

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

**AUDIT OF
CORPORATION FOR NATIONAL AND COMMUNITY
SERVICE GRANTS AWARDED TO
THE TOWN OF WEST SENECA & WESTERN NEW YORK
AMERICORPS**

OIG REPORT NUMBER 11-21




**Office of Inspector General
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This report was issued to Corporation management on September 29, 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 March 29, 2012, and complete its corrective actions by September 28, 2012. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



September 29, 2011

TO: Margaret Rosenberry, Director, Office of Grants Management

FROM: Stuart Axenfeld 
Assistant Inspector General for Audit

SUBJECT: *OIG Report 11-21, Audit for Corporation for National and Community Service Grants Awarded to the Town of West Seneca, aka Western New York AmeriCorps (WNYAC)*

Attached is the final report for the above-noted audit. It was performed in accordance with generally accepted government auditing standards.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by March 29, 2012. Notice of final action is due by September 28, 2012.

If you have questions pertaining to this report, please call me at (202) 606-9360, or Rick Samson, Audit Manager, at (202) 606-9380.

Attachment

cc: Wallace Piotrowski, Town Supervisor, West Seneca
Kate Sarata, Acting Executive Director, WNYAC
Michael Casciano, Board Liaison
John Greenan, Chairman, WNYAC
William Anderson, Chief Financial Officer, CNCS
Rocco Gaudio, Deputy Chief Financial Officer, Grants & Field Financial Management
Kim Mansaray, Acting Chief Operating Officer
Claire Moreno, Audit Liaison, CNCS
Donna Smith, NY State Program Director, CNCS
Mark Walter, Executive Director, NY Commission
David Mallery, Executive Director, MS Commission

**OFFICE OF INSPECTOR GENERAL
AUDIT OF
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GRANTS AWARDED TO
THE TOWN OF WEST SENECA & WESTERN NEW YORK AMERICORPS**

CONTENTS

| Section | Page |
|---|-------------|
| Executive Summary | 1 |
| Summary of Results | 1 |
| Summary of Questioned Costs | 1 |
| Results of Audit | 1 |
| Audit Objective, Scope, and Methodology | 12 |
| Background..... | 12 |
| Exit Conference..... | 13 |

Appendices

- A: Town of West Seneca & Western New York AmeriCorps' Response to Audit Report
- B: Corporation's Response to Audit Report

EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), performed an audit of Corporation grants awarded to the Town of West Seneca (Town) and Western New York AmeriCorps (WNYAC). The purpose of the audit was to determine whether the Town and WNYAC were in compliance with applicable laws, regulations, and terms and conditions of the grants.

SUMMARY OF RESULTS

We found the following areas in which AmeriCorps program requirements were not met by the Town and WNYAC:

1. Reconciliations of grant cost were not performed;
2. Members did not serve in the programs described in the grant applications;
3. Controls were not present to ensure that claimed match costs were adequately supported, and compliant with applicable regulations;
4. Member fundraising hours exceeded the 10 percent threshold; and
5. Member living allowances were not paid in equal increments.

SUMMARY OF QUESTIONED COSTS

| Finding | Questioned Costs | Questioned Education Awards |
|--------------|------------------|-----------------------------|
| 2 | \$19,490 | \$10,900 |
| 3 | 16,413 | |
| 4 | | 2,363 |
| Total | \$35,903 | \$13,263 |

RESULTS OF AUDIT

Finding 1. Reconciliations of grant cost were not performed.

Every six months, WNYAC files financial reports for each grant to the grantor. We requested reconciliations for each grant as of the most recent financial report. We did not receive any reconciliations. We were unable to reconcile the claimed costs from financial reports to the grantee's accounting records for each grant. Additionally, we were unable to reconcile costs claimed on the financial reports to the amount drawn down on each grant. During our attempted reconciliations, WNYAC did not answer our questions or respond to requests for additional data. As a result, we believe WNYAC did not perform routine grant reconciliations of recorded, claimed and drawn down amounts.

Criteria

45 CFR § 2543.21, *Standards for financial management systems*, states:

- b. Recipients' financial management systems shall provide for the following:
 1. Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program.
 2. Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

2008 AmeriCorps Provisions, Section V.B.1. *Financial Management Standards*, I. *General*, states that the Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures, as necessary.

Grant reconciliations are necessary to maintain accountability for the costs, prevent misstatement of cost claimed and cost disbursed. Additionally, reconciliations provide for identifying and correcting accounting system errors and management comparison of actual cost to budget during the program.

Recommendations

We recommend that the Corporation:

- 1a. Ensure WNYAC performs reconciliations, for each grant, of match and Federal share on the financial reports to the general ledger; and
- 1b. Ensure the Federal share on the financial reports is reconciled to the funds drawn down.

WNYAC's Response

WNYAC officials stated that they were unable to reconcile grant costs under the audit scope period prior to the final report being issued because of the following reasons:

- The OIG audit scope periods were during the timeframe that WNYAC was transitioning from the Town to become an independent agency. Therefore, some of the costs were incurred by the Town and some by WNYAC; and
- In March 2011, there was a complete turnover in personnel in the financial office of WNYAC.

Corporation's Response

The Corporation will work with the grantee to ensure its corrective action plan adequately addresses the findings, and will also respond to all findings and recommendations in its management decision.

OIG Comments

WNYAC did not complete cost reconciliations prior to claiming costs. This is essential in determining whether claimed costs are allowable. Reconciliations should not be done months after costs were claimed.

Finding 2. Members did not serve in the programs described in the grant applications.

We interviewed 13 active members, and 5 described service activities that were inconsistent with the programs detailed in the grant applications. The following are members' descriptions of service and the service stipulated in the grant application.

Member No. 2

The Member worked at health clinics counseling families and children on mental health issues and substance abuse and made referrals to other services based upon the assessed needs. The grant the member was serving under had two programs. The primary program was food pantry capacity building. Members were to serve with a food bank and several food pantries to pick up, deliver, sort, and bag food, and distribute nutritional information to food pantry clients. The secondary program was civic engagement. This consisted of training the members in basic principles of democracy and citizenship and how they relate to community service. This member was half-time and did not receive a living allowance. The member's education award of \$2,363 was questioned in Finding 4.

Member No. 3

The member served her first term in VISTA and the second term in AmeriCorps. The member stated she was disappointed with the service activities during her first term, noting that the site supervisor spent two months attempting to convince the member to work as a secretary. When the member refused, stating that secretarial work was not what members were required to do for service, she was relocated to another program site. While serving at the second site, she drove a truck, and moved furniture from one program site to another. According to the application, the grant the member was to serve under had three programs: Youth leadership development, community revitalization and improvement and delivery of health services.

According to the *Guidelines for Selection of AmeriCorps*VISTA Sponsors and Projects*, Part II. *Criteria for Selection of AmeriCorps VISTA Sponsors and Projects*, Paragraph B.2.b, AmeriCorps *VISTA sponsoring organizations are prohibited by law from "assigning AmeriCorps VISTAs to activities which would otherwise be performed by employed workers". 42 U.S.C. § 5044(a). VISTA members are prohibited from engaging in direct service because direct service runs counter to projects building capacity. Engagement in direct service is in violation of the terms and conditions of the grant and represents a mismanagement of VISTA resources.

Member No. 4

This member served two terms as a summer camp counselor. The camp counselors focused on working with children that were underprivileged or had special needs. As a counselor, she organized activities for the children, including swimming, games and campfires. The member described her activities as typical camp counselor work. The member was half-time for the first term and minimum-time for the second term. The grant for the first term was to have included three programs: Tutoring elementary children, member recruitment and management of volunteers for service projects. The second grant had two programs: Tutoring elementary children, member recruitment and management of volunteers for service projects.

Member No. 8

This member's service consisted of weatherizing residential housing, renovating houses, cleaning parks and delivering food to food pantries. The grant the member served in had three programs: tutoring elementary children, member recruitment and management of volunteers for service projects and training the members in basic principles of democracy and citizenship and how they relate to community service. The member was half-time and did not receive a living allowance.

Member No. 13

This member worked at a program site dedicated to clean water in the Great Lakes and tributaries of New York State. The member organized the Director's office, performed research on policy updates, education initiatives and created a database to track files concerning water issues. The member said she felt she was in the wrong program. The grant for this member had two programs, tutoring elementary children and member recruitment and management of volunteers for service projects. The member did not complete her term of service and did not receive an education award.

The above members' service is inconsistent with the terms of their grants, the following costs are unallowable.

| Member No. | Grant Number | Program Year | Federal Share | | | Total Questioned |
|---------------|----------------|--------------|------------------|-----------------|------------------|------------------|
| | | | Living Allowance | Education Award | Accrued Interest | |
| 3 | 06VSANY020 | 08-09 | \$10,380 | \$ 4,725 | \$449 | \$15,554 |
| 4 | 06ACHNY0010007 | 08-09 | 4,690 | 2,363 | | 7,053 |
| 4 | 09RCHNY0020009 | 09-10 | 2,082 | 1,000 | | 3,082 |
| 8 | 09ACHNY0010007 | 09-10 | | 2,363 | | 2,363 |
| 13 | 06ACHNY0010007 | 09-10 | 2,338 | | | 2,338 |
| Totals | | | \$19,490 | \$10,451 | \$449 | \$30,390 |

Members are assigned to programs that are supported by Federal funds of the related grant. Program accomplishments are in part measured by the number of members and hours served. Performance measures are misstated as a result of the members not engaging in

the approved grant activities. Additionally, grant applicants need to accurately describe the programs in order for the grantors to make the best award decisions.

Recommendations

We recommend that the Corporation:

- 2a. Resolve and recover the disallowed costs.
- 2b. Ensure the members' service is consistent with the description in the grant;
- 2c. Enhance control mechanisms to ensure that VISTA sponsors comply with laws, regulations, and policies. These should emphasize policies that delineate the requirements and expectations for VISTA recipients and outline the consequences of violating the program's laws and regulations; and
- 2d. Emphasize a proactive means by which VISTA members can communicate their concerns or report alleged prohibited services they have been assigned to engage in, such as direct service or non-VISTA related activities. This will enhance early intervention and detection of noncompliance.

WNYAC's Response

WNYAC stated that Member No. 2 provided service that consisted of substance abuse and mental health counseling that aligned with the program objectives. WNYAC also stated that documentation was provided for Member Nos. 3, 4, 8, and 13 prior to the release of the final audit report that highlighted the belief that the member service did align with the program and that the member and the issues surrounding the term of service were handled appropriately and timely. WNYAC officials believes that information was provided for Member No. 3 that demonstrated that activities revolved around capacity building, which is appropriate for this VISTA member. WNYAC officials believe that Member No. 4 participated in a summer program that aligned with New York State Education Department Standards and infused a hands-on experimental learning program. WNYAC officials believe that Member No. 8 served a large portion of his service in National Days of Service, such as, MLK Day, Earth Day, and during AmeriCorps Week. WNYAC stated that Member No. 13 exited from the program unsuccessfully after abandoning service; however, site documentation states how the member's service aligned with the specific AmeriCorps program and that the member did not execute the specified AmeriCorps service description because of scheduling conflicts and lack of communication.

WNYAC stated that there are various procedures followed and documents used to prevent this finding in the future. These procedures and documents are as follows:

- All new AmeriCorps VISTA site supervisors must attend a Supervisor Orientation prior to their members starting on site. This orientation, usually attended by a Corporation State Program Specialist, includes a section dedicated to the overview of AmeriCorps VISTA laws, regulations, and policies;
- WNYAC Memorandum of Agreement outlines that partner sites must abide by all rules and regulations of the National AmeriCorps VISTA program;
- WNYAC Director of VISTA attends at least one 6-month program visit with all host sites;

- All AmeriCorps VISTA members receive an in depth On-Site Orientation and Training with their respective AmeriCorps VISTA program staff;
- All AmeriCorps VISTA members are individually visited bi-monthly at their host site by the VISTA Leader(s) and are asked in a confidential meeting space how their service is going; and
- All members are given a copy of the Service Collaborative of WNY grievance procedures in their member handbook.

Corporation's Response

The Corporation will work with the grantee to ensure its corrective action plan adequately addresses the findings, and will also respond to all findings and recommendations in its management decision.

OIG Comments

Finding 2 is based on interviews conducted with AmeriCorps members, and is not based on member file documentation. Interviews with these members disclosed that members were performing activities outside of the program. We recommend that the Corporation recover the questioned costs of \$30,390.

Finding 3. Controls were not present to ensure that claimed match costs were adequately supported and compliant with applicable regulations.

WNYAC claimed \$35,255 of unallowable and unsupported match costs on AmeriCorps Competitive Grant No. 06ACHNY001007. To calculate the Federal share of the questioned match, we deducted questioned match costs from total project costs to arrive at net allowable costs. We then calculated eligible Federal costs by multiplying net allowable costs by the 63.93 percent Federal share amount in the grant budget. Finally, we deducted eligible Federal costs from claimed Federal costs. We questioned \$16,413 of unallowable Federal costs. The unallowable match consisted of the following types of costs.

a. Organization costs are unallowable.

Legal and consultant costs of \$34,170 associated with separating WNYAC from the Town were claimed as match on Corporation grants. WNYAC transitioned from a nonprofit service provider within the Town to a separate nonprofit. The grant service agreement was created June 23, 2008, and amended on September 21, 2009. The accounting system and payroll services previously provided by the Town became the responsibility of WNYAC.

Criteria

OMB Circular A-87. *Cost Principals for State, Local and Indian Tribal Governments*, Attachment A. *Selected items of Cost*, paragraph C. *Basic Guidelines*, states:

2. Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally funded. In

determining reasonableness of a given cost, consideration shall be given to:

- a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.

* * *

- e. Significant deviations from the established practices of the governmental unit which may unjustifiably increase the Federal award's cost.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B. *Selected Items of Cost*, Part 31, states:

Organization costs. Expenditures, such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselors, whether or not employees of the organization, in connection with establishment or reorganization of an organization, are unallowable except with prior approval of the awarding agency.

WNYAC officials said the costs are not reorganization cost. We questioned match costs of \$18,126 for AmeriCorps Competitive Grant No. 06ACHNY0010007, related to the reorganization of WNYAC based on the cost principles for local government and nonprofit organizations.

The questioned match costs for AmeriCorps competitive Grant No. 06ACHNY0010007 will result in questioned Federal costs of \$8,439. We will not question Federal costs on the remaining grants because the amounts are insignificant.

b. Consultant's labor costs exceeded AmeriCorps limitations

Consultant services of \$850 for research and development of an education initiative was charged as match on AmeriCorps competitive Grant No. 06ACHNY0010007. The labor rate exceeded the maximum rate allowable under the AmeriCorps provisions. The consultant services hourly rate claimed to the grant was \$100. The maximum allowable hourly rate is \$67.50.

Criteria

2008 AmeriCorps Grant Provisions, Section V.B. *Financial Management Standards*, Part 4, states:

Consultant Cost. Payments for consultant services will not exceed \$540 a day.

WNYAC officials said they were unaware of the labor rate limitation. We questioned match costs of \$276 related to consultant labor costs. The questioned match costs for AmeriCorps competitive Grant No. 06ACHNY0010007 will result in questioned Federal costs of \$128.

c. Automobile purchased without prior approval

WNYAC financed the purchase of a Pontiac Vibe for \$16,853 and charged the cost as match to the AmeriCorps Competitive Grant No. 06ACHNY0010007. Vehicle lease cost of \$314 a month was in the approved budget; purchase of the vehicle was not.

Criteria

OMB Circular A-122, *Cost Principals for Non-Profits*, Attachment B. *Selected Items of Cost*, paragraph 15. *Equipment and other capital expenditures*, states:

b.1. Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency.

We questioned match costs of \$16,853 related to the purchase of the vehicle. The questioned match costs for AmeriCorps Competitive Grant No. 06ACHNY0010007 will result in questioned Federal costs of \$7,846.

Recommendations

We recommend that the Corporation:

- 3a. Calculate and recover the appropriate amounts of disallowed costs;
- 3b. Ensure that WNYAC reviews applicable regulations and develops controls to ensure that claimed match costs are allowable, adequately documented, and allocable in accordance with applicable costs principles and regulations;
- 3c. Verify implementation of the grantee's controls for match costs;
- 3d. Ensure that the grantee trains employees on applicable OMB cost circulars and applicable financial management regulations; and
- 3e. Verify that WNYAC has completed training on applicable OMB cost circulars and applicable financial management regulations for its employees.

WNYAC's Response

WNYAC believes that the questioned costs for organization cost misrepresent the actions and the intent of WNYAC as well as the Town. WNYAC was established and incorporated as a 501(c)3 in 2000, and the legal and consulting costs questioned were not for the purpose to establish or reorganize the organization or entity. Therefore, WNYAC does not believe that the legal and consulting costs associated with separating WNYAC from the Town are reorganization costs.

WNYAC concurs with the finding concerning the consultant's labor costs. WNYAC recognizes the limitation for consultant rates and has since provided training to all staff regarding allowable/unallowable costs and labor rated limitations.

WNYAC believes that the automobile purchase was more cost effective than leasing. WNYAC believed that prior approval was not necessary because Federal funds were not being used, and monthly payments for the purchase of the automobile was approximately the same as lease payment amounts in the approved budget.

WNYAC has provided training to program directors and staff regarding applicable OMB cost circulars and financial management regulations. Also, a written policies and procedures manual is being updated to ensure that all current and future staff and program directors are aware of the appropriate regulations.

Corporation's Response

The Corporation will work with the grantee to ensure its corrective action plan adequately addresses the findings, and will also respond to all findings and recommendations in its management decision.

OIG Comments

The reorganization of WNYAC to separate it from the Town of West Seneca is unallowable organization cost based on the OMB circular. We recommend that the Corporation recover the questioned costs of \$16,413.

Finding 4. Member fundraising hours exceeded the ten percent threshold.

One of the 30 members reviewed exceeded the ten percent threshold requirement for fundraising. This half-time member was only allowed 90 hours for fundraising, or 10 percent of the total service commitment of 900 hours. However, this member finished his term of service with 146 hours for fundraising. We disallowed the 56 hours of excess fundraising.

Criteria

45 CFR § 2520.45, *How much time any an AmeriCorps member spend fundraising?*, states that an AmeriCorps member may spend no more than ten 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, as described in 45 CFR § 2520.40.

WNYAC officials stated that the member inputted the hours incorrectly on his timesheet. Certain hours should have been inputted as regular service hours, but were inputted as fundraising.

After deducting the 56 hours determined to be excessive from this member's total hours served, the member did not meet the required service hours to receive an education award. We will question this member's education award of \$2,363 for AmeriCorps Formula grant No. 06AFHNY0010010.

Recommendations

We recommend that the Corporation:

- 4a. Ensure that WNYAC strengthen its supervisory review of timesheets for compliance with the fundraising limitation; and
- 4b. Calculate and recover the appropriate amount of disallowed costs.

WNYAC's Response

WNYAC officials stated that the member identified in this finding inadvertently recorded hours for fundraising that should have been recorded as service hours. WNYAC submitted a written affidavit from the member stating that the hours were erroneously recorded. Additionally, WNYAC's Human Resource Administrator contends that she mistakenly recorded hours as fundraising and should have questioned the timesheets when they were received.

Corporation's Response

The Corporation will work with the grantee to ensure its corrective action plan adequately addresses the findings, and will also respond to all findings and recommendations in its management decision.

OIG Comments

We recommend that the Corporation recover the questioned education awards of \$2,363.

Finding 5. AmeriCorps member living allowances were not paid in equal increments.

We determined that living allowances were not paid in equal increments for 20 of the 24 members reviewed. Living allowance payments were instead paid based on the number of days a member served within a pay period. On several occasions, members received prorated living allowance payments based on their start and end dates, or if they served fewer days within a pay period during the term.

Criteria

45 CFR § 2522.245, *How are living allowances disbursed?*, states:

A living allowance is not a wage and programs may not pay living allowances on an hourly basis. Programs must distribute the living allowance at regular intervals and in regular increments, and may increase living allowance payments only on the basis of increased living expenses such as food, housing, or transportation. Living allowance payments may only be made to a participant during the participant's term of service and must cease when the participant concludes the term of service. Programs may not provide a lump sum payment to a participant who completes the originally agreed-upon term of service in a shorter period of time.

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

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

WNYAC officials stated that the distribution of living allowances for each member was not always in equal increments because each member was paid based on the number of days they served during a pay period. This was done to prevent members from missing days of service.

We did not question living allowance payments because WNYAC paid the full allowable living allowance to the members we reviewed, and those members had completed their terms of service.

Recommendations

We recommend that the Corporation:

- 5a. Require WNYAC to provide training to its staff to ensure that they comply with living allowance requirements; and
- 5b. Require WNYAC to develop policies and procedures to ensure that it complies with AmeriCorps requirements for living allowance payments.

WNYAC's Response

WNYAC adjusts the beginning and ending living allowance payments to coincide with WNYAC's pay schedule. A member's living allowance at the beginning and the end of their term is based on the number of days served by the member for that particular pay period, with all other payments in between being paid in equal installments. Living allowance requirements have been reviewed with staff and program directors, and WNYAC is in the process of developing proper policies and procedures for living allowance payments.

Corporation's Response

The Corporation will work with the grantee to ensure its corrective action plan adequately addresses the findings, and will also respond to all findings and recommendations in its management decision.

OIG Comments

The Corporation should review the revised policies and procedures during the audit resolution period.

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether the costs claimed to the Town and WNYAC are allowable, adequately supported, and charged in accordance with the terms of the grant and applicable laws and regulations. We also determined whether the Town and WNYAC were in compliance with terms of the grant and applicable laws and regulations related to financial management, member eligibility, and terms of service.

The scope of this audit included AmeriCorps, VISTA, and American Reinvestment and Recovery Act (ARRA) grants for program years 2007-2008, 2008-2009, and 2009-2010:

| Program | Grant Number | Audit Period | Award Amount | Claimed Costs | No. of Members |
|------------------|----------------|---------------------|--------------------|--------------------|----------------|
| VISTA | 06VSANY020 | 09/02/07 – 09/01/08 | \$ 357,200 | \$ 313,426 | 24 |
| | 07VSANY033 | 08/19/07 – 08/18/08 | 47,875 | 41,031 | 17 |
| | | 08/19/08 – 08/18/09 | 27,000 | 16,667 | 15 |
| | 08VSANY013 | 08/31/08 – 08/29/09 | 357,200 | 151,363 | 2 |
| State Commission | 06ACHNY0010007 | 09/01/07 – 09/31/08 | 1,230,943 | 1,230,637 | 212 |
| | | 09/01/08 – 08/31/09 | 1,230,943 | 1,095,615 | 175 |
| | 06AFHNY0010010 | 09/01/07 – 08/31/08 | 209,653 | 209,653 | 24 |
| | | 09/01/08 – 05/31/09 | 209,653 | 126,544 | 30 |
| National Direct | 07NDHDC0020007 | 10/01/07 – 09/30/08 | 119,000 | 105,784 | 16 |
| | | 10/01/08 – 09/30/09 | 119,000 | 53,002 | 18 |
| ARRA | 09RCHNY0020009 | 05/19/09 – 09/30/09 | 802,114 | 287,040 | 120 |
| | 09RCHNY0020011 | 05/19/09 – 09/30/09 | 380,044 | 104,285 | 27 |
| Totals | | | \$5,555,625 | \$3,967,492 | 714 |

We conducted this performance audit in accordance with audit standards generally accepted in the United States of America and generally accepted government audit standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. In planning and performing our audit, we obtained an understanding of the Town and WNYAC's internal controls over financial reporting. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We performed tests of costs incurred in Program Years 2007–2008, 2008–2009, and 2009–2010 (ARRA only). We also performed tests of WNYAC financial management system to determine compliance with VISTA, AmeriCorps, and ARRA regulations on member eligibility and terms of service. We conducted our field work from October 2009 to April 2011.

BACKGROUND

The Corporation awards grants to assist in the creation of full-time and part-time national and local community service programs. AmeriCorps is one of the Corporation's three major service initiatives. The Corporation's AmeriCorps State and National program provides grants to qualified organizations to engage persons age 17 and older in programs that address educational, public safety, human, or environmental needs through national and

community service, and provides education awards to participants who successfully complete their service. The Corporation's AmeriCorps VISTA program is an anti-poverty program that provides full-time volunteers to nonprofit organizations and local agencies that serve low-income communities. This programs purpose is to strengthen efforts to eliminate poverty by encouraging people from all walks of life to engage in meaningful volunteer service. The Domestic Volunteer and Service Act states the three main objectives of the program are to generate private sector resources, encourage volunteer service, and strengthen local organizations that serve low-income communities.

The Town provided opportunities for individuals to serve as volunteers through the West Seneca Youth Bureau (WSYB), an agency of the Town. The WSYB Executive Director was affiliated with WNYAC. The majority of the Town employees working in the WSYB were also staff members of WNYAC. From 1991 until August of 2008, the Town's Youth Bureau and WNYAC were essentially one in the same, functioning as a department of the Town. A grant administrative agreement between the Town and WNYAC was created In June 2008. In January 2010 WNYAC moved out of a Town building to its property in Buffalo, New York. On May 24, 2011, WNYAC changed its name to The Service Collaborative of WNY Inc.

WNYAC is an independent non-profit organization that provides opportunities for individuals to serve as volunteers. WNYAC, located in Buffalo, New York, had multiple, direct funded Corporation grants (VISTA) awarded from Fiscal Year 2008 to the present. WNYAC also received Corporation funding from two State Commissions (New York and Mississippi) and under one National Direct grant (Corps Network).

EXIT CONFERENCE

The contents of this report were discussed with WNYAC's management and the Corporation at an exit conference held on August 5, 2011. In addition, a draft of this report was provided to the Town, WNYAC, and the Corporation for their comments on August 12, 2011. We summarized their comments in the appropriate sections of this report, and included their complete comments in Appendices A and B.

This report is intended solely for the use of the management of the Corporation, OIG, the Town, WNYAC, and U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

APPENDIX A

**TOWN OF WEST SENECA & WESTERN NEW YORK AMERICORPS' RESPONSE TO
AUDIT REPORT**


THE SERVICE COLLABORATIVE
O F W E S T E R N N E W Y O R K

September 9, 2011

Office of Inspector General
Corporation for National and Community Service
1201 New York Ave, NW
Suite 830
Washington, DC 20525
Attn: Stuart Axenfeld, Assistant Inspector General for Audit

Dear Mr. Axenfeld,

Enclosed is the response from The Service Collaborative of WNY, Inc. (formerly Western New York AmeriCorps-WNYAC) to the Office of Inspector General's draft report of the audit of *Corporation for National and Community Service (Corporation) Grants Awarded to the Town of West Seneca, also known as WNY AmeriCorps*.

Our comments directly address the steps to be taken to correct the issues noted in each finding. Additionally, comments are included that address the steps that have already been taken to correct some of the issues noted in each finding.

Please contact me with any questions at 716.481-8500 x138 or katesarata@tscwny.org.

Thank you.

Sincerely,



Kate Sarata
Acting Executive Director
The Service Collaborative of WNY, Inc.

cc: Richard Samson, OIG Audit Manager, Office of Inspector General-CNCS
Claire Moreno, Financial Analyst for Audit Resolution & Policy, CNCS
Mark Walter, Executive Director, New Yorkers Volunteer
Donna Smith, NY State Program Director, New York Corporation State Office
John Greenan, Board Chair, The Service Collaborative of WNY, Inc.
Wallace Piotrowski, Town Supervisor, Town of West Seneca



Finding 1. Reconciliations of grant cost were not performed.

We recommend that the Corporation:

- 1a. Ensure WNYAC performs reconciliations, for each grant, of match and Federal share on the financial reports to the general ledger; and
- 1b. Ensure the Federal share on the financial reports is reconciled to the funds drawn down.

WNYAC's Response

The following extenuating circumstances resulted in WNY AmeriCorps Fund, being unable to reconcile the grant costs in question prior to the final report being issued:

- The OIG audit period(s) was during the timeframe that WNY AmeriCorps Fund was transitioning away from the Town of West Seneca to become an independent agency. Therefore, some of the costs were paid for by the Town of West Seneca and some from WNY AmeriCorps Fund
- In Mar 2011, there was a complete turnover in personnel in the financial office of WNY AmeriCorps Fund.

The new personnel in WNY AmeriCorps Fund finance office were in contact with the OIG auditors over the course of several months prior to the release of the final draft audit report. A reconciliation of personnel costs for one of the grants being audited was forwarded to an OIG auditor in June 2011 to ensure that this was the documentation required. WNY AmeriCorps Fund indicated on several occasions that the reconciliations were being recreated, but since the records were not easily accessible, some effort was needed to gather all of the appropriate documentation and that this would take time to complete.

We believe that given additional time, we will be able to reconcile all costs for the grants being audited. These reconciliations continued through the time the draft audit report was released, with no further requests to cease the follow-up. It came as a surprise to the agency finance office that a draft report had been released, as information continued to be requested by the audit team at the OIG.

In addition, reconciliations for each grant are now being performed of match and Federal share to ensure that it agrees to the general ledger and that the federal share on the financial reports is reconciled to the funds drawn down.

Finding 2. Members did not serve in the programs described in the grant applications.

We interviewed 13 active members, and 5 described service activities that were inconsistent with the programs detailed in the grant applications. The following are members' descriptions of service and the service stipulated in the grant application.

We recommend that the Corporation:

- 2a. Resolve and recover the disallowed costs.
- 2b. Ensure the members' service is consistent with the description in the grant;
- 2c. Enhance control mechanisms to ensure that VISTA sponsors comply with laws, regulations, and policies. These should emphasize policies that delineate the requirements and expectations for VISTA recipients and outline the consequences of violating the program's laws and regulations; and
- 2d. Emphasize a proactive means by which VISTA members can communicate their concerns or report alleged prohibited services they have been assigned to engage in, such as direct service or non-VISTA related activities. This will enhance early intervention and detection of noncompliance.

WNYAC's Response

The findings identified in Finding 2 are being seen for the first time by this agency in this draft report. No information about these findings was shared during the audit review period or during the compiling of the draft report. It is also to be noted that the Executive Director of WNYAC, at the time, had formally requested that a staff member be part of member interviews, and it is our belief that this request was not honored in all cases. We also note that program staff and site supervisors were not interviewed, nor were member site visit reports, monthly reports, or evaluations, requested during this review.

The programs in which the members below served conduct a stringent review of potential partners prior to placing members in service. The programs distribute a Request for Proposal that is submitted by all potential partners and it is reviewed carefully by program staff. The potential partner member request is only granted upon review that member positions and narratives submitted align with the program goals and performance measurements. All partners associated with the above members were subjected to the rigorous RFP procedure.

Additionally, all individuals, upon acceptance to the program, attend enrollment, orientation and on-site orientation. During all three steps of the start of service process, members are informed of program focuses, performance measurements, AmeriCorps prohibited activities and program and site expectations. Throughout the first months of service, members receive a site visit by program staff and all members who are full-time or part-time receive a mid- and end-year performance review, which is conducted by the site supervisor and program staff. All information related to member performance is retained in member files. It is outlined in the partner contract that if a member's position is to change, a formal request must be submitted to the program and program officials must give formal approval prior to any change in service. In the VISTA program, all change of service is reviewed and approved by the state office. No changes are made at the program level. It is made abundantly clear before, during and after member service that program staff is available to be contacted if concerns arise at the partner site between members, supervisors and position outlines. Members are informed that they may reach program staff via email, phone and site visits (or in office visits).

WNYAC respectfully requests that all questioned costs related to this finding be changed to unquestioned, based on the provided documentation and outline below.

2b-Ensure the members' service is consistent with the description in the grant:

Member 2: The service provided by the member that consisted of substance abuse and mental health counseling did align with the program objectives. Those individuals that engage in substance abuse and destructive behavior jeopardize their ability to conduct their lives as productive members of society. Ensuring that individuals and families are equipped with the mental and emotional tools to conduct themselves as positive producing members of our society is paramount. WNYAC defines civic responsibility not solely on whether an individual votes in an election, but instead by those acts that contribute to the progress of society in a multitude of functions. Most involved in substance abuse treatment carry a community service component to the conditions of their release if court involved, and it is through that counseling and service that this member was able to affect the way those individuals and families view themselves and their roles as civic minded members of community, who's actions have consequences to others both good and bad.

Member 3: Documentation was provided prior to the release of the final audit report that outlined the following information, highlighting the belief that the member service did align with the program and that the member and the issues surrounding the term of service were handled appropriately and timely. The former Director of the VISTA program states in the documentation related to this member that "the project, and the activities listed therein along with the plan to complete it, was itself perfectly appropriate for a VISTA member; it revolved around capacity building within the refugee resettlement department of the service site, which included building systems to receive regular donations so that the small amount of government money that the site received in order to resettle each refugee client could be spent on things like housing and employment services as opposed to material needs. Despite repeated attempts by program VISTA leaders and staff made to help Member 3 both understand and achieve the goals of the project, Member 3 was still largely unsuccessful in achieving them. It was the belief of the former VISTA Director that Member 3's failure to achieve the goals of the program had more to do with the member's strength's and abilities, not a failure on the part of either the sponsoring organization or the host site. The sponsoring organization and the host site spent a gross amount of time and resources on trying to make the project a success and trying to get Member 3 to complete the assigned VISTA activities and reach the assigned goals, to no avail. To be responsible for paying back cost share for this member would be an unfair penalty for a situation that was handled appropriately, compliantly and thoroughly. All documentation provided prior to the final draft report outlined monthly site visits conducted with the member, member reports provided to the program on a monthly basis, donation letter requests implemented by the member, supporting communication between host site supervisors and program staff, and member timesheets.

Member 4: Documentation was provided prior to the release of the final audit report that outlined the following information, highlighting the program's belief that the member service did align with the program. This documentation highlights that the member service provided to the program partner is founded in research that participants in the summer program, in which Member 4 served, fall behind 2-3 months over the summer months academically. Each of the programs implemented during the summer programming, and executed by member participants such as Member 4, align with New York State Education Department Standards and infuse a hands-on experiential learning program in the summer programming. The participation of members such as Member 4 help move the "needle"

academically for children living in poverty. Additionally, the partner narrative which outlined member service descriptions and program execution were provided, both of which aligned with the program goals and were approved prior to the placement of any AmeriCorps members.

Member 8: The member detailed in this finding served in a program where a large portion of his service included involvement in National Days of Service. During his term, the member led teams of volunteers on MLK Day, Earth Day, and during AmeriCorps Week. He was trained as a volunteer leader and coordinated the service of volunteers on the volunteer project site. As an Education Award Only member in the program identified in this finding, this member was required to work with, and engage, volunteers in days of service. It should also be noted that this member received a final review from his service supervisor that he had achieved great skills in project leadership. Documentation provided prior to the release of this final report details our response that service conducted by the member identified in this finding does align with the program objectives. This documentation included a member evaluation in which the member's supervisor identified the member as having achieved great skills in the areas of professionalism and project leadership.

Member 13: The member identified in this finding had served at a community organization that provided documentation related to the term of service of this member, as well as the service description that the member was provided with at the beginning of service. The site documentation specifically states how the member's service aligned with the specific AmeriCorps program and that the member did not execute on the specified AmeriCorps service description because of scheduling conflicts and lack of communication. The ending of the member's term was disappointing and the member was exited unsuccessfully from the program after abandoning service. The documentation provided prior to the release of the final audit report included a letter from the site supervisor stating how the member's duties aligned with the program; a member service description provided by the site and approved by the program as it included program measurements outlined in the program grant, including volunteer recruitment; a copy of the partner Memorandum of Agreement, signed by the site and outlining the program requirements; and several pieces of email communication that outlined the difficulties program staff and site staff had in communicating and coming to closure with Member 13.

2c.

- All new AmeriCorps VISTA site supervisors attend a mandatory Supervisor Orientation prior to their members starting on site. This Supervisor Orientation, usually attended by a Corporation State Program Specialist, includes a section dedicated to the overview of AmeriCorps VISTA laws, regulations, and policies. Returning host site supervisors, although not required to attend the new Supervisor Orientation, receive the latest copy of the VISTA Supervisor Orientation Participant's Manual along with instructions to complete the online Terms, Conditions, and Benefits course on the VISTA Campus as a refresher each year.
- Our MOA (sample attached) also clearly outlines that partner sites must abide by all rules and regulations of the National AmeriCorps VISTA program.
- In addition to our AmeriCorps VISTA programs providing bi-monthly site visits to the members, the Director of VISTA attends at least one, 6 month program visit with all host sites. The State Office also provides additional monitoring through:
 - State Office Site Visits: conducted by state office staff and occasionally by Headquarters staff; may be informational, to provide technical assistance, or specifically for monitoring

- State Office Compliance Monitoring Visits: involve interviews with project staff, the VISTAs, advisory council members, and the local community

2d.

- All AmeriCorps VISTA members receive an in depth On-Site Orientation and Training with their respective AmeriCorps VISTA program staff (Director, Manager, Leader). During the OSOT, all members are given a communication flow chart (see attached) that outlines who they should contact in the case of issues at their host site. All members are made aware that if a situation occurs where they do not feel comfortable going to any member of their respective VISTA program staff, they are welcomed and encouraged to contact the CNCS State Office.
- All AmeriCorps VISTA members are individually visited bi-monthly at their host site by the VISTA Leader(s) and are asked in a confidential meeting space how their service is going. During this meeting members have the opportunity to ask questions regarding their service and report any concerns. The Director of VISTA does attend a 6 month service visit to ensure program compliance with VISTA regulations. A sample site visit questionnaire is attached, the visit questionnaires do change depending on where the member is in their term of service.
 - In the months where members are not visited individually, members have the opportunity to speak with their respective VISTA staff during trainings and service projects.
 - All members are given the opportunity to request a site visit whenever needed.
- All members are given a copy of The Service Collaborative of WNY grievance procedures in their member handbooks.

Finding 3. Controls were not present to ensure that claimed match costs were adequately supported and compliant with applicable regulations.

WNYAC claimed \$35,255 of unallowable and unsupported match costs on AmeriCorps Competitive Grant No. 06ACHNY001007. To calculate the Federal share of the questioned match, we deducted questioned match costs from total project costs to arrive at net allowable costs. We then calculated eligible Federal costs by multiplying net allowable costs by the 63.93 percent Federal share amount for the grant. Finally, we deducted eligible Federal costs from claimed Federal costs. We questioned \$16,413 of unallowable Federal costs. The unallowable match consisted of the following types of costs.

- a. Organization cost are unallowable.**
- b. Consultant's labor costs exceeded AmeriCorps limitations**
- c. Automobile purchased without prior approval**

Recommendations

We recommend that the Corporation:

- 3a. Calculate and recover the appropriate amounts of disallowed costs;

- 3b. Ensure that WNYAC reviews applicable regulations and develops controls to ensure that claimed match costs are allowable, adequately documented, and allocable in accordance with applicable costs principles and regulations;
- 3c. Verify implementation of the grantee's controls for match costs;
- 3d. Ensure that the grantee trains employees on applicable OMB cost circulars and applicable financial management regulations; and
- 3e. Verify that WNYAC has completed training on applicable OMB cost circulars and applicable financial management regulations for its employees.

WNYAC's Response

Finding 3a- Organization costs: The questioned costs under Organization Cost, item A misrepresent the actions and the intent of WNYAC as well as the Town of West Seneca. The legal and consulting costs charged for this purpose neither helped establish or reorganize any organization or entity. The 501c3 WNYAC was incorporated and organized in 2000. In 2008 the legal and consulting costs provided the responsible transfer of federal grant awards from an existing entity, the Town of West Seneca, to the existing entity WNYAC, a 501c3. These costs were deemed necessary for both parties as responsible stewards of federal funds, and we challenge this finding on the basis that establishing or reorganizing is inaccurate representation of the activities associated with these cost expenditures.

WNYAC does not believe that the legal and consultant costs associated with separating WNYAC from the Town are organization/reorganization costs. Since WNYAC was originally organized as a separate corporation in 2000, the separation from the Town as the controlling entity does not constitute a reorganization. The costs incurred during the transition from the Town were to ensure that the Town would continue to manage the grants that had already been started; to ensure the interests of WNYAC were maintained going forward and to ensure the integrity of the programs were maintained throughout the transition. We believe that though these were non-recurring costs, they were an ordinary and necessary expense to the viability of WNYAC and its programs moving forward.

WNYAC respectfully requests that this finding be changed to unquestioned.

Finding 3b- Consultant's labor costs : We do not challenge this finding. The individual responsible for the decision making around this consultant rate was subsequently terminated from the agency due to poor performance. The Service Collaborative of WNY, Inc recognizes the limitation for consultant rates and has indicated the correct amount in all grant application budgets for the past three grant cycles.

WNYAC has since provided training to all staff regarding allowable/unallowable costs and labor rate limitations.

Finding 3c- Automobile purchased without prior approval: WNYAC determined that it was more cost effective to purchase the vehicle vs. leasing the vehicle. Since the vehicle was financed and a lump sum was not paid out of federal funds, it was felt that prior approval was not necessary, as the monthly payments would be approximately the same as the lease payments in the approved budget.

WNYAC has since informed all of its program directors that approval of all capital expenditures, whether purchased outright or financed, must be received prior to purchase. In addition, all current grants are 100% compliant as we submit all documentation with the funding request.

WNYAC respectfully requests that this finding be changed to unquestioned. At a minimum, WNYAC requests that the approved monthly budget of \$314 be used to reduce the questioned federal costs.

WNYAC has already provided training to program directors and staff regarding applicable OMB cost circulars and financial management regulations. In addition, a written policy and procedure manual is currently being updated to ensure that all current and future staff members and program directors are aware of the appropriate regulations.

Finding 4. Member fundraising hours exceeded the ten percent threshold.

Recommendations

We recommend that the Corporation:

- 4a. Ensure that WNYAC strengthen its supervisory review of timesheets for compliance with the fundraising limitation; and
- 4b. Calculate and recover the appropriate amount of disallowed costs.

WNYAC's Response

It has been brought to my attention as Acting Executive Director that the member identified in this finding had adamantly supported the fact that the hours recorded in the "fundraising" line of his timesheets were indeed misplaced. He retained a written affidavit (attached to this report) stating this fact. Additionally, the Human Resource Administrator who recorded his time, contends that she in fact mistakenly recorded hours as "fundraising" and should have questioned the timesheets when they were received. No staff who was involved with this member are employed here with us and I submit what I feel is necessary documentation to support that this was strictly done in human error and should not be recorded as a finding.

WNYAC respectfully requests that this finding be changed to unquestioned.

Finding 5. AmeriCorps member living allowances were not paid in equal increments.

We determined that living allowances were not paid in equal increments for 20 of the 24 members reviewed. Living allowance payments were instead paid based on the number of days a member served within a pay period. On several occasions, members received prorated living allowance payments based on their start and end dates, or if they served fewer days within a pay period during the term.

Recommendation

- 5a. We recommend that the Corporation require WNYAC to provide training to its staff to ensure that they comply with living allowance requirements; and
- 5b. Require WNYAC to develop policies and procedures to ensure that it complies with AmeriCorps requirements for living allowance payments.

WNYAC's Response

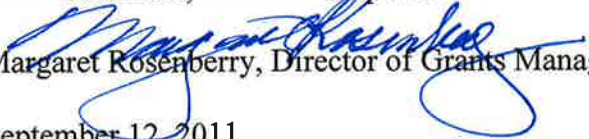
WNYAC adjusts the beginning and ending living allowance payments to coincide with WNYAC's pay schedule. A member's living allowance at the beginning of their term is based on the number of days worked by the member for that particular pay period. The ending payment will be adjusted similarly and all payments in between are paid in equal installments. The members understand this method and they are ultimately paid the correct living allowance during their term of service.

Living allowance requirements have been reviewed with staff and program directors. WNYAC is in the process of developing policies and procedures to ensure that it complies with AmeriCorps requirements for living allowance payments.

APPENDIX B

CORPORATION'S RESPONSE TO AUDIT REPORT

Corporation for
NATIONAL &
COMMUNITY
SERVICE 

To: Stuart Axenfeld, Assistant Inspector General for Audit
From: 
Margaret Rosenberry, Director of Grants Management
Date: September 12, 2011
Subject: Response to OIG Draft Report on the Audit of Corporation Grants
Awarded to the Town of West Seneca, also known as WNY AmeriCorps

Thank you for the opportunity to review the draft audit report of the Corporation's grants awarded to the Town of West Seneca, also known as WNY AmeriCorps. We will work with WNY AmeriCorps to ensure its corrective action plan adequately addresses the findings. We will respond with our management decision after we receive the final report and the auditor's working papers and have reviewed the WNY AmeriCorp's corrective action plan.

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