentation in this member's file indicated that the member started service in November 2007 and left the program in July 2008 to perform military service. The member then resumed AmeriCorps service in October 2008 and served until December 31, 2008. On January 2, 2009, the member started working as an assistant in the AmeriCorps office. UOG did not document its determination of compelling personal circumstances. As a result, we could not determine if the member was exited for compelling personal circumstances because of military service or withdrew from the program to take the paid AmeriCorps assistant position at UOG.

- As discussed in Schedule C, UOG exited two ARRA members for compelling personal circumstances, but did not have documentation of its determinations.

Criteria

According to 45 CFR § 2522.230, *Under what circumstances may an AmeriCorps participant be released from completing a term of personal 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. Compelling personal circumstances include serious illness of the participant or the participant's family member, death of a participant's family member, and military service obligations. Compelling personal circumstances do not include leaving a program to obtain employment or to attend college.

As shown in the table below, we questioned education awards of \$24,919 for these members.

Subgrantee	PY	Member No.	Questioned Education Awards
Sanctuary	2007-2008	1	\$4,597
Sanctuary	2008-2009	2	1,152
UOG	2007-2008	3	3,244
UOG	2007-2008	4	4,197
UOG	2008-2009	5	2,810
UOG	2008-2009	6	3,719
UOG	ARRA	7	3,249
UOG	ARRA	8	1,951
	Total		<u>\$24,919</u>

Recommendations: We recommend that the Corporation:

- 2a. Disallow and, if already used, recover education awards made to members who did not meet the AmeriCorps requirements for compelling personal circumstances;
- 2b. Require SGC to provide second-level approval to its subgrantees when verifying documentation and justification of partial education awards; and
- 2c. Verify the implementation of SGC's strengthened policies and procedures.

SGC's Response: SGC did not concur with this finding, and did not provide responses to the recommendations in the draft report.

Accountants' Comments: Our responses follow:

- SGC did not provide reasons why it did not concur with the finding. In addition, it did not provide any documentation to demonstrate that the members with questioned education awards had met the AmeriCorps requirements for compelling personal circumstances. We continue to recommend that the Corporation disallow and, if already used, recover education awards made to these members;
- We continue to recommend that SGC amend its policies and procedures to provide second-level approval to its subgrantees when verifying documentation and justification of partial education awards; and
- We continue to recommend that the Corporation verify the implementation of SGC's strengthened policies and procedures for partial education awards and ensure that they are working as intended.

Finding 3. Subgrantees did not comply with AmeriCorps requirements for criminal history checks and NSOPR searches.

Sanctuary and UOG conducted Guam sex offender searches on its members instead of nationwide NSOPR searches. In addition, MBA and UOG did not ensure that member criminal history checks and NSOPR searches were conducted in a timely manner. Finally, Sanctuary did not ensure NSOPR searches were conducted in a timely manner for all grant-funded staff.

Member NSOPR Searches

In PY 2007-2008, Sanctuary and UOG did not conduct NSOPR searches on its members as required by AmeriCorps regulations. Sanctuary also did not conduct NSOPR searches on its members during PY 2008-2009. Instead, Sanctuary and UOG conducted Guam sex offender registry searches, which did not comply with AmeriCorps regulations because they were searches of the local registry only. We did not question member costs and education awards for sampled members at both subgrantees because, after the exit conference, SGC provided copies of NSOPR searches for those members.

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.

Timeliness of Member Criminal History Checks and NSOPR Searches

UOG conducted criminal history checks for three sampled members after the members started service. In addition, UOG and MBA conducted NSOPR searches for 25 sampled members after they started service. As shown in the following table, the number of days between member start dates (and dates when members could have been working with vulnerable individuals) and check dates ranged from 17 to 40 days for criminal history checks, and from 2 to 137 days for NSOPR searches.

Subgrantee	Type of Check/Search	PY	Number of Members	Days to Perform Checks
MBA	NSOPR	2007-2008	6	30-35
MBA	NSOPR	2008-2009	6	97-132
UOG	Criminal History	2007-2008	3	17-40
UOG	NSOPR	2008-2009	4	107-137
UOG	NSOPR	2009-2010	1	17
UOG	NSOPR	ARRA	5	2-15

We also noted other problems with the NSOPR searches.

- MBA did not conduct NSOPR searches for one sampled PY 2008-2009 member because the member left the program before the search was conducted.
- The NSOPR search results for five PY 2008-2009 UOG members were not dated. Therefore, we could not determine when the searches were conducted.

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 other vulnerable populations before a member's start date could present a danger to the individuals being served.

NSOPR Searches for Sanctuary Staff

In PYs 2007-2008, 2008-2009, and 2009-2010, Sanctuary claimed the personnel and benefit costs of its grant-funded staff members, including the AmeriCorps program director, accounting assistant, and program assistants. Sanctuary conducted criminal history checks and Guam sex offender registry searches on these employees because they had recurring access to vulnerable individuals. However, the Guam sex offender registry searches did not comply with AmeriCorps regulations because they were searches of the local registry only.

Beginning in PY 2009-2010, Sanctuary conducted NSOPR searches on its members but not on its staff members. Sanctuary was unaware of the NSOPR requirement for grant-funded staff. We did not question the personnel and benefit costs for the staff members because Sanctuary conducted NSOPR searches for the staff members on October 26 and 29, 2010.

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.

Recommendations: We recommend that the Corporation:

- 3a. Provide guidance to SGC to ensure that its' subgrantees conduct and retain documentation supporting member criminal history checks;
- 3b. Provide guidance to SGC to ensure that its' subgrantees conduct NSOPR searches in compliance with AmeriCorps regulations; and
- 3c. Verify that SGC has implemented complete and effective criminal history check and NSOPR search procedures.

SGC's Response: SGC concurred with this finding. It stated that it had modified its risk-based monitoring policy to add subgrantee site visits that would be scheduled after the completion of member recruitment and prior to the members' first day of service.

Accountants' Comments: Our responses follow:

- SGC did not explain how it would ensure that its subgrantees conduct and retain documentation supporting criminal history checks and NSOPR searches on members and grant-funded staff members who start the program late.
- We recommend that the Corporation verify that SGC has amended its policies and procedures to ensure its subgrantees conduct timely criminal history checks and NSOPR searches; and
- We recommend that the Corporation verify that SGC has implemented its amended policies and procedures and verify that they are working as intended.

Finding 4. Subgrantees did not accurately record all timesheet hours, did not have procedures to verify timesheet accuracy or to ensure all timesheets were signed and, in some instances, timesheets did not support member eligibility for education awards.

We tested timesheets for 63 members. The timesheet hours were not always recorded accurately in the Portal, and one member did not sign one timesheet.

Accuracy of Timesheet Hours

- Timesheet hours did not agree with hours certified in the Portal for 4 of 25 (1 from PY 2007-2008, 1 from PY 2008-2009, and 2 from PY 2009-2010) sampled Sanctuary members.
- Timesheet hours did not agree with hours certified in the Portal for 4 of 13 (2 from PY 2007-2008 and 2 from PY 2008-2009) sampled MBA members.
- Timesheet hours did not agree with hours certified in the Portal for 12 of 25 (4 from PY 2007-2008, 4 from PY 2008-2009, 2 from PY 2009-2010 and 2 from ARRA) sampled UOG members. UOG did not have procedures to verify timesheet accuracy. The hours

for two PY 2007-2008 members and one ARRA member were insufficient to qualify the members for education awards.

PY	Member No.	Portal Hours	Timesheet Hours	Hours Required for Award	Questioned Education Awards
2007-2008	10	1,705	1,681	1,700	\$4,725
2007-2008	11	450	443	450	1,250
ARRA	12	1,700	1,693	1,700	4,725
Total					<u>\$10,700</u>

Without procedures to verify timesheet accuracy, the potential exists that members may receive education awards to which they are not entitled. We questioned the education awards of \$10,700 for the three UOG members who did not meet the minimum requirements for earning the awards.

Criteria

2007 AmeriCorps Special Provisions, Section IV, C.2, AmeriCorps Members, 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.

2007 AmeriCorps Special Provisions, Section IV, E.1, Program Requirements, states that to be eligible for an education award, the member must complete the term of service and hours:

- Full-time members must serve at least 1,700 hours; and
- Quarter-time members must serve at least 450 hours.

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.

Unsigned Timesheet

One PY 2007-2008 Sanctuary member had an unsigned timesheet for the period ending May 31, 2008. We deducted the 66 service hours reported on this timesheet. After the deduction, the remaining hours did not qualify the member for an education award. We questioned the education award of \$4,725 for this member.

PY	Member No.	Timesheet Hours			Hours Required For Award	Questioned Education Award
		Total	Unsigned	Adjusted		
2007-2008	9	1,700	66	1,634	1,700	\$4,725

Criteria

2007 AmeriCorps Special Provisions, Section IV, C.2, AmeriCorps Members, requires grantees to keep time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits. Time-and-attendance records must be signed and dated by both the member and supervisor.

We also identified weaknesses in how timesheets were prepared. A summary of timesheet discrepancies by program year follows:

Discrepancy	Subgrantees		
	Sanctuary	UOG	MBA
Timesheet missing member signatures	1	0	0
Timesheets signed in advance	0	1	0
Member signatures not dated	0	1	0
Corrections with whiteout	0	1	0
Corrections not initialed	2	2	5
12 or more service hours in a day	11	0	0

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 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 of \$15,425 made to members who did not serve the minimum required service hours;
- 4b. Require SGC to strengthen its' subgrantee monitoring procedures to ensure that proper member timesheets are maintained; and
- 4c. Verify that SGC's strengthened timesheet procedures have been implemented.

SGC's Response: SGC provided the following responses:

It did not provide responses to each of the recommendations but stated that it had taken these recommendations under advisement. It will review applicable regulations and amend existing policies and procedures to ensure that costs claimed by subgrantees are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations. It will provide a copy of its finalized standard operating procedures before October 1, 2011.

Accountants' Comments: Our responses follow:

- SGC did not state in its response whether it concurred with the finding and education awards questioned for the four members;
- SGC responded that it would review applicable regulations, amend existing policies and procedures, and develop standard operating procedures. This is responsive to our recommendations. However, we do not agree with SGC's response that it will ensure costs claimed by subgrantees are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations. The \$15,425 of education awards questioned in this finding are not included in claimed costs and are not subject to cost principles.

- We recommend that the Corporation verify that SGC has provided its standard operating procedure by October 1, 2011, and that it includes policies and procedures for ensuring that its subgrantees maintain proper member timesheets and comply with AmeriCorps requirements for time and attendance records; and
- We recommend that the Corporation verify that the standard operating procedure has been implemented and is working as intended.

Finding 5. Subgrantees could not demonstrate that some members received performance evaluations, and all end-of-term evaluations did not meet AmeriCorps requirements.

UOG could not demonstrate that five members (one PY 2008-2009 member, three PY 2009-2010 members, and one ARRA member) received end-of-term performance evaluations. In addition, UOG could not demonstrate that ten members (two PY 2007-2008 members, one PY 2008-2009 member, two PY 2009-2010 members, and five ARRA members) received mid-term performance evaluations.

As described below, some end-of-term evaluations tested at Sanctuary, UOG, and MBA did not indicate if the members had completed the required number of service hours to be eligible for education awards.

- End-of-term evaluations for seven MBA PY 2007-2008 members did not indicate if the members had completed the required number of service hours.
- End-of-term evaluations for three PY 2008-2009 evaluations tested at Sanctuary did not indicate if the members had completed the required number of hours.
- End-of-term evaluations for 15 UOG members (seven PY 2007-2008 members, six PY 2008-2009 members, and two ARRA members) did not indicate if the members had completed the required number of hours.

Evaluations, particularly end-of-term reviews, 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 Special Provisions, Section IV, D.6, Performance Reviews, 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.

According to 45 CFR § 2522.220(c), *Participant Evaluation*, 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.

- The end-of-term evaluation for four PY 2007-2008 members (two Sanctuary members, one UOG member, and one MBA member) did not have the members' signatures.
- The end-of-term evaluation for one MBA PY 2007-2008 member and seven PY 2008-2009 UOG members were completed before they finished their service.
- One PY 2009-2010 Sanctuary member signed their mid-term and end-of-term evaluations, but the evaluations were not completed by the supervisor.
- Seven PY 2008-2009 Sanctuary and seven UOG members (five PY 2007-2008 members and two PY 2008-2009 members) signed end-of-term evaluations prior to completing their service.

Recommendations: We recommend that the Corporation:

- 5a. Train SGC on requirements for member evaluations;
- 5b. Ensure SGC strengthens its training and monitoring procedures for conducting and documenting member evaluations; and
- 5c. Verify the implementation of SGC's procedures for member evaluations.

SGC's Response: SGC concurred with this finding and stated that it had amended its policy to ensure that evaluations are documented prior to releasing subgrantee reimbursements.

Accountants' Comments: Our responses follow:

- SGC's response was responsive to the recommendation that it strengthen its monitoring procedures for conducting and documenting member evaluations. However, SGC did not explain how it would ensure that member evaluations include all of the elements required by the Corporation;
- We recommend that the Corporation verify that SGC has amended its policies and procedures for conducting and documenting member evaluations; and
- We recommend that the Corporation verify that SGC has implemented its amended policies and procedures for conducting and documenting member evaluations and verify that the policies and procedures are working as intended.

Finding 6. Two subgrantees did not complete all member enrollment and exit forms and enter them into the Corporation's reporting systems in accordance with AmeriCorps requirements.

Two subgrantees did not enter some member enrollment and exit forms into 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	Sanctuary	UOG	Days to Approve
PY 2007-2008			
Enrollment Form Approved	0	7	37-51
Exit Form Approved	1	6	62-260
PY 2008-2009			
Enrollment Form Approved	0	7	46-146
Exit Form Approved	0	7	68-285
PY 2009-2010			
Enrollment Form Approved	0	2	62 and 111
Exit Form Approved	2	4	51-129
ARRA			
Enrollment Form Approved	0	0	
Exit Form Approved	<u>0</u>	<u>3</u>	37-101
Total			
Enrollment Form Approved	<u>0</u>	<u>16</u>	
Exit Form Approved	<u>3</u>	<u>20</u>	

Criteria

2007 AmeriCorps Special Provisions, Section IV, 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 the member forms:

- The exit form for one Sanctuary PY 2009-2010 member was signed the same day the member started service.
- The eligibility for education award certification sections for one PY 2007-2008 Sanctuary member and one PY 2008-2009 UOG member were incomplete.
- One PY 2008-2009 UOG member did not have an exit form.

Criteria

2007 AmeriCorps Special Provisions, Section IV, J, *Post Service Education Awards*, 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. Further, the grantee or anyone acting on the grantee's behalf is responsible for the accuracy of the information certified at the end-of-term certification.

2007 AmeriCorps General Provisions, Section V, E, Retention of Records, requires grantees to retain all program records for three years from the date of submission of the final Financial Status Report (FSR) now known as the Federal Financial Report (FFR). 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.

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:

6a. Require SGC to strengthen its procedures to ensure proper completion of member enrollment and exit forms; and

6b. Verify that member forms are properly completed and submitted in accordance with grant requirements.

SGC's Response: SGC concurred with this finding and stated that it had amended its policy to ensure that evaluations are documented prior to release of subgrantee reimbursements.

Accountants' Comments: It appears that SGC erroneously repeated its response for Finding 5 and did not respond to Finding 6. We continue to recommend that the Corporation require SGC to strengthen its procedures to ensure proper completion and submission of member enrollment and exit forms.

Finding 7. UOG did not follow AmeriCorps and Internal Revenue Service requirements for withholding FICA taxes from members' living allowance payments.

UOG did not withhold FICA taxes (Social Security and Medicare) from member living allowance payments, and did not provide members with W-2 forms as required by AmeriCorps regulations. UOG did not believe the living allowance was taxable because it considered the allowance to be a stipend, and because the Internal Revenue Service (IRS) has ruled that stipends are not taxable. In addition, UOG stated that it had obtained a ruling from the Guam Department of Revenue and Taxation that the living allowance was not taxable, but it did not produce documentation of this ruling. As a result, it did not include FICA taxes for UOG students in its approved budget narrative.

On October 7, 2010, UOG sent an inquiry to the IRS about the living allowance paid to its members. It asked the IRS if students working at the university doing voluntary work as tutors are subject to FICA taxes. The IRS responded in a December 22, 2010, letter as follows:

Wages paid to U.S. citizens, resident aliens, and nonresident aliens employed in the U.S. possessions are generally subject to Social Security and Medicare taxes under the same conditions that would apply to U.S. citizens employed in the United States. However, certain types of services are exempt from Social Security and Medicare taxes. Examples of services exempt from Social Security and Medicare taxes include: Compensation paid to students employed by a school, college, or university if the student is enrolled and regularly attending classes at such school, college, or university.

FICA (Social Security and Medicare) taxes do not apply to service performed by students employed by a school, college, or university where the student is pursuing a course of study. Whether the organization is a school, college, or university depends on the organization's primary function. In addition, whether employees are students for this purpose requires examining the individual's employment relationship with the employer to determine if employment or education is predominant in the relationship.

Because AmeriCorps members are volunteers and not employees of the University, and considering that the IRS ruling did not specifically exempt FICA for AmeriCorps members, we contend that UOG should withhold FICA taxes from members' stipends. In addition, UOG may be required to pay the unpaid taxes, plus interest, potentially amounting to approximately \$110,420 for the period covered by the agreed-upon procedures.

Program Year	Living Allowance	Employer Share FICA Tax Liability (7.65%)	Member Share FICA Tax Liability (7.65%)	Total FICA Tax Liability
2007-2008	\$203,269	\$15,550	\$15,550	\$31,100
2008-2009	253,946	19,427	19,427	38,854
ARRA	264,480	20,233	20,233	40,466
Total	<u>\$721,695</u>	<u>\$55,210</u>	<u>\$55,210</u>	<u>\$110,420</u>

Criteria

2007 AmeriCorps Special Provisions, Section IV, 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 Special Provisions, Section IV, 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:

- 7a. Require SGC to implement policies and procedures to ensure UOG withholds and remits employer and member shares of FICA taxes to the IRS.
- 7b. Require SGC to implement procedures to ensure UOG provides W-2 forms to members at the close of the tax year; and
- 7c. Verifies implementation of the procedures.

SGC's Response: SGC provided the following responses:

It did not provide responses to each of the recommendations. It will review applicable regulations and amend existing policies and procedures to ensure that costs claimed by subgrantees are allowable, adequately documented, and allocable in accordance with

applicable cost principles and regulations. It will provide a copy of its finalized standard operating procedures before October 1, 2011.

Accountants' Comments: Our responses follow:

- SGC's response did not address our recommendations. It stated that it will ensure costs claimed by subgrantees are allowable, adequately documented, and allocable in accordance with applicable cost principles. While grantees should have such procedures to meet those criteria, these specific procedures are not applicable to this finding. This finding discusses UOG's noncompliance with requirements, listed in the AmeriCorps provisions, for withholding FICA taxes from member living allowances.
- We recommend that the Corporation verify that SGC has provided the standard operating procedure by October 1, 2011, and verify that the standard operating procedure includes policies and procedures for ensuring all subgrantees withhold and remit employer and member share of FICA taxes to the IRS and provide W-2 forms to members at the close of the tax year; and
- We recommend that the Corporation verify that the standard operating procedure has been implemented and is working as intended.

Finding 8. SGC and its subgrantees did not follow certain AmeriCorps requirements.

SGC and its subgrantees did not comply with requirements relating to financial reporting, pre-service orientation training, other member training and fundraising, member agreements and member activities.

Reporting

SGC did not submit FSRs (now FFRs) and progress reports in accordance with applicable regulations. It did not submit one FFR for the period July 1, 2008, through December 31, 2008, and did not submit nine reports in a timely manner.

Award No.	Number of Reports	Days late
05CAHGU001	1	31
05AFHGU001	1	4
06PTHGU001	1	2
08CAHGU001	1	3
09PTHGU001	1	3
09RFHGU001	4	3-4

Criteria

Provisions for *State Administrative, Program Development and Training, and Disability Placement Grants* and *American Recovery and Reinvestment Act*, require grantees to adhere to the reporting requirements established by the Corporation.

Pre-Service Orientation Training

UOG did not retain agendas for any of the pre-service orientation training sessions it held during the agreed-upon procedures period. As a result, we could not determine if the pre-service orientation sessions provided to members covered AmeriCorps requirements. In addition, UOG did not retain sign-in sheets for the PY 2007-2008 and 2008-2009 pre-service orientation training sessions.

As an alternative procedure, we examined the timesheets of the sampled PY 2007-2008 and 2008-2009 members to determine if they recorded their attendance at orientation training. We could not verify that one PY 2008-2009 member attended pre-service orientation training because the member did not record her attendance on the timesheet.

Criteria

2007 AmeriCorps Special Provisions, Section IV, 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.

2007 AmeriCorps General Provisions, Section V, E, Retention of Records, requires grantees to retain all program records for three years from the date of submission of the final FSR (now known as the Federal Financial Report).

Member Training and Fundraising

SGC did not provide documentation to demonstrate that no more than 20 percent of member service hours at Sanctuary in PY 2008-2009 were spent on training activities, and no more than 10 percent of member service hours in PY 2008-2009 were spent on fundraising activities.

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 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.

2007 AmeriCorps General Provisions, Section V, E, Retention of Records, requires grantees to retain all program records for three years from the date of submission of the final FSR (now the FFR).

Living Allowance

MBA did not always distribute the member living allowances in equal increments. It prorated payments for members who started after a pay period had begun or left before a pay period ended, and did not perform service on all scheduled days during a pay period.

Criteria

2007 AmeriCorps Special Provisions, Section IV, I.1, Living Allowance Distribution, states programs must provide regular living allowance payments from the member's start date and payments should not fluctuate based on the number of hours served in a particular time period.

Member Contract

One sampled PY 2007-2008 UOG member and one PY 2009-2010 UOG member started service before signing the member contract. Members are not considered enrolled in a program until a contract is signed.

Criteria

2007 AmeriCorps Special Provisions, Section IV, 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.

Member Activities

One sampled PY 2008-2009 member interviewed at UOG stated that, as a part of her service hours, she assisted at bimonthly state dinners held by the First Lady of Guam. Those duties included assisting the chef and washing dishes. The member served up to four hours at each dinner event and recorded her hours as Direct Service under the Team Objectives section on her AmeriCorps timesheet. Performing personal services, such as assisting chefs and washing dishes, was not an approved service activity. In addition, the activities described by the member were inconsistent with UOG's program application narrative. This type of activity could also be perceived as an endorsement of an elected official, which is prohibited by AmeriCorps regulations.

We calculated that the member spent approximately 96 hours (24 dinners x 4 hours per dinner) during her November 2008 through October 2009 service term assisting at the dinners. After deducting these hours from hours certified in the Portal, the remaining hours qualified the member for an education award.

PY	Timesheet Hours			Hours Required For Award
	Total	Deducted	Adjusted	
2008-2009	1,800	96	1,704	1,700

Criteria

Section A. Executive Summary of UOG's PY 2007-2008 program application narrative, members participating in the UOG program were to provide tutoring, mentoring, and counseling services to students and prospective students at the University of Guam.

45 CFR § 2520.65, *What activities are prohibited in AmeriCorps subtitle C programs?*, states while accumulating service or training hours or otherwise performing activities supported by the AmeriCorps program, members may not participate or endorse events or activities that are likely to include advocacy for or against political parties, political platforms, political candidates, proposed legislation, or elected officials.

Recommendations: We recommend that the Corporation:

- 8a. Require SGC to strengthen its policies and procedures to ensure that it complies with AmeriCorps requirements for financial reporting and verify implementation;
- 8b. Require SGC to strengthen its policies and procedures to ensure that its' subgrantees comply with AmeriCorps requirements for pre-service orientation training and verify implementation;
- 8c. Require SGC to strengthen its policies and procedures to ensure that its' subgrantees comply with AmeriCorps requirements for other member training and verify implementation;
- 8d. Require SGC to strengthen its policies and procedures to ensure that its' subgrantees comply with AmeriCorps requirements for fundraising and verify implementation;
- 8e. Require SGC to strengthen its policies and procedures to ensure that its' subgrantees comply with AmeriCorps requirements for living allowance and verify implementation;
- 8f. Require SGC to strengthen its policies and procedures to ensure that its' subgrantees comply with AmeriCorps requirements for member agreements and verify implementation; and
- 8g. Require SGC to strengthen its policies and procedures to ensure that its' subgrantees comply with AmeriCorps requirements for prohibited member activities and verify their implementation.

SGC's Response: SGC provided the following responses:

- It concurred with the finding;
- It did not provide responses for each of the recommendations; and
- It will review applicable regulations and amend existing policies and procedures to ensure it is in compliance with AmeriCorps provisions and requirements. It will provide a copy of the finalized standard operating procedure before October 1, 2011.

Accountants' Comments: Our responses follow:

- We recommend that the Corporation verify that SGC has provided the standard operating procedure by October 1, 2011, and verify that it includes policies and procedures for financial reporting, pre-service orientation training, other member training and fundraising, member agreements and member activities; and
- We recommend that the Corporation verify that the standard operating procedure has been implemented and is working as intended.

Finding 9. Sanctuary did not ensure reimbursements received from SGC were disbursed in a timely manner.

SGC required its subgrantees to submit monthly invoices to SGC for reimbursement. Subgrantees were required to attach copies of monthly periodic expense reports (PERs) which showed by category budgeted expenses, current period expenses, and year-to-date expenses. SGC then reviewed the invoices and PERs and assisted the Guam Department of Administration in processing the reimbursements.

Sanctuary did not ensure it minimized the time between its receipt of funds from SGC for the payment of its reimbursement requests and its disbursement of the funds to its vendors for 16 sampled transactions totaling \$26,033. As shown in the table on the following page, 54 to 389 days elapsed between the date of SGC's payment to Sanctuary and Sanctuary's check date.

Reimbursement Request Date	PY/Sample No.	Sampled Amount	Date of SGC Payment	Sanctuary Check Date	Days Elapsed	Check Amount
06/30/08	07-08/10	\$192	08/22/08	09/15/09	389	\$4,138
10/19/08	07-08/13	3,901	12/02/08	09/30/09	302	3,901
10/19/08	07-08/14	5,160	12/02/08	10/14/09 11/14/09	316 347	4,160 5,705
10/28/08	07-08/15	2,759	12/02/08	09/15/09 10/14/09	287 316	2,076 2,223
10/28/08	07-08/16	2,216	12/02/08	03/18/09	106	450*
10/28/08	07-08/17	2,395	12/02/08	11/14/09	347	5,705
10/31/08	07-08/18	4,803	12/02/08	10/14/09 11/14/09	316 347	2,223 4,000
09/20/08	07-08/20	649	10/17/08	03/18/09	152	649
11/27/08	08-09/2	870	12/19/08	09/30/09	285	1,102
12/31/08	08-09/3	435	02/02/09	09/15/09	225	493
04/15/09	08-09/11	1,007	05/14/09	12/23/09	223	4,360
04/15/09	08-09/12	350	05/14/09	10/14/09	153	558
06/13/09	08-09/18	546	07/23/09	10/14/09	83	686
09/18/09	08-09/20	495	10/29/09	12/22/09	54	495
11/30/09	09-10/4	95	12/21/09	06/11/10	172	270
12/04/09	09-10/6	160	01/21/10	07/15/10	175	240
Total		<u>\$26,033</u>				

*Sanctuary did not provide any documentation to show that the remaining balance of \$1,766 had been paid.

Criteria

SGC's subgrant contracts with Sanctuary for PYs 2007-2008, 2008-2009, and 2009-2010, required it to comply with the requirements of OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*. Subpart C, *Post Award Requirements*, 22. Payment states:

- (a) Payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities shall be consistent with Treasury-State CMIA agreements or default procedures codified at 31 CFR part 205.
- (b) Recipients are to be paid in advance provided they maintain and demonstrate the willingness to maintain: (1) written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient, and (2) financial management systems that meet the standards for fund control and accountability...Cash advances to recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs.

SGC representatives did not realize that Sanctuary had not paid for the expenses, and stated that they would begin requiring all subgrantees to submit cancelled checks with reimbursement requests as evidence of payment

Recommendations: We recommend that the Corporation:

- 9a. Provide guidance to SGC to review applicable regulations and develop policies and procedures to ensure that the time elapsing between the receipt and disbursement of funds is minimized;
- 9b. Verify the implementation of SGC's procedures; and
- 9c. Require SGC to calculate and recover any interest earned on the payments that were not disbursed by Sanctuary in a timely manner.

SGC's Response: SGC provided the following responses:

- It did not provide a response for each of the recommendations; and
- It will review applicable regulations and amend existing policies and procedures to ensure that costs claimed by subgrantees are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations. It will provide a copy of its finalized standard operating procedures before October 1, 2011.

Accountants' Comments: Our responses follow:

- We recommend that the Corporation verify that SGC has provided the standard operating procedure by October 1, 2011, and verify that it includes policies and procedures for ensuring that its subgrantees minimize the time elapsing between the receipt and disbursement of funds; and
- We recommend that the Corporation verify that the standard operating procedure has been implemented and is working as intended.

Finding 10. UOG's timekeeping system did not comply with Federal requirements, and Sanctuary could not provide support for labor costs.

Timesheets used by the UOG AmeriCorps program director and assistants did not support sampled personnel costs charged to the AmeriCorps Formula award (Award No. 05AFHGU001) and AmeriCorps Recovery award (Award No. 09RFHGU001), and did not account for all activities worked on by those employees.

AmeriCorps Formula Award

- In February 2010, UOG claimed \$14,165 of personnel costs for the former AmeriCorps program director. UOG provided her October through December 2009 timesheets as support for these costs. The program director and supervisor signed the timesheets but their signatures were not dated. While she recorded in the job description section of the timesheet that she opened and directed the UOG AmeriCorps center, the timesheets did not indicate that she specifically worked on the AmeriCorps Formula award. Instead, she recorded her hours as either "ADMIN" or "PDAT" hours.
- In February 2010, UOG claimed \$741 of personnel costs for one of five AmeriCorps assistants. UOG provided her February 2010 timesheet as support for these costs. The assistant and supervisor signed the timesheet but their signatures were not dated. While she recorded in the job description section of the timesheet that she assisted the UOG AmeriCorps center, the timesheet did not indicate that she worked on the AmeriCorps Formula award. Instead, she recorded her hours as either "ADMIN" or "PDAT" hours.

AmeriCorps Recovery Act Award

- In January 2010, UOG claimed \$9,341 (\$8,903+\$438) of personnel costs for four AmeriCorps assistants. UOG provided their December 2009 and January 2010 timesheets as support for these costs. The assistants and supervisor signed the timesheets, but their signatures were not dated. While the assistants recorded in the job description section of the timesheets that they assisted the UOG AmeriCorps center, they did not indicate that they worked on the AmeriCorps Recovery Act award. Instead, the members recorded their hours as either "ADMIN" or "PDAT" hours.

We asked UOG's current program director to explain the meaning of "ADMIN" and "PDAT." She explained that "ADMIN" hours were for regular hours administering the AmeriCorps program and "PDAT" hours were for hours spent in professional development and training. UOG representatives did not realize that the "ADMIN" and "PDAT" headings on the sample timesheet provided by SGC to UOG were to distinguish hours worked by SGC on its State Administrative and PDAT awards.

We noted while reviewing the files for the sampled AmeriCorps Recovery Act members that the former program director signed their forms and timesheets. However, it appeared from reviewing UOG's general ledger reports that none of her personnel costs were charged to the AmeriCorps Recovery Act award. UOG's accounting department staff stated that all of her personnel costs were charged to the AmeriCorps Formula award, and that none were charged to the AmeriCorps Recovery Act award because the only personnel costs included in the approved budget were for the AmeriCorps assistants. While observing interactions between the current AmeriCorps program director and assistants, we noted that there were no controls in place that would have prevented the assistants funded under the Recovery Act award from working on the Formula award.

We did not question any personnel costs for this issue because the sampled employees worked only on AmeriCorps awards. UOG representatives stated that this problem occurred because prior to receiving the Recovery Act award, they only had one Federal award for AmeriCorps.

Criteria

OMB Circular A-21, *Cost Principles for Educational Institutions*, Paragraph J.10. *Compensation for personal services* requires salary distributions based on personnel activity reports for employees working on multiple activities.

- The activity reports will reflect the distribution of activity expended by the employees.
- The reports will reflect an after the fact reporting of the percentage distribution of activity of employees.
- Charges may initially be estimates made before the services are performed, but charges must be promptly adjusted if the activity records indicate significant differences.
- The reports must be signed by the employee or supervisor with firsthand knowledge of the employee's activities.

OMB Circular A-21, *Cost Principles for Educational Institutions*, Paragraph A.2., *Policy Guides*, Subsection e., states that the accounting practices of individual colleges and universities must support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to sponsored agreements.

Sanctuary could not provide support for the December 2009 salary and benefit costs of \$354 for one sampled employee. Sanctuary did not provide the timesheet for this employee.

Criteria

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, *Selected Items of Cost*, Paragraph 8.m., *Support of salaries and wages*, states that the distribution of salaries and wages to awards must be supported by personnel activity reports that reflect an after-the-fact determination of actual activity of each employee.

Recommendations: We recommend that the Corporation:

- 10a. Require SGC to strengthen its policies and procedures to ensure that UOG's timekeeping system complies with OMB Circular A-21 and UOG timekeeping policies and procedures;

10b. Require SGC to strengthen its policies and procedures to ensure that timesheets supporting Sanctuary personnel costs are retained; and

10c. Verify implementation of SGC's policies and procedures.

SGC's Response: SGC provided the following responses:

- It concurred with the finding;
- It did not provide responses for each of the recommendations; and
- It will review applicable regulations and amend existing policies and procedures to ensure it is in compliance with AmeriCorps provisions and requirements. It will provide a copy of the finalized standard operating procedure before October 1, 2011.

Accountants' Comments: Our responses follow:

- We recommend that the Corporation verify that SGC has provided the standard operating procedure by October 1, 2011, and verify that it includes policies and procedures for ensuring that its subgrantee timekeeping systems comply with applicable OMB circulars, and that subgrantee policies and procedures and timesheets supporting claimed personnel costs are retained; and
- We recommend that the Corporation verify that the standard operating procedure has been implemented and is working as intended.

Finding 11. SGC did not document its reviews of subgrantees' OMB Circular A-133 Single Audit reports.

We reviewed the monitoring files for all SGC subgrantees. Two subgrantees, Sanctuary and UOG, received annual Single Audits during the review period. SGC maintained copies of the Single Audits in its subgrantee application files and provided copies of the Single Audit reports reviewed during subgrantee selection for PYs 2007-2008, 2008-2009, and 2009-2010. SGC had copies of the Sanctuary Single Audits reviewed but only had a copy of the UOG report reviewed for PY 2007-2008. SGC representatives stated that the reports for PY 2008-2009 and 2009-2010 could be located in the Guam Department of Labor's files. SGC stated that it reviewed the subgrantee audit reports and, if applicable, the findings of any related management letters, but did not document the results of its reviews, and did not perform reconciliations of subgrantee payments to report expenditures.

Criteria

OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, Subpart D.400 (d), *Pass-through entity responsibilities*, requires grantees to ensure that subrecipients undergo audits meeting requirements of the circular.

45 CFR § 2541.260(b)(4), recipients must consider whether subrecipient audits necessitate adjustment of the grantee's own records.

Recommendations: We recommend that the Corporation:

- 11a. Require SGC to develop policies and procedures to ensure that all OMB Circular A-133 audit reports and management letters are maintained, necessary reconciliations are performed, and results of these procedures are documented.
- 11b. Verify implementation of SGC's policies and procedures.

SGC's Response: SGC provided the following responses:

- It concurred with the finding;
- It did not provide responses for each of the recommendations; and
- It will review applicable regulations and amend existing policies and procedures to ensure it is in compliance with AmeriCorps provisions and requirements. It will provide a copy of the finalized standard operating procedure before October 1, 2011.

Accountants' Comments: Our responses follow:

- We recommend that the Corporation verify that SGC has provided the standard operating procedure by October 1, 2011, and verify that it includes policies and procedures for ensuring that all OMB Circular A-133 audit reports and management letters are maintained, necessary reconciliations are performed, and results of these procedures are documented; and
- We recommend that the Corporation verify that the standard operating procedure has been implemented and is working as intended.

APPENDIX A

SERVE GUAM COMMISSION

RESPONSE TO THE DRAFT REPORT



DEPARTMENT OF
LABOR

DIPĀTTMENTON HUMOTNĀT • LEAH BETH O. NAHOLOWAA, Director

EDDIE BAZA CALVO
Governor
RAY TENORIO
Lieutenant Governor

July 13, 2011

Mr. Stuart Axenfeld
Assistant Inspector General for Audit
Office of Inspector General
Corporation for National & Community Service
1201 New York Avenue, NW
Suite 830
Washington, DC 20525

Dear Mr. Axenfeld:

Hafa Adai! In response to your June 13, 2011 letter, attached please find the response to the Office of Inspector General's draft report on the Agreed-Upon Procedures for Corporation for National and Community Service grants awarded to the Serve Guam Commission.

We are submitting our response in the preferred format as indicated in your letter and have also attached the Microsoft Word file.

Should you require any questions, you may contact me at (671) 475-7043 or via email at leahbeth.naholowaa@dol.guam.gov.

Best regards,

LEAH BETH O. NAHOLOWA

Attachment

001104

Guam's Response to OIG Draft Report

Finding 1. SGC and three subgrantees did not have adequate controls to ensure claimed costs were allowable, allocable, and compliant with OMB circulars.

Response:

The SGC did not respond directly to the recommendations in the draft report but has taken the recommendations under advisement.

The SGC will review applicable regulations and amend existing policies and procedures to ensure that costs claimed by subgrantees are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations. The SGC will provide a copy of the finalized standard operating procedure before October 1, 2011.

Finding 2. Two subgrantees did not follow AmeriCorps requirements for members exited early due to compelling personal circumstances.

Response:

The SGC does not concur with the findings and did not respond directly to the recommendations in the draft report but has taken the recommendations under advisement.

Finding 3. Subgrantees did not comply with AmeriCorps requirements for criminal history checks and NSOPR searches.

Response:

The SGC concurs with the findings and has added to its risk-based monitoring policy an on-site visit scheduled the week after all member recruitment has been completed to review member checklist prior to first day of service.

Finding 4. Subgrantees did not accurately record all timesheet hours, did not have procedures to verify timesheet accuracy or to ensure all timesheets were signed and, in some instances, timesheets did not support member eligibility for education awards.

Response:

The SGC did not respond directly to the recommendations in the draft report but has taken the recommendations under advisement.

The SGC will review applicable regulations and amend existing policies and procedures to ensure that costs claimed by subgrantees are allowable, adequately documented, and allocable in accordance with applicable cost principles and

regulations. The SGC will provide a copy of the finalized standard operating procedure before October 1, 2011.

Finding 5. Subgrantees could not demonstrate that some members received performance evaluations, and all end-of-term evaluations did not meet AmeriCorps requirements.

Response:

The SGC concurs with the findings and has amended its policy to ensure that evaluations are documented prior to release of subgrantee reimbursements.

Finding 6. Two subgrantees did not complete all member enrollment and exit forms and enter them into the Corporation's reporting systems in accordance with AmeriCorps requirements.

Response:

The SGC concurs with the findings and has amended its policy to ensure that evaluations are documented prior to release of subgrantee reimbursements.

Finding 7. UOG did not follow AmeriCorps and Internal Revenue Service requirements for withholding FICA taxes from members' living allowance payments.

Response:

The SGC did not respond directly to the recommendations in the draft report but has taken the recommendations under advisement.

The SGC will review applicable regulations and amend existing policies and procedures to ensure that costs claimed by subgrantees are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations. The SGC will provide a copy of the finalized standard operating procedure before October 1, 2011.

Finding 8. SGC and its subgrantees did not follow certain AmeriCorps requirements.

Response:

The SGC concurs with the findings and did not respond directly to the recommendations in the draft report but has taken the recommendations under advisement.

The SGC will review applicable regulations and amend existing policies and

procedures to ensure we are in compliance with AmeriCorp provisions and requirements. The SGC will provide a copy of the finalized standard operating procedure before October 1, 2011.

Finding 9. Sanctuary did not ensure reimbursements received from SGC were disbursed in a timely manner.

Response:

The SGC did not respond directly to the recommendations in the draft report but has taken the recommendations under advisement.

The SGC will review applicable regulations and amend existing policies and procedures to ensure that costs claimed by subgrantees are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations. The SGC will provide a copy of the finalized standard operating procedure before October 1, 2011

Finding 10. UOG's timekeeping system did not comply with Federal requirements, and Sanctuary could not provide support for labor costs.

Response:

The SGC concurs with the findings and did not respond directly to the recommendations in the draft report but has taken the recommendations under advisement.

The SGC will review applicable regulations and amend existing policies and procedures to ensure we are in compliance with AmeriCorp provisions and requirements. The SGC will provide a copy of the finalized standard operating procedure before October 1, 2011.

Finding 11. SGC did not document its reviews of subgrantees' OMB Circular A-133 Single Audit reports

Response:

The SGC concurs with the findings and did not respond directly to the recommendations in the draft report but has taken the recommendations under advisement.

The SGC will review applicable regulations and amend existing policies and procedures to ensure we are in compliance with AmeriCorp provisions and requirements. The SGC will provide a copy of the finalized standard operating procedure before October 1, 2011.

APPENDIX B

**CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE**

RESPONSE TO THE DRAFT REPORT

To: Stuart Axenfeld, Assistant Inspector General for Audit
From:  Margaret Rosenberry, Director of Grants Management
Date: July 13, 2011
Subject: Response to OIG Draft of Agreed-Up Procedures of Corporation Grant Awards to the Serve Guam Commission

Thank you for the opportunity to review the Office of the Inspector General draft Agreed-Up Procedures report of the Corporation's grant awards to the Serve Guam Commission (SGC). We have met with representatives of SGC and discussed corrective action to address all findings. Given the limited timeframe to respond to the draft report, we have not had sufficient time to complete our review of SGC's documentation nor can we address the findings at this time. We will respond to all findings and recommendations in our management decision when OIG provides the audit working papers and issues the final audit.

The OIG's executive summary to the report recommends that the Corporation identify SGC as a "high-risk grantee" in accordance with 45 CFR §2541.120, and place an immediate hold on further grant drawdowns. The OIG presents that the action is necessary based on pervasive problems outlined in the report. While we agree the report raises serious concerns it does not provide sufficient detail to allow us to make a determination on the appropriateness of imposing special conditions for "high risk" grantees as required under our regulations or to consider the appropriateness of an immediate hold on grant drawdowns. We request that the OIG provide the audit work papers to the Corporation along with any additional information it has to support this recommendation to enable us to take immediate appropriate action.