

Office of Inspector General Corporation for National and Community Service

AGREED-UPON PROCEDURES FOR CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO AIDS United

OIG Report 12-12



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

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This report was issued to Corporation management on July 24, 2012. 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 January 21, 2013 and complete its corrective actions by July 24, 2013. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



July 24, 2012

TO: William Basl
Director, AmeriCorps*State and National

Margaret Rosenberry
Director, Office of Grants Management

FROM: 
Stuart Axenfeld
Assistant Inspector General for Audit

SUBJECT: *OIG Report 12-12, Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to AIDS United, (AU)*

Attached is the final report for the above-noted engagement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by January 24, 2013. Notice of final action is due by July 24, 2013.

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: Douglas Brooks, BOD Chair, AU
Victor Barnes, Interim President & CEO, AU
Bryan Wilt, CFO, AU
Adam Edwards, Executive Assistant, JRI
Douglas Hilton, Acting CFO, CNCS
Claire Moreno, Audit Liaison, CNCS
Michael Gillespie, Partner, Cotton & Company LLP

**OFFICE OF INSPECTOR GENERAL
AGREED-UPON PROCEDURES FOR
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GRANTS AWARDED TO
AIDS UNITED**

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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 (AUPs) to assist the OIG in grant cost and compliance testing of Corporation-funded Federal assistance provided to AIDS United (AU).

SUMMARY OF RESULTS FOR AMERICORPS AWARDS

As a result of applying the procedures, we questioned claimed Federal-share costs of \$33,593 and an education award of \$5,350.

Participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards and, in some cases, accrued interest; both are funded by the Corporation's National Service Trust. AmeriCorps members may also be eligible for childcare benefits funded by the Corporation. As part of our AUP and using the same criteria used for AU's claimed costs, we determined the effect of our findings on education awards, accrued interest, and childcare benefits. Detailed results of our AUP on claimed costs are in Exhibit A, Consolidated Schedule of Claimed and Questioned Costs, and the supporting schedules.

AU claimed unemployment insurance costs for its members but required its members to sign forms, which stated they were ineligible for unemployment insurance. As discussed in Finding 3a., we questioned \$14,456 of costs claimed by AU for these expenses.

SUMMARY OF RESULTS FOR SOCIAL INNOVATION FUND AWARD

As a result of applying the procedures, we questioned claimed Federal-share costs of \$361,836. Our observations during fieldwork revealed deficiencies in several facets of the program.

- AU calculated Social Innovation Fund (SIF) indirect costs using the full amount of subawards. However, indirect costs can only be applied to the first \$25,000 of subawards made to each of AU's 10 SIF subgrantees. This incorrect calculation resulted in overstated Federal indirect costs of \$69,382. In addition, AU limited the Federal share of indirect costs to 5 percent of total Federal costs, or 5.26 percent of total direct Federal costs instead of AU's 10.5 percent Negotiated Indirect Cost Rate Agreement (NICRA) rate. As discussed in Exhibit B Finding 2, we questioned \$69,832.
- AU awarded SIF subgrantees a fixed administrative fee of 5 percent of total Federal costs, although the final Notice of Funds Availability (NOFA) and SIF Cooperative Agreement Terms and Conditions required NICRAs for the subgrantees. As discussed in Exhibit B Finding 2b., we questioned \$13,570.
- AU and its subgrantees did not have procedures to ensure that advances were disbursed in a timely manner. AU initially provided its SIF subgrantees with lump-sum cash advances at the beginning of the projects. After it learned that it was not permitted to advance funds to subgrantees, AU switched to a reimbursement method. AU's September 30, 2011 Federal Cash Transaction Report (FCTR) showed that cash drawdowns equaled Federal expenditures; the expenditures included advances from its SIF subgrantees to subcontractors. One of its subgrantees provided advances of \$93,816 to subcontractors in March 2011; however, the subgrantee did not require its subcontractors to submit financial reports summarizing expenditures until September

2011. Further, financial reports submitted were only spreadsheet summaries of expenditures that did not include details, such as dates subcontractors incurred expenditures. A second subgrantee provided advances of \$74,500 in March 2011 and advances of \$36,000 to subcontractors in October 2011. It did not require subgrantees to provide reconciliations of budget-to-actual expenditures until the end of the grant year, and had not determined what supporting documentation it would require its subcontractors to submit to them.

- AU misinterpreted SIF regulations and improperly modified its SIF subgrantee agreements. It included a condition in its original subgrant agreements that required the subgrantees to provide a 50 percent cash match and required the match to be received by the end of each 12-month funding period. However, it subsequently amended its subgrantee agreements and revised the wording of its matching funds condition. The revised condition stated that AU's subgrantees were required to provide matching funds in cash, and these funds were required to be expended by the end of the three-year grant period. If AU approved an extension, the grant period could be extended for one to two additional years for total of five years. This change did not however comply with the National Community Service Act which requires subgrantees to provide matching funds annually for each fiscal year and prohibits grantees from making payments in the remaining fiscal years of the subgrant period to any subgrantee that fails to provide matching funds for a fiscal year.
- AU's record retention policy requires check registers, journal entries, paid accounts payable invoices, and accounts receivable invoices are required to be retained for period of seven years. This retention period may not be long enough for its Social Innovation Fund (SIF) grant, which has a grant period of five years. With a five-year grant period, AU could be required to retain records for eight years, calculated as its award period of five years plus three years after submission of the last FFR for the grant. Further, the retention period could increase to more than eight years if the grant period is extended beyond its original end date.

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

1. AU and its subgrantees did not comply with AmeriCorps requirements for National Service Criminal History Checks.
2. AU claimed unallowable indirect costs for itself and its SIF subgrantees.
3. AU and one subgrantee claimed unallowable Federal and match costs.
4. Subgrantee timekeeping systems did not comply with Federal requirements, and some timesheets were undated.
5. Subgrantees did not have adequate monitoring procedures to ensure subcontractor compliance with SIF regulations and the allowability of subcontractor claimed costs.
6. AU and its subgrantees did not have procedures to ensure that advances were disbursed in a timely manner.
7. AU's subgrantee agreements included conditions that did not comply with SIF regulations.

8. AU did not comply with certain AmeriCorps and SIF requirements.

AGREED-UPON PROCEDURES FOR SCOPE AMERICORPS AWARDS

We performed the AUPs detailed in the OIG's *Agreed-Upon Procedures for Corporation Awards to Grantees (including Subgrantees)* program, dated July 2011. Our procedures covered testing of both AmeriCorps National, and American Recovery and Reinvestment Act (ARRA) grants:

Grant Program	Award No.	Award Period	AUP Period	Award Totals
AmeriCorps National	09NDHDC006	08/01/09-07/31/12	08/01/09-09/30/11	\$1,994,635
AmeriCorps ARRA	09RNHDC008	08/01/09-05/20/10	08/01/09-05/20/10	\$157,500

AGREED-UPON PROCEDURES FOR SCOPE SOCIAL INNOVATION FUND AWARDS

We performed the AUPs detailed in the OIG's *Agreed-Upon Procedures for Social Innovation Fund Awards to Grantees (including Subgrantees)* program, dated November 2011 (Appendix C). Our procedures covered testing of one SIF grant:

Grant Program	Award No.	Award Period	AUP Period	Award Total
Social Innovation Fund	10SIHDC001	08/01/10-07/31/15	08/01/10-09/30/11	\$4,202,589

OIG's AUP programs included:

- Obtaining an understanding of AU's operations, programs, and operating site and SIF subgrantee monitoring processes.
- Reconciling AU's claimed Federal and match grant costs to its accounting system.
- Testing grantee member files to verify that records supported eligibility to serve, allowability of living allowances, and eligibility to receive education awards.
- Testing AU's compliance with selected AmeriCorps provisions and SIF award terms and conditions.
- Testing a sample of SIF subgrantees to selected SIF award terms and conditions.
- Testing AU's claimed Federal grant costs and a sample of SIF subgrantees to ensure that:
 - AmeriCorps and SIF grants were properly recorded in AU's general ledger and SIF subgrantee records.
 - Costs were allowable and properly documented in accordance with applicable laws, regulations, OMB circulars, grant provisions, award terms, and conditions.

We performed testing from October 2011 through February 2012 at AU's office in Washington, DC, and three SIF subgrantees:

- Washington AIDS Partnership (WAP), Washington, DC
- Amida Care Incorporated (AC), New York, NY
- Christie's Place Incorporated (CP), San Diego, CA

BACKGROUND

The Corporation

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

The Corporation has three major service initiatives: National Senior Service Corps, AmeriCorps, and Learn & Serve America. For fiscal 2011, Congress did not fund the Learn & Serve America program and the Corporation does not anticipate that additional funding will be enacted in the future. Grant activity previously funded under the Learn & Serve America program will continue through fiscal 2013. AmeriCorps, the largest of the initiatives, is funded through grants to states and territories with State Commissions on community service, grants to states and territories without State Commissions, and National Direct funding to organizations. Grantees recruit and select volunteers who must meet certain qualifications to earn a living allowance and/or education awards.

The SIF grant program is a public-private collaboration created by the 2009 Edward M. Kennedy Serve America Act. Its purpose is to create new knowledge for solving social challenges in the areas of economic opportunity, healthy futures, and youth development.

AIDS United

AU is a national organization that fights against HIV/AIDS. Formed on January 1, 2011, after a merger between the National AIDS Fund (NAF) and AIDS Action, its mission is to end the AIDS epidemic in the United States. Through its Community Partnerships program and targeted special grant-making initiatives, AU annually supports more than 400 grassroots organizations that provide HIV prevention, care, and support services to underserved individuals and populations most impacted by the HIV/AIDS epidemic.

AU receives multiple awards from the Corporation, including AmeriCorps National, American Recovery and Reinvestment Act (ARRA), and SIF grants. AmeriCorps grants are annual awards to AU. AU uses these funds to recruit and select members who then earn living allowances and education awards. The ARRA grant was used to fund the non-Federal share of the AmeriCorps member living allowance in Program Year (PY) 2009-2010. The goal of AU's SIF grant program is to support 10 innovative public-private partnerships to improve individual health outcomes and strengthen local service systems.

EXIT CONFERENCE

The contents of this report were discussed with AU and Corporation representatives on May 4, 2012. We summarized AU's comments in appropriate sections of the final report and included AU's comments verbatim as Appendix A. The Corporation intends to respond to all findings and recommendations in its management decision at a later date (see Appendix B).



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July 24 , 2012

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) program*, dated July 2011, and *Agreed-Upon Procedures for Social Innovation Fund Awards to Grantees (including Subgrantees) program*, dated November 2011 (Appendix C). These procedures were agreed to by the OIG solely to assist it in grant cost and compliance testing of Corporation-funded Federal assistance provided to AU 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 for AmeriCorps covered testing of the following awards:

Grant Program	Award No.	Award Period	AUP Period	Award Totals
AmeriCorps National	09NDHDC006	08/01/09-07/31/12	08/01/09-09/30/11	\$1,994,635
AmeriCorps ARRA	09RNHDC008	08/01/09-05/20/10	08/01/09-05/20/10	\$157,500

We performed testing of the AmeriCorps program awards at AU and reviewed match documentation provided by its WAP service site. We selected samples of labor, benefits, other direct, and member costs at AU and a sample of match costs at WAP that were reported by AU on Federal Financial Reports (FFR) forms dated September 30, 2009; December 31, 2009; March 31, 2010; September 30, 2010; March 31, 2011; and September 30, 2011.

We also tested grant compliance requirements by sampling 25 members from AU, as shown below. We performed all applicable testing procedures in the AUP program for each sampled member.

PY	Members	
	Total	Sampled
2009-2010	47	12
2010-2011	<u>54</u>	<u>13</u>
Total	<u>101</u>	<u>25</u>

Our procedures for SIF covered testing of the following award:

Grant Program	Award No.	Award Period	AUP Period	Award Total
Social Innovation Fund	10SIHDC001	08/01/10-07/31/15	08/01/10-09/30/11	\$4,202,589

We performed testing of the SIF award at AU and WAP, AC, and CP. We selected samples of labor, benefits, and other direct costs at the four sites that were reported by AU on its March 31 and September 30, 2011, FFRs.

RESULTS OF AGREED-UPON PROCEDURES FOR AMERICORPS

We questioned claimed Federal-share costs of \$33,593. 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.

Participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards and, in some cases, accrued interest; both are funded by the Corporation's National Service Trust. AmeriCorps members may also be eligible for childcare expenses funded by the Corporation but these expenses are not part of the grant costs. As part of our AUP, and using the same criteria as claimed costs, we determined the effect of our findings on education and accrued interest and childcare reimbursements eligibility. We questioned an education award of \$5,350.

Detailed results of our AUPs on claimed costs are in Exhibit A and the supporting schedules. Results of testing grant compliance are in Exhibit B.

RESULTS OF AGREED-UPON PROCEDURES SOCIAL INNOVATION FUND

We questioned claimed Federal-share costs of \$361,836. Detailed results of our AUPs on claimed costs are in Exhibit A and supporting schedules. Results of testing grant compliance are in Exhibit B.

We were not engaged to and did not perform an examination, the objective of which would be expression of an opinion on the subject matter. Accordingly, we do not express such an opinion. Had we performed other procedures, other matters might have come to our attention that would have been reported.

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

COTTON & COMPANY LLP

A handwritten signature in black ink, appearing to read "Michael W. Gillespie". The signature is fluid and cursive, with the first name being the most prominent.

Michael W. Gillespie, CPA, CFE
Operations Managing Partner

**AIDS UNITED
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

Grant No.	Federal Costs Awarded	Federal Costs Claimed	Federal Costs Questioned	Education Award Questioned	Reference
09NDHDC006	<u>\$1,994,635</u>	<u>\$1,423,647</u>	<u>\$33,593</u>	<u>\$5,350</u>	Schedule A
09RNHDC008	<u>\$157,500</u>	<u>\$157,500</u>	<u>\$0</u>		
10SIHDC001	<u>\$4,202,589</u>	<u>\$762,105</u>	<u>\$361,836</u>		Schedule B
Total	<u>\$6,354,724</u>	<u>\$2,343,252</u>	<u>\$395,429</u>	<u>\$5,350</u>	

**AIDS UNITED
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
AWARD NO. 09NDHDC006**

	Amount	Exhibit B Finding
Claimed Federal Costs	<u>\$1,423,647</u>	
Questioned Federal Costs:		
Member Unemployment Insurance	\$14,456	3.a
Missing Member FBI Background Check	9,370	1.b
Staff State Criminal Registry Checks	8,088	1.d
Unallowable Administrative Costs	1,679	3.d
Total Questioned Costs	<u>\$33,593</u>	
Questioned Education Award		
Missing Member FBI Background Check	<u>\$5,350</u>	1.b

SCHEDULE B

**AIDS UNITED
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
AWARD NO. 10SIHDC001**

	Federal Costs Claimed	Federal Costs Questioned	Exhibit B Finding
<u>AU Costs</u>	<u>\$216,536</u>		
Over-Claimed Indirect Costs		\$69,832	2.a
Staff State Criminal Registry Checks		21,163	1.d
Unallowable Indirect Costs		<u>1,113</u>	3.e
Subtotal		<u>\$92,108</u>	
<u>Subgrantees</u>			
<u>WAP Costs</u>	<u>\$100,970</u>		
National Service Criminal History Checks- Subcontractors		\$93,816	1.h
National Service Criminal History Checks-Staff		1,084	1.f
Subgrantee Indirect Costs Not Supported by NICRA		<u>590</u>	2.b
Subtotal		<u>\$95,490</u>	
<u>AC Costs</u>	<u>\$139,560</u>		
National Service Criminal History Checks, Subcontractors		<u>\$110,500</u>	1.h
<u>CP Costs</u>	<u>\$108,452</u>		
National Service Criminal History Checks, Subcontractors		\$43,402	1.h
Overstated Federal Costs		7,267	3.b
Subgrantee Indirect Costs Not Supported by NICRA		3,728	2.b
Unsupported Personnel Costs		<u>89</u>	4
Subtotal		<u>\$54,486</u>	
<u>Other Subgrantee Costs</u>	<u>\$196,587</u>	<u>\$9,252</u>	2.b
Total	<u>\$762,105</u>	<u>\$361,836</u>	

AIDS United
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
COMPLIANCE RESULTS

Our AUPs identified the compliance findings described below.

Finding 1. AU and its subgrantees did not comply with AmeriCorps requirements for National Service Criminal History Checks.

On October 1, 2009, the Corporation revised its criminal background check regulations and required National Service Criminal History Checks for all covered positions. 45 Code of Federal Regulations (CFR) §2540.202, *What two search components of the National Service Criminal History Check must I satisfy to determine an individual's suitability to serve in a covered position?*, defines a National Service Criminal History Check as two search components, a state criminal history registry and the National Sex Offender Public Registry (NSOPR). Unless the Corporation approves an alternative screening protocol (ASP) request, these checks are required for all covered positions.

Further, 45 CFR §2540.200, *To whom must I apply suitability criteria relating to criminal history?*, and Frequently Asked Questions, National Service Criminal History Checks (Paragraph 5.1), state that a “covered position” for such a check is a position in which an individual receives a Federal or match-funded living allowance, stipend, education award, salary or other remuneration.

As discussed in the following paragraphs, AU did not comply with Corporation requirements for state criminal history checks and NSOPR checks conducted on its AmeriCorps members, its grant-funded staff members, grant-funded staff members at its SIF subgrantees, and SIF subgrantee subcontractors.

Third Party Vendor Checks

- a. In PY 2010-2011, AU conducted National Service Criminal History Checks using a third-party vendor, but it did not ensure that the checks conducted by the vendor complied with AmeriCorps regulations. On January 5 and 6, 2011, the Corporation conducted a programmatic site visit of AU. During that visit, it noted that AU was using a vendor to conduct the checks, but AU could not demonstrate that the services provided by the vendor were equivalent to checking the designated statewide criminal history repositories recognized by the Corporation.

After AU became aware of Corporation requirements for checks conducted by vendors, it submitted an ASP request to the Corporation on January 5, 2011. In its request, AU sought Corporation approval to use services from the vendor to satisfy requirements for a National Service Criminal History Check. On February 1, 2011, however, the Corporation denied AU's request, because the vendor-service descriptions provided were not detailed enough to determine if the services were substantially equivalent to checking the designed statewide criminal history repositories.

The Corporation approved an ASP that allowed the checks performed on PY 2010-2011 members to stand temporarily while it designed criminal history check policies and procedures and determined if its service sites had compliant policies in place. AU was also required to submit a corrective action plan for its PY 2010-2011 members and a plan for its PY 2011-2012 members who started service in August 2011.

On April 30, 2011, AU submitted its corrective action plan to the Corporation. It stated that each PY 2010-2011 member serving as of April 2011 had submitted "FBI-fingerprint-based Background Check" to the FBI. According to 45 CFR §2540.206, *Under what circumstances may I follow alternative procedures in conducting a State criminal registry check for a covered position?*, a fingerprint-based criminal history check through the FBI satisfies the state criminal registry check requirement.

We did not question these PY 2010-2011 member costs because the FBI fingerprint-based background check demonstrated the members were eligible to serve.

Member FBI Check and NSOPR Checks

- b. AU did not have documentation in its file to demonstrate that an FBI background check was conducted on one sampled PY 2010-2011 member. As support that an FBI background check was conducted, AU provided only a copy of an April 2011 reimbursement request showing itemized expenses for the member's FBI background check.

On February 24, 2012, AU contacted the member and asked that she confirm that she submitted the background check request to the FBI and that she did not have the results in her possession; the member confirmed this and stated that the results might have been sent to her former address. AU representatives stated that it had begun the process of initiating a second FBI background check for this member.

45 CFR § 2540.205 requires programs to maintain results of state criminal registry checks unless prohibited by state law.

We questioned Federal member costs of \$9,370 and the education award of \$5,350 for this member because AU did not demonstrate that a FBI background check was conducted.

- c. In PY 2010-2011, AU documented that it conducted NSOPR checks on members by placing a written memo in each member file. The memo included the name of the member and the date the NSOPR check was conducted. According to the memos, NSOPR checks were conducted on August 10, 2010. AU did not, however, retain a hard copy of the NSOPR check results as required by Corporation regulations.

45 CFR § 2540.205 requires programs to maintain results of NSOPR checks unless prohibited by state law and to document in writing that results were considered when selecting members for the program.

AU representatives stated that they were unaware of requirement to retain copies of NSOPR check and associated results until November 2011. On December 8, 2011, and after we discussed this issue with AU representatives, AU provided copies of

NSOPR checks and results it had just performed on all sampled members. We did not question any member costs or education awards for the sampled PY 2010-2011 members, because the NSOPR checks provided were nationwide checks of all state repositories, and demonstrated the sampled members were eligible to serve.

AU Staff State Criminal History and NSOPR Checks

- d. State criminal registry checks and FBI checks for six grant-funded staff members hired after October 1, 2009, were not conducted until after the agreed-upon procedures period. AU did not initiate checks for three staff members until November 2011 and the other three until December 2011. AU was unaware of Corporation requirements for conducting state criminal registry checks on grant-funded staff members until it was advised of the requirements during the Corporation's January 2011 site visit. AU did not however, begin initiating FBI checks until the current program year when it had implemented its revised procedures for conducting these checks.

Additionally, according to *Corporation Enforcement of Criminal History Check Compliance, October 2011, Consequences*, programs are required to initiate state repository and FBI checks before staff members start work.

We questioned Federal salaries and benefits (personnel) costs claimed for the six staff members because the FBI checks were not initiated until after the agreed-upon procedures period. We questioned \$8,088 of Federal personnel costs claimed on the AmeriCorps award and \$21,163 of Federal personnel costs claimed on the SIF award.

- e. AU did not retain hard copies of the NSOPR check results as required by Corporation regulations. Instead, AU documented that it conducted NSOPR checks on grant-funded staff members by completing its National Service Criminal History Check Documentation Checklist form for each employee. AU's Vice President of Operations completed this form and certified that an NSOPR search was completed prior to July 31, 2011. While AU certified that it completed NSOPR checks prior to July 2011, it did not complete these certifications until December 2011. However, 45 CFR § 2540.205 requires programs to maintain results of NSOPR checks.

On December 8, 2011, and after we discussed this issue with AU representatives, AU provided copies of NSOPR checks and results it had just performed on the sampled grant-funded staff members. We evaluated these checks and results. We did not question any salary and benefit costs for the sampled staff members, because the NSOPR checks provided were nationwide checks of all repositories, and because AU performed all necessary procedures to demonstrate that individuals shown on the results were not on the NSOPR.

Subgrantee National Service Criminal History Checks

- f. AU and WAP claimed personnel costs for one grant-funded staff member who was required to undergo a National Service Criminal History check, but did not conduct this check until after the agreed-upon procedures period. WAP first claimed personnel costs for this staff member in March 2011; however, AU did not initiate

and receive the completed state criminal registry check until November 9, 2011, and the NSOPR check was not conducted until December 20, 2011.

According to *Corporation Enforcement of Criminal History Check Compliance, October 2011, Consequences, NSOPR*, "Covered individuals cannot work until a program completes the NSOPR check." Because the state criminal registry check and the NSOPR check were not initiated until after the agreed-upon procedures period, we questioned all \$1,084 of Federal personnel costs claimed by WAP for this staff member through September 30, 2011.

- g. AU and CP claimed personnel costs for three grant-funded staff members who were required to undergo a National Service Criminal History check. Documentation provided by AU indicated that these individuals had undergone an NSOPR check before July 31, 2011; however, AU did not retain the NSOPR check results as required by 45 CFR § 2540.205. On December 20, 2011, AU provided the results of a second check conducted on these individuals. Because documentation indicated that a prior NSOPR check was performed, we did not question personnel costs for this staff member.

Additionally, the FBI checks for two of the three grant-funded staff members showed other names that were searched when the NSOPR checks were conducted. The FBI check for one staff member showed that the name AU searched was the staff member's alias name. It did not conduct an additional NSOPR check using the member's other name. The FBI check for the second staff member showed that the staff member had two alias names. AU conducted the NSOPR check using the staff member's name, but did not conduct NSOPR searches on the two alias names.

AU representatives stated that it did not conduct additional NSOPR checks on these staff members because:

- Corporation guidance and the *Federal Register* did not indicate that a second NSOPR check was required if the FBI report showed an alias name.
- The Corporation's *Frequently Asked Questions*, National Service Criminal History Checks, document does not address checking alias names.
- The established identify on both the California Drivers Licenses and Social Security Cards were the names searched.
- The FBI fingerprint base check did not come back with a prohibitive criminal record under either name.
- The California Department of Justice state fingerprint based checks performed by CP did not show any criminal records.

AU representatives further stated that AU would strengthen its standard operating procedure to include NSOPR checks on alias names returned from state or FBI checks with documentation of the check. Additionally, it will include a request for any additional family names used by an individual in its National Service Criminal History Check request forms.

AU representatives stated that it performed follow-up NSOPR checks on all the names listed for the two staff members, and that it will review all Fiscal Year 2011-2012 National Service Criminal History Check files and perform additional NSOPR checks as necessary on all alias names found during its review.

We accepted the additional NSOPR checks conducted on the first staff member, because NSOPR checks provided were nationwide checks of all state repositories, and because AU performed all necessary procedures to demonstrate that individuals with the same or similar names on the results were not the staff member.

We did not accept the additional NSOPR checks conducted on the second staff member, because the NSOPR checks were not nationwide checks. When the checks were performed, the Missouri and South Dakota registries were not operative. At the exit conference, AU provided an additional NSOPR check for the staff member. We did not question any claimed personnel costs for this staff member because the NSOPR check provided was a nationwide check of all state repositories.

SIF Subcontract National Service Criminal History Checks

- h. Neither AU nor its SIF subgrantees conducted National Service Criminal History checks on subcontractor personnel at its SIF subgrantees. These checks were required for subcontractor personnel, because the positions were funded by the SIF award and met the Corporation's definition of a covered position. As previously stated, a covered position is a position where an individual receives a Federal or match-funded salary or other remuneration.

AU determined it was not required to conduct these checks on subcontracts based on guidance it received from the Corporation. AU understood the regulations to require checks only for covered grantee and subgrantee positions, and these checks were not required for subcontractors engaged by the subgrantees.

AU representatives stated that they are in the process of reviewing their current practices and plan to make necessary changes to ensure compliance with grant requirements. In addition, AU representatives stated that after our site visit to CP, it conducted a conference call with CP. During that call, AU learned that pursuant to California regulations, most, if not all, of CP's SIF subcontractor employees were required to undergo state-based criminal history checks. AU learned that the background checks performed on the subcontractor staff members did not however, comply with Corporation requirements. Finally, AU representatives stated that if found as a requirement, it would immediately inform CP that its subcontractors would need to modify their background check processes.

The SIF subcontractors are performing the same type of activities as the SIF subgrantees. Based on the Subcontractor Agreements, subcontractors write educational material, conduct interviews, provide primary care, provide supportive services and perform other program type functions. Because National Service Criminal History checks were not performed, we questioned all claimed Federal subcontractor costs claimed by AC, WAP, and CP. Details follow.

Site	Questioned Federal Costs
AC	\$110,500
WAP	93,816
CP	<u>43,402</u>
Total	<u>\$247,718</u>

Recommendations: We recommend that the Corporation:

- 1a. Provide guidance to AU to ensure that it and all of its subgrantees and SIF contractors conduct and maintain documentation to demonstrate that National Service Criminal History Checks are conducted on members and grant-funded staff members, subgrantees, and subgrantee subcontractors;
- 1b. Verify that AU has implemented effective National Service Criminal History Check procedures for itself, all of its subgrantees, and all subgrantee subcontractors;
- 1c. Disallow and, if already used, recover the education award made to the member with a questioned education award;
- 1d. Calculate and recover the appropriate amount of disallowed costs based on our questioned costs;
- 1e. Calculate and recover administrative costs related to disallowed AmeriCorps costs and require AU to adjust its FFRs for these costs; and
- 1f. Calculate and recover indirect costs related to disallowed SIF costs and require AU to adjust its FFRs for these costs.

AU's Response: AU partially concurred with Finding 1. It concurred with Finding 1a, and partially concurred with Findings 1c., 1.d, and 1g. It did not concur with Findings 1b., 1f., and 1h. Its responses to Findings 1b. through 1f., 1h., and the recommendations follow:

Finding 1b.

- It does not believe the member costs and education award for the member should be questioned because:
 - The member submitted the background check request to the FBI;
 - The member was reimbursed for the expenses related to the background check request;
 - The payment request was received by the FBI; and
 - The member successfully completed the program and served the number of hours required for an education award.

Finding 1c. and Finding 1e.

- AU concurred with the Findings 1c. and 1e. but did not agree with the OIG's interpretation of 45 CFR § 2540.205. This regulation requires AU to maintain the results of the National Service Criminal History Checks but does not further specify the form in which the results must be kept. Thus, AU previously maintained a written memorandum documenting a member's NSOPR check stating that a check was conducted, the results of the check, and consideration of the results in the selection process. AU believed this practice was sufficient to satisfy the regulatory requirements.

Finding 1d.

- AU concurred with the finding but did not believe any costs should be questioned. AU used the NSOPR check to indicate that the National Service Criminal History check process was initiated. In addition, because Corporation guidance states that while awaiting the results of the criminal history checks, staff with access to vulnerable populations are not prohibited from working as long as they are accompanied by someone who has cleared a criminal history check. Because AU staff that worked on the SIF grant did not come into contact with vulnerable populations. It was not required to have such accompaniment.

Finding 1f.

- AU did not concur with the finding or questioned costs. It stated that the grant-funded staff member had an NSOPR check in May 2011 but it did not retain the results of the NSOPR check because it was AU's policy at the time to not retain such documentation. It initiated the criminal history check in November 2009 and performed an additional NSOPR check in December 2011.

Finding 1h

- AU did not concur with Finding 1.h. or the questioned costs. It stated that National Service Criminal History Checks were not required for subcontractors engaged by SIF subgrantees. It received guidance from the Corporation that these requirements are applicable to grantees and subgrantees, but do not extend to subcontractors of subgrantees. Its interpretation of the applicable regulations supports the same conclusion.
- The Corporation's *Frequently Asked Questions*, National Service Criminal History Checks states "[n]on-staff positions on program grants paid as consultants or contractors are not subject to criminal history background checks."
- It believes the National Service Criminal History Check requirements do not apply to subcontractors of SIF subgrantees because:
 - Subcontractors are entities contracted by subgrantees;

- Subcontractor staff do not fall under the Corporation's definition of covered position;
- The Corporation has specifically characterized subcontractors as exempt from these requirements to limit the scope and definition of covered positions to only the staff of SIF grantees and subgrantees directly named in grantee and subgrantee budgets.

AU Response to Recommendations:

- It will work with the Corporation to ensure AU and its subgrantees conduct and maintain documentation to demonstrate that National Service Criminal History Checks are conducted on members and grant-funded staff members and subgrantees. It will work with the Corporation to clarify guidance it received regarding National Service Criminal History Checks and extension to subgrantee subcontractors.
- It updated its procedures for conducting and documenting National Service Criminal History Checks. It looks forward to receiving confirmation from the Corporation that its revised procedures are effective.
- It did not believe that any costs associated with the findings should be disallowed, including education awards.

Accountants' Comments: Responses to the findings and recommendations follow:

Finding 1b.

- We do not agree with AU's response. 45 CFR § 2540.205 and the Corporation's *Frequently Asked Questions*, National Service Criminal History Checks (Paragraph 7.1) require AU to maintain the actual results of the check. These results are necessary to demonstrate that the member was eligible to participate in the AmeriCorps program. Without this documentation, the member is ineligible and all member costs are unallowable and the member would be ineligible for an education award.

Finding 1c. and Finding 1e.

- AU stated that it did not agree with the OIG's interpretation of 45 CFR § 2540.205 and believed that documenting its review of the NSOPR check met the requirements of the regulation. The OIG's interpretation of this regulation is consistent with the Corporation's interpretation. The Corporation's *Frequently Asked Questions*, National Service Criminal History Checks (Paragraph 4.5) states that a program "must retain a record of the NSOPR search and associated results either by printing the screen(s) or by some other method that retains the digital images of the checks and results."

Finding 1d.

- AU's response to this finding demonstrates a misunderstanding of the Corporation's regulations for National Service Criminal History Checks. It stated that it used the NSOPR check to initiate the National Service Criminal History Check process and that Corporation regulations allow grant-funded staff to work if the results of their criminal history checks are pending. AU's response is incorrect and the costs should be questioned for the following reasons.
 - While Corporation regulations requiring a NSOPR check on all grant-funded staff took effect on October 1, 2009, AU did not begin conducting NSOPR checks until July 2011. In addition, as discussed above, the NSOPR checks conducted by AU were inadequate because AU did not maintain the actual results of the check.
 - While AU stated that it began the National Service Criminal History process when it initiated the NSOPR check, it did not initiate the criminal history checks until November 2011 and AU did not explain the four-month gap between checks.
 - Because the state criminal history checks were not initiated until November 2011, all salaries and benefits costs from October 1, 2009 through the date of the criminal registry checks are unallowable.

Finding 1f.

- We do not agree with AU's statement that the WAP grant-funded staff member had a NSOPR check in May 2011. During fieldwork, we obtained from AU's Chief Financial Officer, a copy of AU's background check documentation for grant-funded staff at WAP. The documentation provided indicated that the NSORP checks for this staff member were conducted in November and December 2011. Even if a NSOPR check was conducted in May 2011, all salaries and benefits costs for this staff member still would have been questioned because the state criminal history check was not initiated until November 2011.

Finding 1h.

- We disagree with AU's response that National Service Criminal History Checks are not required for subcontractors. AU's SIF subcontractors do not meet the Corporation's definition of a subcontractor. In May 2012, the Corporation revised its *Frequently Asked Questions*, National Service Criminal History Checks document. In Paragraph 2.2, subcontractors are defined as individuals delivering goods or services to a program for a fee. The SIF subcontractors do not meet this definition because their employees are performing the same types of activities that the SIF subgrantees are performing.

Recommendations:

- We continue to make the recommendations stated above. During resolution, the Corporation should ensure that the corrective actions implemented by AU are effective.

Finding 2. AU claimed unallowable indirect costs for itself and its SIF subgrantees.

As described in the following paragraphs, AU incorrectly calculated SIF indirect costs and claimed unallowable SIF indirect costs for itself and its subgrantees.

- a. AU incorrectly calculated indirect costs when it prepared its budgets for the 2010 and 2011 funding years:
 - It calculated indirect costs using the full amount of subawards to its subgrantees in its base. According to AU's NICRA, however, the base should only include the first \$25,000 of subawards made to each of AU's 10 SIF subgrantees. AU's Chief Financial Officer (CFO) could not explain why AU included the full amount of subawards in its calculation.

OMB Circular A-122, Attachment A, A. D. 3. D. f. *Distribution basis* states:

Indirect costs shall be distributed to sponsored awards and other benefitting activities within each major function based on modified total direct costs. These costs include all salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract).

- AU limited the Federal share of indirect costs in its 2010 and 2011 budgets to 5 percent of total Federal costs, or 5.26 percent of total direct Federal costs. AU's CFO explained that they used the 5-percent limitation on total Federal indirect costs in the budget, because he followed instructions in the preliminary Notice of Funds Availability (NOFA), which discussed this requirement. The CFO was, however, unaware that the section discussing this requirement had been removed from the final NOFA. The final NOFA required grantees to use their approved indirect cost rates for any indirect costs included in their budgets. AU's 2008 NICRA supported an indirect cost rate of 10.5 percent.

When calculating claimed indirect costs for its September 30, 2011 FFR¹, AU used the same methodology described above and calculated Federal indirect costs of \$84,783.

We recalculated Federal indirect costs claimed by AU. First, we limited the amount of subawards to \$25,000 each for a total of \$250,000. Next, we calculated the Federal share of subawards by multiplying the \$250,000 by 61 percent, the percentage of Federal subaward costs used by AU in its amended budget for funding

¹ On AU's September 30, 2011 FFR, AU claimed grant year 2010 and 2011 costs for itself and grant year 2010 costs for its subgrantees.

year 2010. As shown in the following table, we calculated allowable Federal indirect costs of \$14,951, a difference of \$69,832.

Description	Federal Costs as of 09/30/11		
	Claimed	Allowable	Unallowable
Personnel Costs	\$46,477	\$46,477	
Other Direct Costs	85,275	85,275	
Subawards	1,480,100	152,500	
Total Direct Costs	\$1,611,852	\$284,252	
Rate	5.26%	5.26%	
Indirect Costs	<u>\$84,783</u>	<u>\$14,951</u>	<u>\$69,832</u>

After discussing these results with AU, it made an adjustment to correct claimed indirect costs as of September 30, 2011. We questioned \$69,832 of Federal costs, because AU's adjustments were made after the agreed-upon-procedures period.

- b. AU awarded each of its SIF subgrantees a fixed administrative fee of 5 percent of total Federal costs, although the final NOFA and SIF Cooperative Agreement Terms and Conditions required NICRAs for the subgrantees. The administrative fee was intended to cover the SIF subgrantee indirect costs, and was awarded because only three of the 10 subgrantees had NICRAs. The CFO stated that when finalizing subgrantee budgets, he allowed the fixed administrative fee because the instructions in the preliminary NOFA discussed this requirement. He was, however, unaware that the section discussing this requirement was removed from the final NOFA, or that the final NOFA and SIF Cooperative Terms and Agreement required NICRAs for the subgrantees. One subgrantee did not have a NICRA and did not have administrative costs in its budget. We questioned \$13,570 of Federal indirect costs claimed by the six SIF subgrantees without NICRAs.

Subgrantee	Questioned Federal Costs
Montgomery AIDS Outreach, Inc.	7,149
Christie's Place, Inc.	3,728
Center for Health Justice, Inc.	1,337
St. Louis Effort for AIDS	674
Washington AIDS Partnership	590
AIDS Foundation of Chicago	92
Total	<u>\$13,570</u>

On January 18, 2012, AU advised its SIF subgrantees that they were unable to charge indirect costs to the SIF grant if they did not have NICRAs. Additionally, on January 25, 2012, AU recommended that its SIF subgrantees without NICRA's submit budget revision requests based on the OMB Circular A-122 Direct Allocation Method but only if they had documentation to support and accurately record and track these costs using that method.

Recommendations: We recommend that the Corporation:

- 2a. Require AU to develop controls to ensure that indirect costs claimed are properly calculated and in accordance with its approved budget and SIF regulations;

- 2b. Require AU to monitor the SIF subgrantees use of the direct allocation method including proper support for costs and equitable distribution of cost to programs;
- 2c. Verify implementation of AU's controls for SIF indirect costs; and
- 2d. Calculate and recover the appropriate amount of disallowed costs based on our questioned Federal costs and require AU to adjust its FFRs for these costs.

AU's Response: It concurred with Findings 2a. and 2b. but did not believe the questioned costs should be disallowed. Its responses follow:

- It developed controls to ensure that indirect costs claimed are properly calculated and in accordance with its approved budget and SIF regulations.
- It will monitor subgrantees that do not have a NICRA in their use of the Direct Allocation Method to ensure conformity with OMB Circular A-122 standards through its desk and on-site monitoring processes.
- It looks forward to Corporation verification of its controls for indirect costs.
- It did not believe that any costs, and thus any indirect costs, associated with this finding should be disallowed. All subgrantee costs related to this finding have already been reallocated through the budget revision process. In addition, all AU costs associated with this finding have already been resolved.

Accountants' Comments: We continue to make the recommendations stated above. During resolution, the Corporation should ensure that the corrective actions implemented by AU are effective.

Finding 3. AU and one subgrantee claimed unallowable Federal and match costs.

AU claimed unallowable member unemployment costs, CP overstated claimed Federal personnel costs, and AU did not have adequate procedures for in-kind match contributions. In addition, we questioned administrative and indirect costs related to questioned Federal costs. Details follow:

- a. In PYs 2009-2010 and 2010-2011, AU claimed \$14,456 (\$6,593 from PY 2009-2010 and \$7,863 from PY 2010-2011) of unemployment insurance costs for its AmeriCorps members, but did not provide documentation to demonstrate that the states (Illinois, Indiana, Louisiana, Michigan, Oklahoma, and New Mexico) and the District of Columbia where its host agencies were located required unemployment insurance for AmeriCorps members.

AmeriCorps State and National Policy Frequently Asked Questions C.23, *Is the grantee required to provide unemployment insurance?* , states:

The U.S. Department of Labor ruled on April 20, 1995 that federal unemployment compensation law does not require coverage for members because no employer-employee relationship exists. The grantee may not charge the cost of unemployment insurance taxes to the grant unless

mandated by state law. Programs are responsible for determining the requirements of state law by consulting their state commission, legal counsel or the applicable state agency. AmeriCorps State and National grantees must coordinate with their state commissions to determine a consistent state treatment of unemployment insurance requirements.

In addition, AU required its members to complete its Member Waiver of Unemployment Benefits and Claims form, which stated they were ineligible for unemployment insurance. When completing this form, the members were required to certify the following:

I recognize that I am not considered an employee of the National AIDS Fund, but rather an AmeriCorps member receiving a taxable living allowance (In accordance with 42 U.S.C. 12511(17) (B)). I also recognize that this living allowance is not to be considered employee wage compensation under the guidelines set forth by the Corporation for National and Community Service. Therefore, I am ineligible for unemployment compensation benefits and agree not to apply for unemployment compensation benefits for the time I spend as a member of the National AIDS Fund AmeriCorps program.

Because AU members were ineligible for unemployment insurance, AU should not have claimed unemployment insurance costs for them. We questioned \$14,456 of Federal costs.

- b. In September 2011, CP claimed \$12,673 of Federal personnel costs and \$2,911 of match personnel costs. On January 12, 2012, CP revised its September 2011 personnel costs after discovering it had overclaimed Federal personnel costs. As a result, CP reduced the Federal share of personnel costs by \$7,267 to \$5,406 and increased the match share of personnel costs by the same amount to \$10,178. In addition, this adjustment was not recorded in CP's financial management system. The revised accounting report provided by CP only showed \$5,406 of adjusted Federal costs. CP representatives stated that while its automated financial management system creates adjusting journal entries for other costs, it does not create an adjusting journal entry for adjustments to personnel costs.

Social Innovation Fund Cooperative Agreement Terms and Conditions, Section III, General Provisions, Subsection B.1., *General*, requires awardees to maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail, and written cost allocation procedures. Further, 45 CFR § 2543.21, *Standards for financial management systems*, Subsection (b), states that recipient financial management systems must provide for accurate, current, and complete disclosure of financial results of each Federally-sponsored program.

We questioned \$7,267 of overstated Federal costs because CP did not adjust its records until after the agreed-upon procedures period.

- c. During the agreed-upon procedures period, AU claimed match costs from the sites that hosted members (host agencies). It required the sites to document these contributions using its host-agency in-kind contributions form. Authorized representatives at the host agencies completed these forms, which summarized

hours spent supervising AmeriCorps members, supervisor hourly wage, supervisor fringe-benefit rate, amount of member and supervisor travel expenses, percentage of space allocated to AmeriCorps members and supervisors, monthly rent amount, and the number of months of rent.

In addition, AU's host agencies signed an attachment to AU's host-agency agreement that required a host-agency authorized representative to identify the AmeriCorps supervisor's hourly wage, fringe benefit rate used to calculate supervisor benefits, and amount of host agency monthly rent costs. It used this document as support for amounts shown on the in-kind contributions forms. AU did not, however, obtain any additional documentation, such as timesheets, payroll records, accounting reports, and invoices, to support the actual amount of in-kind costs provided by the host agencies.

45 CFR § 2543.23 *Cost sharing or matching*, states that third-party in-kind contributions used to satisfying a cost-sharing or matching requirement must be verifiable from grantees and subgrantee or cost-type contractor records. These records must show how the value placed on third-party in-kind contributions was derived. Regulations require volunteer services to be supported by the same methods that the organization uses to support the allocability of regular personnel costs to the extent feasible. Further, the value of donated space is to be valued at the fair rental rate of the space.

AU representatives stated that it had relied on guidance received from the Corporation and believed that its documentation supported the costs. After we discussed this issue with AU, it provided a copy of its revised in-kind contributions form. It now required host-agency supervisors to complete a timesheet showing AmeriCorps and non-AmeriCorps hours.

We questioned no costs, because AU provided copies of AmeriCorps supervisor timesheets for one of two sampled in-kind transactions. We questioned no costs for the second sampled in-kind transaction, because AU had claimed match costs in excess of its required match.

- d. We questioned \$1,679 [(\$14,456 + \$9,370 + \$8,088 = \$31,914 x 5.26%)] of administrative costs related to \$14,456 of questioned member unemployment insurance costs (Finding 3a.), \$9,370 of questioned member costs for the missing member FBI background check (Finding 1b.), and \$8,088 of questioned costs for the late staff state criminal history checks (Finding 1d.).
- e. We questioned \$1,113 (5.26 percent x \$21,163) of indirect costs related to \$21,163 questioned in Finding 1 for late state criminal history checks conducted on AU staff members.

Recommendations: We recommend that the Corporation:

- 3a. Ensure that AU reviews applicable regulations and strengthens controls to ensure that claimed member unemployment insurance are allowable in accordance with Corporation regulations;

- 3b. Ensure that AU reviews applicable regulations and strengthens controls to ensure that claimed in-kind match costs are verifiable from host agency records, demonstrate how the value placed on third-party in-kind contributions was derived, and that volunteer services are supported by the same methods that the organization uses to support the allocability of Federal personnel costs;
- 3c. Ensure that AU requires all of its subgrantees to review applicable regulations and develop controls to ensure that their financial management systems for accounting and reporting Federal and match costs are accurate, complete, reconciled and include sufficient accountability;
- 3d. Verify the implementation of controls for unemployment costs, Federal and match costs and subgrantee financial management systems;
- 3e. Calculate and recover the appropriate amount of disallowed costs based on our questioned Federal costs and require AU to adjust its FFRs for the disallowed costs; and
- 3f. Calculate and recover administrative and indirect costs related to disallowed costs.

AU's Response: It concurred in part with Finding 3a. but believed that a determination about the questioned costs should await additional guidance from the District of Columbia Department of Employment Services (DOES). It concurred with Finding 3b. but stated that the questioned cost had been resolved. It did not concur with Findings 3c., 3d., or 3e., or the questioned costs in Findings 3d. and 3e. Its detailed responses to findings 3.a., 3.c., and the recommendations follow:

Finding 3a.

- AU has historically contributed to the District of Columbia unemployment compensation fund for its AmeriCorps members because it believed it was required to by law. In an effort to mitigate the risk of successful unemployment claims for AmeriCorps members, AU required its members to complete a Member Waiver of Unemployment Benefits and Claims form. Despite this waiver process, AU received AmeriCorps member unemployment compensation claims in 2007, 2008, 2010, and one member was successful in receiving unemployment compensation as a result of the claim filed.
- It is seeking official guidance from DOES to determine whether it is required to contribute to the unemployment compensation fund on behalf of AmeriCorps members. As of the date of its response, it had not yet received a final response. Upon receiving official guidance from DOES, AU plans to reevaluate its current policy and make necessary revisions to ensure its policy complies with both the laws of the states (including the District of Columbia) where AU places AmeriCorps members and the applicable AmeriCorps regulations.

Finding 3c.

- It attempted to collect underlying documentation of matching costs including pay and fringe rates of staff, space rental rates attributed to AmeriCorps activities,

mileage, and other in-kind costs of hosting an AmeriCorps member. Its host-agency agreement provides space for host agency staff to document the costs used to calculate in-kind contributions to the program.

- The Corporation did not identify any compliance findings related to documentation of in-kind match costs during its site visits to AU.
- In the PY 2011-2012, AU strengthened its in-kind reporting process by creating a monthly time sheet form for supervisors to complete in addition to their quarterly in-kind tracking forms. The new time sheet required supervisors to list their total number of working hours per day (to match with their agency time keeping records) and to indicate the number of hours per day spent on member supervision.
- It worked with its host agencies to ensure consistent submission of timesheets and in-kind reports as documentation of match in the current program year reporting period.
- It created detailed time logs, which are part of the underlying documentation discussed above, which were audited at the WAP operating site. These logs were found to be in compliance by the auditors.

AU Response to Recommendations:

- It requested that DOES perform a review of AU's past contributions and issue a ruling regarding the status and requirement of coverage for AU's AmeriCorps members. It submitted amended quarterly unemployment compensation tax reports for the two-year agreed-upon procedures period to DOES and requested the return of unemployment compensation tax previously remitted to DC for its AmeriCorps members.
- It strengthened its in-kind reporting process by creating a monthly time sheet form for supervisors to complete in addition to their quarterly in-kind tracking forms to enhance in-kind reporting.
- It now requires SIF subgrantees to submit monthly financial reports for expense reimbursement, including general ledger reports, to closely monitor grant activity.
- It will work proactively with the Corporation to ensure the implementation of controls for unemployment costs, federal and match costs, and subgrantee financial management systems.
- It did not believe that any costs associated with this finding should be disallowed. All CP subgrantee costs related to personnel charges were corrected during the grant year. AU believes it acted prudently in contributing to the DC unemployment compensation fund in order to comply with DC law.

Accountants' Comments: Responses to findings 3.a., 3.c., and the recommendations follow:

- AU's response to Finding 3.a. addressed unemployment insurance for members serving at its District of Columbia host site but did not address members serving at its host sites located outside of the District. The Corporation should ensure that AU's corrective actions for member unemployment insurance include a determination of whether unemployment insurance is required for members serving at the other host sites.
- As discussed in the finding, while AU required its host sites to document on the agreements and timesheet forms the amount of in-kind contributions, it did not obtain any additional documentation from the host agencies, such as timesheets, payroll records, accounting reports, and invoices, to support the actual amount of in-kind costs provided by the host agencies.
- We continue to make the recommendations stated above. During resolution, the Corporation should ensure that the corrective actions implemented by AU are effective.

Finding 4. Subgrantee timekeeping systems did not comply with Federal requirements, and some timesheets were undated.

Employee timesheets at CP, AC, AU, and a SIF subcontractor did not comply with Office of Management and Budget (OMB) Circular A-122. Details follow:

- In September 2011, CP claimed \$987 of Federal personnel costs for its Administrative Coordinator that were not supported by a timesheet. The employee's timesheets showed that all hours were allocated between general hours and another CP program, and documentation provided by CP showed that claimed personnel costs were calculated using a budget estimate. CP did not believe the employee was required to document hours worked on the SIF program, because the employee was considered an indirect employee.

We questioned \$987 of unsupported Federal costs; \$89 is questioned in this finding, and the remaining \$898 is included in the \$7,267 of overstated costs questioned in Finding 3b.

- Timesheets for AC's employees showed the percentage of time allocated to SIF and non-SIF activities, but did not include daily allocations of hours worked by the employees. AC representatives were unfamiliar with OMB Circular A-122 requirements and believed that its timesheet format complied with the circular.

After we discussed this issue with AC, it revised the timesheet template used by its employees to include lines to identify grant names worked on by the employees as well as space for employees to record daily hours for all activities. In addition, AC representative stated that monthly payroll entries into the general ledger would be based on actual hours recorded on timesheets.

- Timesheets for employees at WAP and one of WAP's subcontractors were signed in advance.
- Timesheets for AU employees were signed by employees and their supervisors, but they did not date their signatures.

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. Budget estimates do not qualify as support for awards.

Recommendations: We recommend that the Corporation:

- 4a. Require AU to strengthen its monitoring procedures to ensure that its SIF subgrantees and SIF subgrantee contractors complete timesheets for all employees that work on the SIF grant and that the timesheets are dated and signed after-the-fact;
- 4b. Require AU to strengthen its monitoring procedures to ensure that employee and supervisor timesheet signatures are dated;
- 4c. Verify implementation of AU's strengthened monitoring procedures for timesheets; and
- 4d. Require AU to adjust its FFRs for the disallowed costs.

AU's Response: Its responses to the finding and recommendations follow:

- It concurred with the part of the finding related to timesheets for AC and timesheets for employees at one of WAP's subcontractors.
- It did not concur with the part of the finding related \$89 and \$898 of CP questioned costs or the undated timesheets at AU.
 - The \$89 of questioned costs were mitigated as part of its subgrantee indirect cost budget revision and oversight plan outlined in its response to Finding 2.b above. It stated that the remaining questioned costs of \$898 were resolved by CP in January 2012.
 - Its existing processes for logging time and electronic backup of source data include multiple levels of oversight and approval. It believes that these processes comply with the reporting requirements of OMB Circular A-122, As a further best practice, it recently added a date field that will be completed by both staff and supervisors as part of their timesheet completion procedures.
- It will work with the Corporation to further strengthen its timesheet monitoring procedures for both AU and subgrantee staff to ensure accurate recording and dating of personnel activity.

- It did not believe that any costs associated with this Finding should be disallowed.

Accountants' Comments: Responses to the finding and recommendations follow:

- The \$987 (\$89+\$898) of questioned CP costs were questioned and reported as findings because CP's corrective actions were made after the agreed-upon procedures period.
- Adding a date field to the staff and supervisor timesheets is responsive to the recommendation.
- We continue to make the recommendations stated above. During resolution, the Corporation should ensure that the corrective actions implemented by AU are effective.

Finding 5. Subgrantees did not have adequate monitoring procedures to ensure subcontractor compliance with SIF regulations and the allowability of subcontractor claimed costs.

AC and WAP could not provide documentation to support that their subcontractors were advised of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements.

- AC's award letter to its subcontractors stated that funding was provided through SIF, which was administered by AU; SIF was not, however, identified as a Federal grant. In addition, its memorandum of understanding with subcontractors identified the name of its program, but did not mention the SIF award or any of the requirements imposed on them. AC representatives stated that it advised its subcontractors of the requirements through email, but it did not provide such documentation.
- WAP's subcontractor agreements stated that its program was funded through AU's Access to Care Initiative, which was supported by a grant from the SIF fund; however, the agreement did not identify the SIF as a Federal grant and did not identify any of the requirements imposed on them. WAP representatives stated that it advised its subcontractors of the requirements through email, but it did not provide such documentation. WAP representatives stated that Federal requirements will be included in year two subcontractor agreements, emailed to subcontractors, and discussed at subcontractor meetings. Additionally, addendums to subcontractor agreements will be made if necessary.

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart D, Section.400 (d), *Pass-through entity responsibilities*, states that pass-through entities shall:

- Identify Federal awards made by informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, award year, and the name of the Federal agency.

- Advise subrecipients of requirements imposed on them by Federal laws, regulations, and provisions of contracts or grant agreements as well as any supplement requirements.

AC and WAP did not have adequate procedures to ensure that costs claimed by its subcontractors were allowable in accordance with applicable cost circulars.

- AC monitored programmatic performance of the work. It ensured that subcontractors completed the work and submitted required reports, but it did not have procedures to monitor fiscal activities of its subcontractors. AC representatives stated that at the end of the grant year, its subcontractors were required to provide budget reconciliations showing budget-to-actual expenses. These reconciliations have not, however, been conducted, because the grant year is still open. Additionally, AC had not yet determined what documentation it would require its subcontractors to submit with the reconciliations.
- WAP monitored programmatic performance of the work. It ensured that subcontractors completed the work and submitted required reports. In addition, it performed some monitoring of subcontractor fiscal activities. These procedures were not, however, formally documented. WAP required its subcontractors to provide an interim financial report in September 2011, and it sampled some expenses from one of six subcontractors.

Interim financial reports submitted by the subcontractors were informal spreadsheets summarizing project expenditures. WAP did not require the subcontractors to provide documentation, such as reports from subcontractor accounting systems, to support expenditures shown on spreadsheets. In addition, WAP obtained a sample of invoices and employee timesheets for its largest subcontractor, but it did not plan to obtain supporting documentation from its other five subcontractors.

OMB Circular A-133, Subpart D, Section.400 (d), *Pass-through entity responsibilities*, states that pass-through entities shall monitor activities of subcontractors as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Without procedures to monitor all subcontractor activities, subgrantees cannot ensure that costs claimed by the subcontractors are allowable, adequately documented, and allocable in accordance with applicable costs principles and regulations. The costs are not questioned here because all subcontractor costs are questioned for National Service Criminal History Checks in Finding 1.

Recommendations: We recommend that the Corporation:

- 5a. Require AU and its subgrantees to review applicable regulations and develop monitoring procedures to ensure that subcontractor claimed costs are compared to budget and reconciled to the accounting system. Further, AU and its subgrantees should ensure that these costs are supported by documentation that demonstrates that the costs were allowable and used for authorized purposes in accordance applicable cost principles and regulations;

- 5b. Ensure that AU requires all subgrantees and subgrantee subcontractors to review applicable regulations and develop procedures to ensure that claimed Federal and match costs are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations; and
- 5c. Verify implementation of the monitoring procedures.

AU's Response: Its responses to the finding and recommendations follow:

- It concurred with the finding.
- It will work with its subgrantees to develop enhanced procedures to ensure that costs charged by their subcontractors comply with applicable federal regulations.

Accountants' Comments: We continue to make the recommendations stated above. During resolution, the Corporation should ensure that the corrective actions implemented by AU are effective.

Finding 6. AU and its subgrantees did not have procedures to ensure that advances were disbursed in a timely manner.

AU, AC, and WAP did not have procedures to ensure that advances were disbursed in a timely manner. Details follow:

- AU representatives stated that it initially provided its SIF subgrantees with lump-sum cash advances at the beginning of subgrantee 1-year projects. AU's Federal Cash Transaction Report (FCTR) showed that it had cumulative cash drawdowns of \$1,506,695 as of July 1, 2011. AU stated that it learned in July 2011 that it should not have provided advances to its subgrantees' and began switching them to a reimbursement method. Its FCTR showed that AU returned \$996,796 of funds on September 12, 2011, and that its September 30, 2011 cash drawdowns of \$762,105 equaled Federal expenditures claimed on its FFR. However, as discussed below, the \$762,105 expenditures included advances from its SIF subgrantees to subcontractors.
- In March 2011, WAP provided advances totaling \$93,816 to its six subcontractors. As previously discussed in Finding 5, WAP did not require its subcontractors to submit financial reports summarizing expenditures until September 2011. Further, financial reports submitted were only spreadsheet summaries of expenditures that did not include details, such as dates subcontractors incurred expenditures. As a result, we could not determine if WAP ensured that subcontractors minimized the time elapsing between fund receipt and disbursement or if all advanced funds have now been spent.
- AC provided advances of \$74,500 to five of its SIF subcontractors in July 2011 and \$36,000 to three of its SIF subcontractors in October 2011. As discussed in Finding 5, AC did not have procedures to monitor the fiscal activities of its subgrantees, did not require subgrantees to provide reconciliations of budget-to-actual expenditures until the end of the grant year, and had not determined what supporting documentation it would require its subcontractors to submit to AC. As a result, we could not determine if WAP ensured that subcontractors minimized the time elapsing

between fund receipt and disbursement or if all advanced funds have now been spent.

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

- (l) *For those entities where CMIA and its implementing regulations do not apply, interest earned on Federal advances deposited in interest bearing accounts shall be remitted annually to Department of Health and Human Services, Payment Management System, Rockville, MD 20852. Interest amounts up to \$250 per year may be retained by the recipient for administrative expense. State universities and hospitals shall comply with CMIA, as it pertains to interest. If an entity subject to CMIA uses its own funds to pay pre-award costs for discretionary awards without prior written approval from the Federal awarding agency, it waives its right to recover the interest under CMIA.*

45 CFR § 2543.22 *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.*

We recommend that the Corporation:

- 6a. Require AU to review applicable regulations and develop policies and procedures to ensure that time elapsing between receipt and disbursement of funds is minimized;
- 6b. Ensure that AU requires all of its subgrantees and subgrantee subcontractors to review applicable regulations and develop procedures to ensure that time elapsing between receipt and disbursement of funds is minimized;
- 6c. Verify that AU and its subgrantees and subgrantee contractors implement the procedures; and
- 6d. Require AU to calculate and recover any interest earned in excess of \$250 on advances that were, not disbursed in a timely manner and return the interest to the Department of Health and Human Services payment management system.

AU's Response: It concurred with this finding. Its responses to the recommendations follow:

- Effective November 1, 2011, AU transitioned from advances to monthly reimbursements to its subgrantees.
- It will encourage its subgrantees to move from advances to reimbursements for their subcontractors. It will also work with subgrantees to minimize the time elapsing between receipt and disbursement of funds advance by subgrantees to subcontractors.
- It will work with the Corporation to ensure the implementation of controls for subgrantee and subcontractor reimbursement procedures.
- It was unaware of any subgrantee payments to subcontractors that were not disbursed in a timely manner. If it learns that any payments to subgrantees were not disbursed in a timely manner it will work with the subgrantee and the Corporation to calculate and recover any interest earned on these payments and return the interest to the Department of Health and Human Services payment management system.

Accountants' Comments: Responses to the findings and recommendations follow:

- AU stated in its response that it was unaware of any subgrantee payments to subcontractors that were not disbursed in a timely manner. It appears from this statement that AU is confusing disbursements for advances to subcontractors with disbursements for grant expenditures. As discussed in the finding, two of AU's subgrantees advanced funds to subcontractors but neither subgrantee had documentation to demonstrate that the advances were expended timely.
- We continue to make the recommendations stated above. During resolution, the Corporation should ensure that the corrective actions implemented by AU are effective.

Finding 7. AU's subgrantee agreements included conditions that did not comply with SIF regulations.

AU misinterpreted SIF regulations and improperly modified its SIF subgrantee agreements. Section 198K of the *National and Community Service Act (NCSA) of 1990, as amended* subsection (k), *Matching Funds for Subgrants*, states that grantees may not make subgrants to subgrantees unless the subgrantees make available annual matching funds in cash in an amount equal to but not less than one dollar for every dollar of funds (50 percent) provided under the subgrant. If the subgrantee fails to make such matching funds available for a fiscal year, the grantee may not make payments to the subgrantee for the remaining fiscal years of the subgrant period.

AU included the requirements that subgrantees provide an annual 50-percent cash match in its subgrantee agreements, Condition 3, dated June 20, 2011, Matching Fund Requirements. These funds were required to be provided in cash and were required to be received by the end of each 12-month funding period.

On November 4, 2011, however, AU amended its subgrantee agreements and revised the wording of the Matching Fund Requirements condition. Specifically, the revised condition stated that the AU's subgrantees were required to provide matching funds in cash, and these funds were required to be expended by the end of the total grant period. Unless AU approved a 1- or 2-year extension, the conclusion of the total grant period was defined as February 28, 2014.

AU representatives stated that it amended its subgrantee agreements after an undocumented conversation with its Corporation Grants Officer, but that the Grants Officer cited Social Innovation Fund Cooperative Agreement Terms and Conditions, Section II, Social Innovation Fund Special Provisions, Subsection F, *Matching Fund Requirements*, as the reason for the change. This section states that all subgrantees must provide at least 50 percent of the cost of carrying out the activities supported under their subgrants. Because this section did not discuss the requirement for providing the match costs annually for each fiscal year, AU's understanding of the requirement was that it had until the end of the cooperative agreement to provide the match.

We do not agree with AU's amendment to its subgrantee agreements, or its interpretation of the rules that subgrantees have until the end of the grant period to provide their matching funds. As discussed above, NCSA requires subgrantees to provide matching funds annually for each fiscal year. Further, allowing subgrantees to provide matching funds at the end of the grant period could result in subgrantees failing to meet their match requirements resulting in reimbursement of unallowable Federal costs due to the unmet match.

Recommendations: We recommend that the Corporation:

- 7a. Require AU to amend the Matching Fund Requirements condition of its subgrantee agreements to include requirements that subgrantees provide an annual cash match of 50 percent, and that all funds must be incurred by the end of each 12-month funding period;
- 7b. Verify AU's implementation of the amended subgrantee agreements; and
- 7c. Revise the wording of the Matching Fund Requirements section of its Cooperative Agreement Terms and Conditions to include language from NCSA that discusses the requirement for subgrantees to provide match funds on an annual basis and the consequences for failing to do so.

AU's Response: It did not concur with the finding. Its responses to the finding and recommendations follow:

- It followed guidance received from its Corporation Grants Officer and removed the annual match requirement from its subgrantee agreements.
- It will work with the Corporation to identify the appropriate Matching Fund Requirements for its subgrantee agreements, make any necessary revisions, and implement any amended agreements.

Accountants' Comments: We continue to make the recommendations stated above. During resolution, the Corporation should ensure that the corrective actions implemented by AU are effective.

Finding 8. AU did not comply with certain AmeriCorps and SIF requirements.

AU did not comply with AmeriCorps requirements for citizenship eligibility, member timesheets, member contracts, end-of-term performance evaluations, AmeriCorps and SIF requirements for record retention, and member forms. Details follow:

- a. One PY 2009-2010 member did not have proper citizenship documentation. The file for the member had copies of a driver's license and a Social Security card. It also included a December 29, 2010, email from AU's AmeriCorps Program Officer to the member. The Program Officer stated that AU's file for the member was incomplete and requested that the member provide a copy of the member's birth certificate or passport by January 7, 2011. The file did not, however, contain either document. Because the Program Officer was no longer employed by AU, it could not explain why these documents were not in the member file.

45 CFR § 2522.200, What are the eligibility requirements for an AmeriCorps participant?, states that every AmeriCorps participant is required to be a citizen, national, or lawful permanent resident alien of the United States. Further, *2009 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection G.1, Recordkeeping*, states that grantees must maintain records sufficient to establish that each member is eligible to participate.

Driver's licenses and Social Security cards do not establish citizenship. The failure to verify citizenship before a member's start date could result in enrolling ineligible members who are not citizens, nationals, or lawful permanent residents. On January 3, 2012, and after we discussed this issue with AU representatives, AU provided citizenship documentation for this member. Therefore, we did not question education awards and member costs.

- b. Member signatures on timesheets for three sampled PY 2009-2010 members were not dated as required by the AmeriCorps Provisions. In addition, we noted that timesheets for 10 sampled PY 2009-2010 members and 6 sampled PY 2010-2011 members were signed in advance.

2009 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection C.4., Timekeeping, 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 the member.

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 ensure that members do not sign and complete their timesheets in advance. As a result, accountability is maintained, and timesheets are consistent with member intentions.

AU representatives stated that its members are not allowed, advised, or encouraged to enter hours in advance of completing actual service but in the past, it did not provide members with guidance that stated they could not sign timesheets in advance. Its policy has focused on the accuracy of timesheets and to monitoring member progress towards completion of the required service hours. AU plans to advise members of its preference against signing and dating timesheets in advance.

- c. PY 2009-2010 and 2010-2011 member contracts did not include all prohibited activities specified in 45 CFR §2520.65, *What activities are prohibited in AmeriCorps subtitle C programs?*. Specifically, the member contract did not include statements that the member may not:
- Organize or engage in protests, petitions, boycotts, or strikes;
 - Impair existing contracts for services or collective bargaining agreements;
 - Provide a direct benefit to a labor union; and
 - Provide a direct benefit to a nonprofit organization that fails to comply with restrictions contained in Section 501(c)(3) of the Internal Revenue Code of 1986, except this does not prevent participants from engaging in advocacy activities undertaken at their own initiative.

2009 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection D.2, *Member Contracts*, states that grantees must require each member to sign a contract that, at a minimum, includes or refers to the prohibited activities, including those specified in the regulations.

The Corporation also had a similar finding during its January 5 and 6, 2011, site visit and during its June 10, 2011, site visit to one of AU's host agencies. During the June site visit, the Corporation noted that the listing of prohibited activities was incomplete in one member contract completed in August 2010. The Corporation also noted that AU had updated the prohibited activities in its member manual, but did not make changes to its member contracts. In its response to the Corporation's findings, AU representatives stated that it had revised its member contract to include the current list of prohibited activities. We reviewed a copy of AU's PY 2011-2012 member contract included in its member manual and verified that the contract included the current list of prohibited activities.

- d. AU did not have procedures to ensure that members signed member contracts before starting service.
- Eight sampled PY 2009-2010 members signed their contracts 1 or 2 days after starting service.
 - One sampled PY 2009-2010 member signed the contract 32 days after starting service.
 - Twelve sampled PY 2010-2011 members signed their contracts 1 to 3 days after starting service.

2009 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection D.2, *Member Contracts*, states that grantees should ensure that contracts are signed before commencement of service. Failure to have members sign member agreements with all required elements before the start of service could result in members being unaware of their duties, rights, and responsibilities.

The Corporation noted a similar finding during its January 5 and 6, 2011, site visit. In its response to the Corporation, AU stated that it had revised its policies and procedures manual for member contracts. It stated that it would provide copies of the contracts to members one week prior to orientation and would require members to provide signed contracts on the first day of service.

- e. In PY 2010-2011, AU's evaluation format lacked space to document the date the evaluations were provided and to document member receipt. As a result, we could not determine if its PY 2010-2011 members received end-of-term evaluations as required.

2009 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection D.4, *Performance Reviews*, states that a grantee must conduct and keep a record of at least a midterm and end-of-term written evaluation of each member's performance. Further, it is good business practice to ensure that members sign end-of-term evaluations. As a result, accountability is maintained, and evaluations are consistent with member and management intentions.

AU representatives stated it switched from paper to the electronic format to increase efficiency, but found the paper format preferable. In PY 2011-2012, AU changed its evaluation system back to the paper format.

- f. According to AU's record retention policy, check registers, journal entries, paid accounts payable invoices, and accounts receivable invoices are required to be retained for period of seven years. While a seven-year record retention period may be long enough for its AmeriCorps grant, which has a grant period of three years, this retention period may not be long enough for its SIF grant, which has a grant period of five years. With a five-year grant period, AU could be required to retain records for eight years, calculated as its award period of five years plus three years after submission of the last FFR for the grant. Further, the retention period could increase to more than eight years if the grant period is extended beyond its original end date.

45 CFR § 2543.53, (b) *Financial records*, states that grantees are required to retain all program records for three years from the date of submission of the final FFR.

Without a record retention policy in compliance with Corporation requirements, documents and records related to the program may not be retained for the required period.

- g. Enrollment and exit forms for all sampled members did not have supervisory or certifying official signatures. In addition, exit forms for 10 sampled PY 2010-2011 members did not have member signatures. MyAmeriCorps *Frequently Asked Questions* (dated October 2, 2009), *Miscellaneous*, Are we still required to retain

paper copies of the enrollment and exit form?, states that if both the member and program certify an enrollment or exit form in the MyAmeriCorps Portal (Portal), the program is not required to retain paper copies of the exit form, because the Portal serves as the system of record for enrollment and exit forms. However, without retaining paper copies of member enrollment and exit forms with member and supervisor or certifying official signatures, the Corporation cannot determine the forms are consistent with member and management intentions. Further, without a supervisor or certifying official signature on the exit form, we were unable to verify that education award eligibility certification, which is an element of the exit form, was complete for all sampled members.

Recommendations: We recommend that the Corporation:

- 8a. Require AU to strengthen its procedures to ensure that it complies with AmeriCorps requirements for citizenship verification and ensure that such documentation is retained in the files for all members;
- 8b. Require AU to strengthen its member timekeeping procedures and ensure that member timesheets are not signed in advance and are dated;
- 8c. Verify implementation of AU's strengthened procedures for citizenship verification and member timesheets;
- 8d. Verify implementation of AU's strengthened policies and procedures for ensuring that member contracts contain all required stipulations and are signed before members start service;
- 8e. Verify implementation of AU's evaluation form and ensure that it complies with Corporation requirements and is signed and dated by the member and supervisor;
- 8f. Provide guidance to AU on developing a record retention policy that complies with Corporation requirements;
- 8g. Verify implementation of AU's revised record retention policy; and
- 8h. Revise its *Frequently Asked Questions* document to ensure that all grantees retain hard copies of member enrollment and exit forms.

AU's Response: It concurred with Findings 8b., 8c., 8d. and 8f. but did not concur with Findings 8a., 8e., and 8g. Its responses to Findings 8a., 8e., 8g. and the recommendations follow:

Finding 8a.

- It complied with AmeriCorps requirements for citizenship eligibility.
- AmeriCorps Provisions do not require grantees to make or retain copies of the actual documents used to confirm citizenship, so long as the grantee's process of identifying documents reviewed and maintaining a record is consistent.

- Its citizenship verification process ensures that citizenship requirements are met and proper records are maintained. During the member application process, it verifies citizenship eligibility by requiring its applicants to submit either a passport or a driver's license and birth certificate. If at the time of application, the applicant does not have a birth certificate; it permits the member to submit a Social Security card in addition to a driver's license. It uses these documents to process the application but does not offer the applicant an AmeriCorps member position until it receives the required documentation.

Finding 8e.

- It conducted its end-of-term member performance evaluations in accordance with the requirements of the AmeriCorps Provisions and the 45 CFR.
- Corporation guidance on performance evaluations states that grantees should maintain written documentation, in a format determined by the grantee, that members received a final performance evaluation in accordance with the regulations.
- The AmeriCorps Grant Provisions, 45 CFR, and Corporation guidance on performance evaluations require member performance evaluations to be written but not handwritten.
- Its Corporation Program Officer was provided a copy of the evaluation and did not find any deficiencies.
- The AmeriCorps Provisions and regulations do not mandate how performance evaluations should be communicated to members. However, it is AU's internal procedure to resolve and report back any "poor or unsatisfactory reviews" with members and supervisors prior to issuing a full education award

Finding 8g.

- AU completed exit forms in compliance with the expectations of the Corporation. The AmeriCorps Provisions do not require supervisory signatures or paper copies for exit forms. In addition, the MyAmeriCorps *Frequently Asked Questions* document states that if both the member and the program certify an enrollment or exit form in the Portal, the program is not required to retain paper copies of the exit form, because the Portal services as the system of record for enrollment and exit forms.

AU Response to Recommendations:

- It strengthened its procedures to ensure that it complies with AmeriCorps requirements for citizenship verification and that appropriate documentation is retained in files for all members. It will continue to work with the Corporation to ensure its procedures incorporate recommended best practices.
- It strengthened its member timekeeping procedures to ensure that member timesheets are maintained in accordance with Corporation requirements. It

requests guidance from the Corporation regarding when members should sign and date timesheets.

- It looks forward to the Corporation verification of its strengthened procedures for citizenship verification, member timesheets, member contracts, and member evaluations.
- It developed a record retention policy that it believes complies with Corporation requirements and looks forward to Corporation verification of its policy.
- It did not comment on the recommendation that the Corporation revise its *Frequently Asked Questions* document.

Accountants' Comments: We continue to make the recommendations stated above. Responses to the findings and recommendations follow:

Finding 8a.

- We do not agree that AU complied with AmeriCorps citizenship eligibility requirements.
 - It did not have citizenship documentation for one member,
 - It was unaware that citizenship documentation for the member was missing until December 2010, six months after the member's July 2010 completion date, when it was preparing for a Corporation site visit. In addition, it did not ensure that it received citizenship documentation for the member until we identified the issue during fieldwork and notified AU of the consequences of not having the citizenship documentation.
- We agree that AmeriCorps Provisions do not require programs to make or retain copies of the actual documents reviewed to verify citizenship eligibility. However, AU's procedure during the agreed-upon procedures period was to identify the documents reviewed to verify citizenship on the Employment Eligibility (I-9) form and to retain copies of the documents reviewed in the member file. The member cited in the finding had an I-9 form, which showed that AU had reviewed the member's driver's license and Social Security card and copies of these documents were retained in the file for this member.
- If followed, AU's citizenship verification procedure requiring all citizenship documentation prior to offering an applicant a position as an AmeriCorps member would ensure that citizenship documentation is obtained for all members. However, AU did not follow its procedure for the member cited in the finding.

Finding 8e.

- AU misunderstood the condition of this finding. The statement in the draft report that AU did not conduct handwritten end-of-term evaluations was a statement describing AU's method for delivering the end-of-term evaluations in PY 2010-

2011 rather than a statement that handwritten end-of-term evaluations were a requirement. As discussed in the finding, AU's electronic evaluation format lacked space to document the date the evaluations were provided and to document member receipt. As result, we could not determine if the PY 2010-2011 members received end-of-term evaluations.

Finding 8g.

- While the AmeriCorps Provisions do not specifically require certifying program official or member signatures on enrollment and exit forms, the hard copies of the forms contain places for members and program officials to sign and date the forms and a place for the program official to complete the education award eligibility certification. As discussed in the finding, without these signatures, we could not verify that the completed forms were consistent with member and management intentions. Further, we could not verify when the education award eligibility certification was complete for all members.

Recommendations

- We continue to make the recommendations stated above. During resolution, the Corporation should ensure that the corrective actions implemented by AU are effective.

APPENDIX A

AIDS United Response to Draft Report



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June 21, 2012

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

Re: AIDS United's Response to OIG Draft Report of Audit

Dear Mr. Axenfeld:

AIDS United would like to thank you for the opportunity to respond to the Corporation for National & Community Service (the "Corporation") OIG Findings described in the Draft Audit Report ("Draft Report"). The Draft Report was issued to AIDS United on May 21, 2012. We would also like to acknowledge Cotton & Company LLP for the professional and efficient manner in which its personnel conducted this audit.

AIDS United understands the importance of complying with federal regulations and the Corporation's expectations regarding the distribution and use of federal grant awards. To this end, AIDS United continually evaluates its internal systems and protocols to ensure maximum accountability and transparency in all of its federally funded programs. Throughout this audit process, we have worked cooperatively and collaboratively with the Corporation to improve these internal processes. As a result of the information we received during the audit, we have already implemented a number of initiatives, which we are confident will result in improved oversight and compliance, both at the primary and subgrantee level. AIDS United also looks forward to working with the Corporation and its audit resolution specialists over the coming months with the objective of reaching a final resolution in the most efficient manner possible.

Included below are AIDS United's responses to the OIG Findings. The responses are grouped together according to the same numbering system as the Compliance Findings and questioned costs identified in the Draft Report. In some instances, AIDS United concurs with the Findings. In others, AIDS United disputes the Findings and/or questioned costs. Where AIDS United does not concur with the OIG's conclusions, the responses set forth AIDS United's rationale. Thank you again for your assistance, and please do not hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "V. A. Barnes", is written over a horizontal line.

Victor A. Barnes
Interim President and CEO

Finding 1: AU and its subgrantees did not comply with the AmeriCorps requirements for National Service Criminal History Checks

AIDS United (“AU”) concurs only in part with Finding 1. AU does not concur with the questioned costs associated with this Finding. AU discusses its response to each subpart of Finding 1 below.

Third Party Vendor Checks

AU concurs with Finding 1.a.

AU is no longer relying on the previous vendor to conduct National Service Criminal History Checks (“NSCHC”). AU has established the following procedures for processing state-based checks:

- AU directs covered individuals to the appropriate repository in each state to conduct their own checks.
- AU requests copies of the results as documentation.
- AU reviews results and determines whether the covered individual qualifies for service under NSCHC guidance.
- AU communicates its ruling to the covered individual and reimburses the individual for expenses incurred to conduct the check(s).

Additionally, AU has identified a new vendor to perform NSCHC in compliance with the Corporation’s regulations. This vendor works with several other National AmeriCorps programs. AU submitted an Alternative Search Procedure (“ASP”) to the Corporation in December 2011 and is currently awaiting a response.

AU continues to work with the Corporation to ensure that its practices comply with applicable regulations.

Member FBI Check and NSOPR Checks

AU does not concur with Finding 1.b. or the questioned cost.

AU takes reasonable steps to ensure that all AmeriCorps members undergo a criminal background check in accordance with the requirements of 45 CFR § 2540.204. AU, in good faith, requested that the member initiate an FBI check prior to beginning service in accordance with Corporation guidance, and was cleared based on AU’s criminal history check process at the time. The member complied with instructions to initiate an FBI check.

- The member submitted FBI check on April 14, 2011
- The member was reimbursed for expenses related to the FBI criminal history check on 4/20/2011
- Payment and request were received by the FBI processing center on 4/18/2011

The member successfully completed the program and the hours of service required to earn an education award and should therefore not be required to repay it.

As a best practice, and in an effort to more closely monitor criminal history checks, AU has made improvements to its master list used to track completion of criminal history checks for all AmeriCorps members, SIF subgrantee staff, and AU staff. AU’s Government Grants Compliance Officer (“GGCO”) regularly reviews the list and communicates the status of outstanding checks to the appropriate parties. Any items that remain outstanding for longer than 8 weeks are re-initiated.

AU does not agree with the OIG's interpretation of 45 CFR § 2540.205, but otherwise concurs with Finding 1.c.

AU does not agree with the OIG's interpretation of 45 CFR § 2540.205. 45 CFR § 2540.205 requires AU to maintain the results of the NSCHCs but does not further specify the form in which the results must be kept. Thus, AU previously maintained a written memorandum documenting a member's National Sex Offender Public Registry ("NSOPR") check stating that a check was conducted, the results of the check, and consideration of the results in the selection process. AU believes this practice is sufficient to satisfy the regulatory requirements. Additionally, a proposed revision to this rule clarifies that it is not necessary to retain the actual documents produced as a result of conducting the statewide or FBI criminal registry search component of the check. Rather, it is sufficient to retain a summary of the results certified by an authorized program representative, along with written documentation that the results were considered in selecting the individual.

As a best practice, however, upon receiving guidance from the auditor in December 2011, AU revised its practices and began to print the NSOPR screen shot for all covered individuals. At the direction of the auditor, AU also took steps to reproduce screen shots for all individuals certified as previously having had the NSOPR but for whom a screen shot was not produced at the time. AU now retains screen shots for all covered individuals in their respective files and follows a written protocol that includes this screenshot process.

AU continues to follow the most current guidance available from the Corporation in its day-to-day business regarding Corporation funded programs.

AU Staff Criminal Registry and NSOPR Checks

AU concurs with Finding 1.d. but does not concur with the questioned cost.

AU continually demonstrates an organizational commitment to compliance and operates in good faith that its efforts align with requirements of the Corporation and other funders. Corporation rules regarding criminal history checks have been evolving since 2007. Between 2007 and 2011, AU updated its practices on several occasions to reflect changes in these rules.

While attending a Corporation grantee meeting in October 2011, AU recognized the need to further strengthen its criminal history check process for staff. In doing so, AU:

- Altered its NSCHC protocols based on specific guidance received at the Corporation grantee meeting Held October 19-21, 2011
- Communicated with all affected staff that they were required to undergo state-based check(s) or FBI check on October 26, 2011
- The six identified staff have completed their checks and AU has received and retains the results.

Based on information in the October 2011 presentation on NSCHC, AU used the NSOPR to indicate that NSCHC process was initiated. Corporation guidance states that while awaiting results of the criminal history checks, staff are not prohibited from working provided they are accompanied by someone who has cleared a criminal history check if they are in contact with vulnerable populations. AU staff working on the SIF grant do not come into contact with vulnerable populations. Thus, such accompaniment is not required. Results of completed checks are available for review.

For these reasons, AU believes that no costs should be questioned in connection with this Finding.

AU does not agree with the OIG's interpretation of 45 CFR § 2540.205, but otherwise concurs with Finding 1.e.

While AU does not agree with the OIG's interpretation of this regulation, it has taken steps to revise its policies to incorporate additional best practices. As stated previously AU does not agree with the OIG's interpretation of the regulation's requirements. 45 CFR § 2540.205 requires AU to maintain the results of the NSCHCs but does not further

specify the form in which the results must be kept. Thus, AU previously maintained a written memorandum documenting a member's NSOPR check stating that a check was conducted, the results of the check, and consideration of the results in the selection process. AU believes this practice is sufficient to satisfy the regulatory requirements. Additionally, a proposed revision to this rule clarifies that it is not necessary to retain the actual documents produced as a result of conducting the statewide or FBI criminal registry search component of the check. Rather, it is sufficient to retain a summary of the results certified by an authorized program representative, along with written documentation that the results were considered in selecting the individual.

As a best practice, however, upon receiving guidance from the auditor in December 2011, AU revised its practices and began to print the NSOPR screen shot for all covered individuals. At the direction of the auditor, AU also took steps to reproduce screen shots for all individuals certified as previously having had the NSOPR but for whom a screen shot was not produced at the time. AU now retains screen shots for all covered individuals in their respective files and follows a written protocol that includes this screenshot process.

AU continues to follow the most current guidance available from the Corporation in its day-to-day business regarding Corporation funded programs.

Subgrantee National Service Criminal History Checks

AU does not concur with Finding 1.f. or the questioned cost.

The grant-funded staff member completed an original NSCHC in early May 2011 in connection with the grant-funded staff member's employment as a City Supervisor for AU's District of Columbia AmeriCorps team. Documentation of this existing NSOPR was included in the employee's file consistent with AU's policy at the time. As discussed in responses 1.c. and 1.e. above, AU has a revised practice of retaining NSOPR screen shots for all covered individuals.

45 C.F.R. 2540.203(c) states that for an individual who serves consecutive terms of service in a program with a break in service of 30 days or less, no additional check is required after the first term.

The grant-funded staff member had already completed a NSOPR check as a result of service with WAP in May 2011, and thus no additional NSOPR check was necessary. After receiving guidance from the auditor, AU initiated and completed additional criminal history checks for this staff member in November 2011 consistent with AU's response to Findings 1.c. and 1.e.

AU does not agree with the OIG's interpretation of 45 CFR § 2540.205, but otherwise concurs with Finding 1.g.

AU operated with an understanding of the regulations regarding NSOPR that a memorandum stating that an NSOPR was conducted, was returned with satisfactory results, and results were considered in the selection process would suffice as documentation that the check was completed.

Consistent with AU's response to Findings 1.c., 1.e. and 1.f., upon receiving guidance from the auditor in December 2011, AU immediately began to print the NSOPR screen shot for all covered individuals. At the direction of the auditor, AU also took steps to reproduce screen shots for all individuals certified as previously having had the NSOPR but for whom a screen shot was not produced at the time. As a best practice, AU now retains screen shots for all covered individuals, including any aliases discovered in completing criminal history checks, in their respective files and follows a written protocol that includes this screenshot process.

AU continues to follow the most current guidance available from the Corporation in its day-to-day business regarding Corporation funded programs.

SIF Subcontract National Service Criminal History Checks

AU does not concur with Finding 1.h. or the questioned costs.

NSCHC are not required for contractors engaged by AU or subcontractors engaged by SIF subgrantees. AU has received guidance from the Corporation that the NSCHC requirements are applicable to grantees and subgrantees, but do not extend to subcontractors of subgrantees. AU's interpretation of the applicable regulations supports the same conclusion.

Section III.E of the Grant Terms and Conditions states that "[t]he awardee must comply with, and require all subgrantees to comply with the requirements of CFR § 2540.200 - 2540.207." CFR § 2540.200 provides that "[c]riminal history checks must be applied to an individual applying for, or serving in, a position for which an individual receives a Corporation grant-funded living allowance, stipend, education award, salary, or other remuneration."

On several occasions the Corporation has informed AU that subcontractors engaged by SIF subgrantees are not subject to these NSCHC rules. At the November 2010 Financial & Grants Management Institute Program entitled "National Service Criminal History Background Checks: The Basics Through the Challenges," the Corporation provided direct clarification on the Corporation's position regarding covered individuals, stating that "[c]overed positions are those paid from either federal share or non-federal share **as identified on the grant and sub-award budgets.**" The Corporation confirmed that contractors providing services are not covered individuals because they do not receive a salary. In addition, at the October 2011 Social Innovation Fund Grantee Meeting, the Corporation recognized that "individuals receiving a salary, stipend, living allowance, or earning an education award through programs receiving assistance through the Corporation's national service laws and programs are covered by the National Service Criminal History check rules, unless identified by the Corporation as not a covered individual." Furthermore, the July 2010 *Frequently Asked Questions for National Service Criminal History Checks* states that "[n]on-staff positions on program grants paid as consultants or contractors are not subject to criminal history background checks."

The NSCHC requirements do not apply to contractors of AU or subcontractors of SIF subgrantees because: (1) subcontractors are entities contracted by subgrantees; (2) subcontractor staff do not fall under the Corporation's definition of covered position; (3) the Corporation has specifically characterized subcontractors as exempt from these requirements to limit the scope and definition of covered positions to only the staff of SIF grantees and subgrantees directly named in grantee and subgrantee budgets.

AU has sought and received confirmation from the Corporation regarding its understanding of the applicability of the NSCHC requirements to SIF subgrantee subcontractors. On March 5, 2012, the Corporation confirmed in writing that criminal history checks as required under SIF are limited to the staff of AU (prime grantee) and the staff of AU's approved subgrantees. This requirement does not apply to vendors, contractors, or subcontractors that have contracts with AU or AU's SIF subgrantees.

AU has always conducted and will continue to conduct NSCHC on all AU staff and on all SIF sub-grantee staff. It continues to be AU's position, consistent with Corporation guidance, that the subcontractors identified by the auditor are not subject to the NSCHC requirement. The costs allocated to the subcontractors of the three audited subgrantees should not be questioned because AU has complied with the applicable regulations and has followed the guidance it received from the Corporation.

Response to Recommendations:

1a. AU looks forward to working with the Corporation to ensure AU and its subgrantees conduct and maintain documentation to demonstrate that NSCHC are conducted on members and grant-funded staff members and subgrantees. AU plans to continue working with the Corporation to clarify guidance it has received regarding NSCHC and extension to subgrantee subcontractors.

1b. AU has updated its procedures for conducting and documenting NSCHC. AU looks forward to receiving confirmation from the Corporation that its revised procedures are effective.

1c. AU does not believe the member educational award should be disallowed and believes it would be inappropriate to seek recovery of the questioned education award, as it has already been granted to the AmeriCorps member after completion of the program requirements.

1d. AU does not believe that any costs associated with this Finding should be disallowed.

1e. AU does not believe that any AmeriCorps costs, and thus any administrative costs, associated with this Finding should be disallowed.

1f. AU does not believe that any SIF costs, and thus any indirect costs, associated with this Finding should be disallowed.

Finding 2: AU claimed unallowable indirect costs for itself and its SIF subgrantees

AU concurs with Finding 2 but asserts that all questioned costs associated with this Finding have been resolved. AU discusses its responses to each subpart of Finding 2 below.

AU concurs with Finding 2.a. but asserts that the questioned cost has been resolved.

As discussed in the OIG Draft Report, upon learning of the indirect rate calculation issue, AU took immediate corrective action. AU adjusted its records and reduced the amount of indirect costs claimed for the period ending September 30, 2011. AU initiated a correction by reducing the net amount of indirect costs claimed for December 31, 2011 by \$43,474 and on February 29, 2012 returned \$25,747, the balance of excess indirect costs to the United States Treasury. As demonstrated by the table below, AU made a total adjustment of indirect costs of \$69,221. Unallowable costs reported in the Finding at September 30, 2011 of \$69,832 differed from the total amount reported by AU of \$69,221 due to a \$611 increase in allowable indirect costs reported in December 31, 2011.

Description	Claimed	Federal Costs	
		Allowable	Unallowable
Indirect Costs Reported – 9/30/11	\$84,783	\$14,951	\$69,832
Indirect Costs Reported – 12/31/11	\$41,309	\$15,562	\$25,747
Indirect Cost Reduction – 12/31/11	\$43,474	\$611	
Indirect Costs Returned – 2/29/12			\$25,747

AU also submitted a budget revision request to the Corporation on March 2, 2012 to address the inconsistency between the 5.26 percent rate used to calculate federal costs and approved NICRA rate of 10.5 percent.

All costs associated with this Finding have been resolved and thus no costs associated with this Finding should be disallowed.

AU concurs with Finding 2.b. but asserts that the questioned cost has been resolved.

AU originally awarded its SIF subgrantees a fixed administrative fee and did not obtain a NICRA for its subgrantees as required. When AU learned of this error, it immediately took steps to revise its subgrantee budgets.

On January 17, 2012, the Corporation provided AU with written approval of the following steps to move forward with changes in sub-grantee reporting and recovery of indirect costs:

- Subgrantees can charge indirect costs to SIF if they have a NICRA.
- Subgrantees may submit a budget revision to AU for approval to report as direct costs certain costs that were previously charged to the grant as indirect provided AU and sub-grantees can identify the specific cost amounts

and determine that the process for reallocation is consistent with treatment of costs under OMB A-122 (2 CFR 230) using the Direct Allocation Method.

- Subgrantees could submit a budget revision to AU for approval to redirect budgeted indirect cost to additional direct line items not previously identified to fully expend awarded funds as direct costs.
- Subgrantees that did not have a NICRA or seek reallocation of indirect costs by either of the other two budget revision methods would be required to repay to AU funds charged to and paid in their indirect lines in previous financial reporting periods.
- Grantees that obtain a NICRA can charge indirect from the time the NICRA is granted forward (budget modification requests must be submitted to substantiate the change).

OMB Circular A-122 (2 CFR 230) allows for direct allocation of all expenses (except general administration and general expenses) as direct costs. These direct costs often include rent, insurance, depreciation etc. These expenses are allocated based on a formula derived by each organization and incurred as direct costs. Because these costs are identifiable to a specific program and allocated using an appropriate base formula within the organization, their treatment is consistent with other direct costs.

Allocating financial and certain administrative expenses as a direct cost is allowable under OMB Circular A-122 (2 CFR 230) using the Direct Allocation Method.

AU advised its SIF subgrantees that they were unable to charge indirect costs to the SIF grant without a NICRA and recommended that SIF subgrantees without NICRAs submit budget revision requests based on OMB Circular A-122 (2 CFR 230) and upon guidance AU received from the Corporation.

AU will continue to monitor its subgrantees to ensure appropriate documentation of direct expenses specifically related to financial and administrative oversight. Additionally, AU's Compliance Officer will include a review of each subgrantee's allocation formula as part of the annual monitoring process. Deviations from the formula will be included as findings in monitoring reports to the subgrantees. AU's Compliance Officer will work closely with subgrantees to address any such findings when necessary.

As a result of these revisions, all costs associated with this Finding have been resolved and thus no costs associated with this Finding should be disallowed.

Response to Recommendations:

2a. AU has developed controls to ensure that indirect costs claimed are properly calculated and in accordance with its approved budget and SIF regulations. AU has relied on SIF regulations to strengthen its internal processes for calculating indirect costs claimed for SIF. Indirect cost calculation on SIF subawards is limited to \$25,000 for each subaward with the federal share calculated using the percentage of federal subaward costs awarded in the SIF grant.

2b. AU monitors the subgrantees use of the Direct Allocation Method. AU collects copies of NICRAs issued to subgrantees as documentation that they are eligible to charge indirect costs to the grant. Without a NICRA, subgrantees cannot charge indirect costs. Consistent with AU's subgrantee monitoring plan, AU requires each subgrantee to submit monthly general ledger reports and reconciles financial reports to the GL. AU continues to closely monitor subgrantees that do not have a NICRA in their use of the Direct Allocation Method to ensure conformity with OMB Circular A-122 standards through its desk and on-site monitoring processes.

2c. AU looks forward to sharing information with its Program Officer regarding its controls for indirect costs.

2d. AU does not believe that any costs, and thus any indirect costs, associated with this Finding should be disallowed. All Subgrantee costs related to this Finding have already been reallocated through the budget revision process. All AU costs associated with this Finding have already been resolved.

Finding 3: AU and one subgrantee claimed unallowable federal and match costs

AU concurs only in part with Finding 3 and does not concur with the associated questioned costs. AU discusses its response to each subpart of Finding 3 below.

AU concurs in part with Finding 3.a. but believes a determination with respect to questioned costs should await additional guidance from the DC Department of Employment Services (“DOES”).

AU has historically operated with the understanding that it must contribute to the DC Unemployment Fund on behalf of its AmeriCorps members. The District of Columbia Unemployment Compensation Act (“the Act”) requires employers to contribute to the District of Columbia Unemployment Fund if the employer employs one or more individuals in any employment in the District of Columbia. D.C. Code § 51-101. Furthermore, the Act defines “employment” as a service by any “individual who, under the usual common-law rules applicable in determining the employer-employee relationship, has the status of an employee,” or who performs a service for remuneration. D.C. Code § 51-101 (2)(A)(i)(II) (2001).¹ This determination is fact specific and thus, in the absence of clear guidance from the DC Office of Employment Services, AU operated under the belief that contributions were required by law.

In an effort to comply with DC unemployment compensation law, AU has historically contributed to DC unemployment compensation fund for its employees and AmeriCorps members. In an effort to mitigate the risk of successful unemployment claims for AmeriCorps members, AU has required its members to complete a Member Waiver of Unemployment Benefits and Claims form.

The waiver process was undertaken to mitigate potential future unemployment compensation claims in order to more effectively manage the negative impact of claims charged to AU’s unemployment compensation reserve balance and to insure the lowest ongoing unemployment compensation tax burden to the AmeriCorps program. Despite this waiver process, AU received AmeriCorps member unemployment compensation claims in 2007, 2008, and 2010.

AU provided documentation of three unemployment compensation claims filed by former AmeriCorps members at the OIG audit exit conference. One member was successful in receiving unemployment compensation as a result of the claim filed.

AU is seeking official guidance from DOES to determine whether AU is required to contribute to the Unemployment Compensation Fund on behalf of AmeriCorps members. As of the date AU submitted this response, AU had not yet received a final response. Upon receiving official guidance from DOES, AU plans to reevaluate its current policy and make any revisions necessary in order to ensure its policy complies with the both the laws of the states (including DC) where AU places AmeriCorps members and the applicable AmeriCorps regulations.

AU concurs with Finding 3.b. but asserts that the questioned cost has been resolved.

As discussed in the OIG Draft Report, upon learning of a September 2011 personnel cost reporting issue, CP adjusted its records on January 12, 2012 and reduced the amount of Federal personnel costs reported in September 2011 by \$7,267. CP initiated the correction by reducing the amount of Federal personnel costs claimed as part of its monthly expense reimbursement reporting beginning with its November 30, 2011 report. The November 2011 report confirmed the reduction of \$7,267 in Federal personnel costs reported for reimbursement and resolved the questioned cost.

CP discovered and revised the September GL and financial reporting to AU as part its GL and financial reporting reconciliation process during the transition from advance to monthly reimbursement (as noted in Finding 6) and as a result of compliance monitoring and technical assistance provided by AU.

¹ The Act provides only limited exceptions for services that will not be considered employment for the purposes of the Act. These exceptions do not include AmeriCorps volunteers, or other compensated volunteers. See D.C. Code § 51-101 2(E).

AU's monthly monitoring of grant activity and reconciliations of GL reports with expense reimbursements ensure that errors such as this are caught and addressed immediately. AU is working with CP to strengthen internal processes for proper documentation in CP's accounting system for adjustments that affect personnel costs.

AU does not concur with Finding 3.c.

AU has made every effort to collect underlying documentation of matching costs including pay and fringe rates of staff, space rental rates attributed to AmeriCorps activities, mileage, and other in-kind costs of hosting an AmeriCorps member. The Host Agency Agreement provides space for host agency staff to document the costs used to calculate in-kind contributions to the program.

45 CFR § 2543.23 requires third party in-kind contributions used to satisfy a cost-sharing or matching requirement be verifiable from grantees and subgrantees or cost-type contractor records.

- AU has had regular programmatic site visits by the Corporation that did not result in compliance findings related to documentation of in-kind match costs.
- In the spirit of continuous quality improvement, AU has maintained an ongoing working relationship the Corporation and discussed opportunities to strengthen its program.
- In the PY 2011-2012, AU strengthened its in-kind reporting process by creating a monthly time sheet form for supervisors to complete in addition to their quarterly in-kind tracking forms. The new time sheet required supervisors to list their total number of working hours per day (to match with their agency time keeping records) and to indicate the number of hours per day spent on member supervision.
- AU worked with its Host Agencies to ensure consistent submission of timesheets and in-kind reports as documentation of match in the current PY reporting period.
- AU created detailed time logs, which are part of the underlying documentation discussed above, which were audited at the WAP operating site. These logs were found to be in compliance by the auditors.

AU does not concur with Finding 3.d. or the questioned cost.

See AU responses to Findings 1.b., 1.d., and 3.a.

AU does not concur with Finding 3.e. or the questioned cost.

See AU response to Finding 1.d.

Response to Recommendations:

3.a. AU has requested that DOES perform a review of AU's past contributions and issue a ruling regarding the status and requirement of coverage for AU's AmeriCorps members. AU has submitted amended quarterly unemployment compensation tax reports for the 2 year audit period to DOES and has requested the return of unemployment compensation tax previously remitted to DC for its AmeriCorps members.

3.b. AU has strengthened its in-kind reporting process by creating a monthly time sheet form for supervisors to complete in addition to their quarterly in-kind tracking forms to enhance in-kind reporting.

3.c. AU now requires SIF subgrantees to submit monthly financial reports for expense reimbursement, including general ledger reports, to closely monitor grant activity.

3.d. AU will work proactively with the Corporation to ensure the implementation of controls for unemployment costs, federal and match costs, and subgrantee financial management systems.

3.e. AU does not believe that any costs associated with this Finding should be disallowed. All CP subgrantee costs related to personnel charges were corrected during the grant year. AU believes it acted prudently in contributing to the DC unemployment compensation fund in order to comply with DC law.

3.f. AU does not believe that any indirect or administrative costs associated with this Finding should be disallowed consistent with AU's response in 3.e.

Finding 4: Subgrantee timekeeping systems did not comply with federal requirements, and some timesheets were undated.

AU concurs only in part with Finding 4 and does not concur with the questioned cost.

- AU does not concur with the Finding and questioned costs relating to sub-grantee CP. The questioned costs of \$89 in this Finding have already been mitigated as part of AU's sub-grantee indirect cost budget revision and oversight plan outlined in AU's response to Finding 2.b above. The remaining questioned costs of \$898 were previously revised by CP in advance of the January 2012 OIG audit site visit as outlined in AU's response to Finding 3.b above.
- AU concurs with the Finding relating to timesheets for sub-grantee AC. As indicated in the Draft Report, AC has proactively updated its timesheet reporting practices to include space for the names of the specific grants worked on and for the daily allocation of hours worked.
- AU concurs with the Finding relating to timesheets for sub-grantee WAP. AU's GGCO will work closely with WAP to ensure that its timekeeping practices comply with the requirements of OMB Circular A-122, Attachment B, Paragraph 8.m.
- AU does not concur with the Finding relating to timesheet signature dating by AU staff. AU's existing processes regarding logging time and electronic backup of source data include multiple levels of oversight and approval. AU believes that these processes comply with the reporting requirements of OMB A-122, Attachment B Paragraph 8.m (2 CFR 230), which provides for acceptable after-the-fact reporting of employees' actual activity. As a further best practice, AU has recently added a date field that will be completed by both staff and supervisors as part of their timesheet completion procedures.

Response to Recommendations:

4 a-c. AU will work closely with the Corporation to further strengthen its timesheet monitoring procedures for both AU and subgrantee staff to ensure accurate recording and dating of personnel activity.

4.d. AU does not believe that any costs associated with this Finding should be disallowed.

Finding 5: Subgrantees did not have adequate monitoring procedures to ensure subcontractor compliance with SIF regulations and the allowability of subcontractor claimed costs.

AU concurs with Finding 5, however, AU does not believe any subcontractor claimed costs should be disallowed.

AU has implemented a number of initiatives designed to improve communication and strengthen the relationship between AU, its subgrantees, and their subcontractors. To accomplish these objectives, AU hired a GGCO on March 1, 2012. The GGCO has developed more comprehensive sub-grantee/sub-contractor agreements and has maintained consistent contact with subgrantee representatives regarding their compliance obligations.

AU's GGCO has worked closely with WAP and AC staff to strengthen their contracts and increase their financial transparency and accountability in Year Two of the grant. WAP's fiscal reporting process already includes frequent review of interim financials. AU's GGCO will continue to work with WAP to supplement these existing processes with stronger documentation protocols.

AU's GGCO also worked with subgrantee AC to strengthen its subcontracts to include additional measures to enhance accountability and transparency. AC has moved to reimbursement and monthly financial reporting for its subcontractors, and is currently strengthening its monitoring procedures to more closely evaluate subcontractors' compliance with applicable federal regulations.

AU's GGCO will similarly work with all other AU SIF grantees to strengthen their processes to ensure federal funds are used appropriately and in compliance with applicable federal standards. AU believes that this continued course of conduct will ensure subcontractor compliance with relevant federal regulations.

Response to Recommendations:

5a-c. AU will work proactively with its subgrantees to develop enhanced procedures to ensure that costs charged by their subcontractors comply with applicable federal regulations.

Finding 6: AU and its subgrantees did not have procedures to ensure that advances were disbursed in a timely manner.

AU concurs with Finding 6.

In March 2011, AU structured its sub-grantee awards as three advance payments modeled on AU's existing non-governmental grant making practices. In July 2011 after consultation with the Corporation, AU proactively transitioned to a reimbursement process for subgrantee payments. The transition period ran from July 2011 through October 2011. As indicated in the Draft Report, AU returned a substantial portion of advanced funds following the transition period and its cash balance as of September 30, 2012 matched federal expenditures.

During the entire advance period, AU subgrantees provided AU with periodic general ledger and budget spending reports to demonstrate that expenditures claimed matched the cash balance on the September 2011 FFR. However, AU agrees that WAP's and CP's contract monitoring procedures were inadequate and failed to ensure that advances were disbursed in a timely manner. To remedy these deficiencies, AU's GGCO has begun working closely with WAP and AC staff to strengthen their contracts monitoring processes to ensure that all advances are disbursed in a timely manner. AU's GGCO is similarly working with all other AU SIF grantees to strengthen their processes to enhance contract monitoring and ensure that all advances are disbursed in a timely manner and in compliance with applicable federal standards. AU is confident that further cooperation and communication between AU and its subgrantees will result in increased financial compliance in Year Two of the grant.

Response to Recommendations:

6a. Effective November 1, 2011, AU transitioned from advance to monthly reimbursement to its subgrantees.

6b. AU will encourage its subgrantees to move from advance to reimbursement for their subcontractors. AU will also work with subgrantees to minimize the time elapsing between receipt and disbursement of funds advance by subgrantees to subcontractors.

6c. AU will work with the Corporation to ensure the implementation of controls for subgrantee and subcontractor reimbursement procedures

6d. AU is currently unaware of any subgrantee payments to subcontractors that have not been disbursed in a timely manner. If, however, as part of its review and monitoring of its subgrantees AU learns of any payment not disbursed in a timely manner it will work with the subgrantee and the Corporation to calculate and recover any interest earned on these payments and return the interest to the Department of Health and Human Services payment management system.

Finding 7: AU’s subgrantee agreements included conditions that did not comply with SIF regulations.

AU does not concur with Finding 7.

In 2011, the Corporation Grants Officer reviewed AU’s subgrantee agreement (and indicated that others at the Corporation had done so as well) and reported to AU that because the grant agreement was in effect for three years, the match fundraising objectives should be realized by the end of the three year period. Additionally, AU staff discussed with the Corporation Grants Officer AU’s concerns that because the subgrantees’ grant period was offset from AU’s grant period, the Corporation would allow AU to enter a no-cost extension to allow the subgrant term to conclude in a manner consistent with the end of the subgrant funding cycle. As a result of this inquiry, the Corporation Grants Officer recommended that AU issue an amendment to the subgrant agreement language to remove the “annual” language related to match fund raising in the original subgrant agreement. AU complied with the Corporation guidance and removed the annual fundraising match requirement language from its subgrant agreements.

However, in order to resolve the issue raised by the OIG, AU is seeking additional guidance from the Corporation and is prepared to issue a clarifying amendment to its subgrant agreements should the Corporation determine that match funds requirements must be fully realized on an annual basis.

Additionally, AU’s GGCO has strengthened the subgrantee monitoring process, which already includes a monthly review of financial reports, comprised of expenditures on all three funding streams and general ledger reports documenting revenue and expense on all three funding streams, by adding a “dashboard” which is returned to each subgrantee monthly. The dashboard provides subgrantees a clear picture of the status of their progress to date, budget to actual reporting on expenditures in all three funding streams, budget to actual reporting on Local Match revenue, and overall financial performance.

Response to Recommendations:

7a-c. AU will work with the Corporation to identify the appropriate Matching Fund Requirements for its subgrantee agreements, make any necessary revisions, and implement any amended agreements.

Finding 8: AU did not comply with certain AmeriCorps and SIF requirements.

AU concurs only in part with Finding 8. AU discusses its response to each subpart of Finding 8 below.

AU does not concur with Finding 8.a.

AU complies with AmeriCorps and SIF requirements for citizenship eligibility. AU has a robust citizenship verification process and operates its AmeriCorps program in accordance with 45 CFR § 2522.200 and *2009 AmeriCorps Grant Provisions* requirements.

45 CFR § 2522.200, states that every AmeriCorps participant is required to be a citizen, national, or lawful permanent resident alien of the United States. 45 CFR § 2522.200 (c) requires primary documentary proof of U.S. citizen or national status, which may be shown by a birth certificate, United States passport, or certificate of naturalization issued by the Immigration and Naturalization Service. Further, *2009 AmeriCorps Grant Provisions*, Section IV, AmeriCorps Special Provisions, Subsection G.1, *Recordkeeping*, states that grantees must maintain records sufficient to establish that each member is eligible to participate. The Corporation does not require grantees to make or retain copies of the actual documents used to confirm citizenship, so long as the grantee’s process of identifying reviewed documents and maintaining a record is consistent.

AU’s citizenship verification process meets these requirements.

- The AU Supplemental Member Application requires individuals to submit either a passport OR a driver's license AND birth certificate in order for their application to be deemed complete and passed along to an Operating Site for review. If a member does not have a passport and one of either the driver's license or birth certificate documents available at the time of application, AU will temporarily accept a Social Security card in place of either the driver's license or birth certificate. AU allows this flexibility so that the application review process can begin, but the member is informed that they cannot be offered a position on a team until we receive all of the required documentation.
- Documentation is reviewed for expiration dates (AU does not accept expired IDs).
- A visual check of the member's ID is conducted at the Pre-Service registration table (AU staff complete a spreadsheet with initials to indicate visual check was completed).
- I-9 form is completed by members on site at Pre-Service Meeting.
- Member I-9 forms and IDs are submitted to VP of Operations for certification after Pre-Service but before payment of any stipend for member is established.
- I-9 forms and ID are filed in locked member finance payroll files.

AU's citizenship verification process ensures that citizenship requirements are met and proper records are maintained. The member in question represents an isolated incident. The member was unable to comply with AmeriCorps expectations due to extended personal illness. AU was able to satisfy the auditor's inquiry and citizenship verification during the field work stage of the audit.

AU concurs with Finding 8.b.

AU has procedures to ensure member timekeeping complies with AmeriCorps Provisions and applicable OMB Circulars.

AU's process for monitoring timesheets is as follows:

- AU staff, team coordinators, and supervisors monitor for member signatures on timesheets.
- AU staff reviews all timesheets to ensure compliance with requirements prior to exiting a member.

AU encourages and trains members to enter their service hours in personal time logs every day they have activity to report. By design, member activities often vary as frequently as daily to ensure diversity of experiences within the service year. Thus, the timesheets are to be completed on a rolling basis to accurately reflect member activities. AU has instructed members to complete their timesheets by the 1st day of the following month so that supervisors can approve their timesheets in a timely fashion. Thus, for the timesheets sampled, the members entered their electronic signature and completion date after completion of each activity scheduled during the timesheet period, rather than after all service hours were logged for the month beforehand. By logging time after each scheduled activity, members ensure timesheets are completed routinely and accurately. Members record their service hours continually throughout the service year, therefore the practice of signing and dating time logs does not imply that members recorded hours prior to completing service.

Supervisors time-stamp the member time log files with the date approved only after the service hours have occurred and are recorded by the members. AU's monitoring and guidance has been focused on two primary factors (1) ensuring that timesheets are accurate (thus providing guidance that members should enter hours after they are served with dual certification by the supervisor occurring after the fact) and (2) monitoring service hours to ensure that the minimum number of service hours is completed by each member at the end of the service year.

Further, as a result of the auditor's finding, AU reviewed its current timekeeping process with the goal of incorporating additional best practices and is currently soliciting competitive bids from electronic timesheet vendors for use in PY 2012-2013. These systems will eliminate the chance that a member's hours are approved without their electronic

signature. The systems being reviewed comply with AmeriCorps Provisions for electronic timekeeping and are in use by other National Direct and State AmeriCorps grantees.

AU has strengthened the member time reporting process so members' and supervisors' electronic signatures and dates align with, or follow, the last day of service for the period being reported. This process enables AU to actively monitor compliance that members have already served the hours being reported to AU. In PY 2011-12, AU trained members to only sign timesheets after the completion of all hours logged in the time period. AU currently monitors timesheets to ensure that signatures and dates comply with instructions provided at Pre-Service training.

AU concurs with Finding 8.c.

The Corporation's AmeriCorps Program Officer notified AU during a January 2011 programmatic site visit that member contracts did not include all prohibited activities specified in 45 CFR § 2520.65. After that visit, AU worked with its AmeriCorps Program Officer to make substantial changes to its member contract to ensure that all prohibited activities are included in the contract, Host Agency Agreement, Operating Site Agreement, and Risk Assessment Checklist.

AU is currently revising member, Operating Site, and Host Agency agreements (contracts) for PY 2012-13. These agreements will all include the same comprehensive list of prohibited activities.

AU concurs with Finding 8.d.

AU worked closely with the Corporation's AmeriCorps Program Officer to update its Policies and Procedures Manual to require AU to send Member Agreements to members via email by August 1, at least one week before the Pre-Service meeting. Members will be required to review the document and bring a complete, signed version to the Pre-Service meeting. Agreements will be collected on the first day of service. This process will continue for the 2012-13 service year. This revised procedure complies with 2009 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection D.2, *Member Contracts*. The AmeriCorps grant provisions directs grantees to ensure that contracts are signed before commencement of service, so the members will be aware of their rights and duties.

AU does not concur with Finding 8.e.

AU conducts its end-of-term member performance evaluations in accordance with the requirements of the AmeriCorps Grant Provisions. 45 CFR § 2522.220 states that a participant will only be eligible to serve a second or additional term of service if that individual has received satisfactory performance review(s) for any previous term(s) of service in accordance with the requirements of the participant performance review (45 CFR § 2522.220(d)). The participant performance review process requires AmeriCorps programs to evaluate the performance of a participant mid-term and upon completion of a participant's term of service for the purposes of determining participant's eligibility for a second or additional term of service and/or for an AmeriCorps educational award. The end-of-term performance evaluation must assess: (1) whether the participant has completed the required number of hours; (2) whether the participant has satisfactorily completed assignments, tasks or projects; and (3) whether the participant has met any other performance criteria which had been clearly communicated both orally and in writing at the beginning of the term of service.

2009 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection D.4, *Performance Reviews*, requires grantees to conduct and keep a record of at least a midterm and end-of-term written evaluation of each member's performance.

The Corporation addresses the requirements for performance evaluations in EAP (Education Award Programs) Member Performance Evaluation FAQs. Grantees may determine the format and contents of their evaluation to meet their needs and the needs of their members as long as these minimum requirements are in place. Programs should maintain written documentation that the member received the mid-term and final evaluation as described in the regulations, i.e. whether the participant has completed the required number of hours; satisfactorily completed assignments, tasks or

projects; and has met any other performance criteria which had been clearly communicated both orally and in writing at the beginning of the term of service.

Neither 45 CFR § 2522.220, 2009 AmeriCorps Grant Provisions, or the EAP Member Performance Evaluation FAQs requires evaluations to be hand written. Each only requires written documentation. AU's performance evaluations are a written form of documentation. AU's Corporation AmeriCorps Program Officer was given a copy of this evaluation in January 2011 during a site visit. The Program Officer did not find a deficiency in the form AU was using. AU has communicated with its Corporation AmeriCorps Program Officer about the evaluation requirements identified by the auditor.

Neither the provisions nor the regulations mandate how evaluations should be communicated to members. However, as stated above, AU's internal procedure is to actively resolve and report back any "poor or unsatisfactory reviews" with members and supervisors prior to issuing a full education award.

AU concurs with Finding 8.f.

AU's record retention policy was developed prior to receiving a Social Innovation Fund award. Prior to receiving the SIF award, AU's retention policy was in compliance with its AmeriCorps grant requirements (three year awards). To comply with regulations pertaining to the SIF program and its potential to be a five year award, AU has revised its record retention policy to reflect the requirements of the Social Innovation Fund. AU's new policy requires records be retained for a period of 9 years.

AU does not concur with Finding 8.g.

The AmeriCorps provisions do not require supervisory signatures or paper copies for exit forms. The 2010 AmeriCorps Provisions address end of term procedures in Section IV.C., Member Recruitment, Selection, and Exit as follows:

- **Completion of Terms of Service.** The grantee must ensure that each member has sufficient opportunity to complete the required number of hours of service to qualify for their education award. Members must be exited within 30 days of the end of their term of service. Should a program not be renewed, a member who was scheduled to continue in a term of service may either be placed in another program where feasible, or a member may receive a pro-rated education award if the member has completed at least 15% of the service hour requirement.
- **Member Exit.** 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 satisfactorily and successfully completed the term of service, and is eligible to receive the education benefit. The grantee (and any individual or entity acting on behalf of the grantee) is responsible for the accuracy of the information certified on the end-of term certification.

Additionally, MyAmeriCorps *Frequently Asked Questions* (dated October 2, 2009), Miscellaneous, Are we still required to retain paper copies of the enrollment and exit form?, states that if both the member and the program certify an enrollment or exit form in the MyAmeriCorps Portal ("Portal"), the program is not required to retain paper copies of the exit form, because the Portal serves as the system of record for enrollment and exit forms.

AU completes exit forms in compliance with the expectations of the Corporation. The forms, which are created and provided by the Corporation, do not have a space indicating that member supervisors are to sign off on the forms. Forms are signed by a certifying official, though the form does not specify whether the official must be the member's supervisor.

As part of the AU exit process, AU staff exits a member from eGrants, an online system linked to the Portal. Upon doing so, the entry is electronically certified. Use of eGrants meets the requirements listed in MyAmeriCorps *Frequently Asked Questions*.

AU verifies education award eligibility annually. Before exiting a member from eGrants, AU staff review the results from the end of year member performance evaluations and to ensure the member's timesheet approval file has been fully completed by their Host Agency supervisor prior to starting the exit process. On the end of year member performance evaluations, HA supervisors evaluate whether a member performed satisfactorily, and then sign off on the total number of hours the member served. Together, this information is used to exit a member with their full education award. This exit process meets the Corporation's requirements because it used the Corporation's exit form and follows guidelines from MyAmeriCorps *Frequently Asked Questions*. This system is efficient and consistent with the Corporation's goal of ensuring members are properly exited and evaluated.

Response to Recommendations:

8a. AU has strengthened its procedures to ensure that it complies with AmeriCorps requirements for citizenship verification and that appropriate documentation is retained in files for all members. AU will continue to work with the Corporation to ensure its procedures incorporate recommended best practices.

8b. AU has strengthened its member timekeeping procedures in order to ensure that member timesheets are maintained in accordance with Corporation requirements. AU welcomes additional guidance from the Corporation regarding when members should sign and date timesheets.

8c. AU looks forward to receiving verification from the Corporation regarding its strengthened procedures.

8d. AU looks forward to receiving verification from the Corporation regarding its strengthened procedures.

8e. AU looks forward to receiving verification from the Corporation regarding its strengthened procedures.

8f. AU has developed a record retention policy it believes complies with the Corporation requirements. AU looks forward to receiving verification from the Corporation of this policy.

8g. AU looks forward to receiving verification from the Corporation regarding its record retention policy.

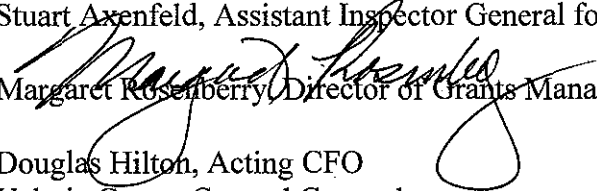
8h. AU defers to the Corporation regarding this recommendation.

APPENDIX B

Corporation for National and Community Service's Response to Draft Report

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

To: Stuart Axenfeld, Assistant Inspector General for Audit

From: 
Margaret Rosenberry, Director of Grants Management

Cc: Douglas Hilton, Acting CFO
Valerie Green, General Counsel
Claire Moreno, Senior Grants Officer for Policy & Audit

Date: June 21, 2012

Subject: Response to OIG Draft of Agreed-Upon Procedures for Corporation
For National and Community Service Grants Awarded to
AIDS United

Thank you for the opportunity to review the draft Agreed-Upon Procedures report of the Corporation's grants awarded to AIDS United (AU). We will work with the grantee to develop corrective actions. We will respond to all findings and recommendations in our management decision when the audit working papers are provided and the final audit is issued.

APPENDIX C

**AGREED-UPON PROCEDURES FOR
SOCIAL INNOVATION FUND AWARDS**

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
OFFICE OF INSPECTOR GENERAL
DRAFT AGREED-UPON PROCEDURES FOR
SOCIAL INNOVATION FUND AWARDS TO GRANTEES
(INCLUDING SUBGRANTEES)
NOVEMBER 2011

This document provides the framework to be used in performing agreed-upon procedures engagements of awards by the Corporation for National and Community Service (Corporation) to grantees and other entities that distribute funds to subgrantees and have concurrent management responsibility over Corporation programs performed by the subgrantees. These agreed-upon procedures are intended to be flexible and may evolve or be modified during an engagement if the Office of Inspector General (OIG) agrees to the sufficiency of revised procedures.

These agreed-upon procedures engagements will be performed under the American Institute of Certified Public Accountants (AICPA) Attestation Standards Section 201 and generally accepted government auditing standards, with primary focus on Chapter 6 (or as amended by future issuances). The Independent Public Accountant (IPA) should be alert to situations or transactions that could indicate fraud, illegal acts, prohibited activities, or violations of grant provisions. When such information comes to the IPA's attention, the OIG Audit Manager (or other designated OIG task monitor) should be contacted immediately.

This is a four-step process:

1. **Planning.** The purpose of planning is to gain an understanding of the grantee and its policies and procedures, the grants, and subgrantees. Based on information acquired, the IPA prepares a planning memorandum for the grantee and each subgrantee selected for review. The planning memorandum should include justifications supporting the subgrantee sites selected for testing, milestone dates, and staffing assignments.
2. **Grantee Testing.** The IPA will perform the agreed-upon procedures at the grantee.
3. **Subgrantee and/or Site Testing.** The IPA will perform the agreed-upon procedures for each subgrantee/site selected during planning.
4. **Reporting.** The purpose of this phase will be to prepare reports; apply quality control procedures; conduct an exit conference; and obtain management representations, if warranted.

Initial **WP**
Ref

I. PLANNING

A. Preliminary

1. For Social Innovation Fund (SIF) grants operating during the period under review, obtain from the OIG copies of the following background information for the grantee:
 - a. A schedule of awards made to the grantee. _____
 - b. Corporation Notice of Grant Awards and amendments. _____
 - c. Federal Financial Reports (FFR) for all grants _____
 - d. Department of Health and Human Services Payment Management System (PMS) reports showing grant drawdowns. _____
 - e. Program applications narratives. _____
 - f. Detailed budgets and budget narratives for the period under review. _____
 - g. Corporation monitoring reports of the grantee. _____
2. Discuss with the Corporation's Program Officer any areas of concern or interest that should be addressed by the agreed-upon procedures review, including inaccurate or late progress or final program reports, grant modification requests, indicators of possible fraud, and other noncompliance. _____
3. Discuss with the Corporation's Grants Officer any areas of concern or interest that should be addressed by the agreed-upon procedures review, including inaccurate or late progress or final program reports, grant modification requests, indicators of possible fraud, and other noncompliance. _____
4. Arrange with the OIG Task Monitor to complete the Corporation's information security and privacy training courses. These must be completed before the Corporation will grant access to its online systems. _____
5. Obtain a VPN token from the OIG for remote access to the Corporation's eGrants system. _____
6. Schedule on-site planning work with the grantee. Request that they have the following available (preferably in electronic format):

	<u>Initial</u>	<u>WP Ref</u>
a. Transaction-level accounting records supporting Federal expenditures claimed on the FFR for the SIF grant.	_____	_____
b. Transaction-level accounting records supporting match expenditures claimed on the FFR for the SIF grant.	_____	_____
c. Reconciliations between Federal accounting records and FFRs for the SIF grant.	_____	_____
d. Reconciliations between match accounting records and FFRs for the SIF grant.	_____	_____
e. Organization charts for each year of the period under review.	_____	_____
f. FFRs and Financial Cash Transaction Reports (FCTRs) for the SIF grant for the period covered by these procedures.	_____	_____
g. Subgrantee budgets and award documents.	_____	_____
h. OMB Circular A-133 reports and management letters for the grantee and all subgrantees for the two most recent fiscal years.	_____	_____
i. Documentation of grantee monitoring visits.	_____	_____
j. List of all site visits performed and related subgrantee monitoring reports for the two most recent program years.	_____	_____
k. Accounting policies and procedures, including travel policies.	_____	_____
l. Schedule of amounts awarded and expended by subgrantee by program year, as well as subgrantee requests for reimbursement.	_____	_____
m. Subgrantee agreements, including agreements for contributing cash match.	_____	_____
n. Negotiated Indirect Cost Rate Agreement (NICRA) with its Cognizant Federal agency.	_____	_____
o. Comparison of actual costs to budget for the most current FFR. Including mapping of budget line items to general ledger accounts.	_____	_____
7. Read and become familiar with the Corporation’s Civil Rights / Equal Opportunity Requirements, found on the Corporation’s website: http://www.americorps.gov/for_organizations/funding/eo_requirements.asp		

	<u>Initial</u>	<u>WP Ref</u>
a. Grant Program Civil Rights Policy	_____	_____
b. Non-Harassment Guidelines	_____	_____
c. Acceptable Interview Questions	_____	_____
d. Disability Law	_____	_____
e. Accessibility Guidelines	_____	_____
f. Non-Discrimination Guidelines	_____	_____
g. Legal Responsibilities Presentation	_____	_____
h. Part 1203 – Non–discrimination in Federally Assisted Programs	_____	_____
i. Part 1232 – Non–discrimination on Basis of Handicap in Programs Receiving Federal Financial Assistance	_____	_____

B. Basic Understanding of the Grantee

1. Determine if the grantee or grantee partner is within a state agency that is responsible for financial reporting or other management controls.	_____	_____
2. Identify significant transaction cycles (disbursements, timekeeping, payroll, and drawdowns).	_____	_____
3. Obtain and document an understanding of the significant transaction cycles based on discussion with appropriate personnel and review of policy and procedure manuals.	_____	_____
4. Document how claimed staff labor charges are supported (for example, by time-and-attendance records, certifications, or other allocation methods sufficient to meet requirements of OMB Circulars A-87 or A-122, as appropriate; or by budgeted percentages or other estimates).	_____	_____
5. Determine the basis for the grantee’s indirect costs claimed. Verify that it is in accordance with its NICRA and the approved budget narrative.	_____	_____
6. Determine if the agency responsible for financial reporting (or the grantee or grantee partner itself, if applicable) was audited by other state or Federal agencies.		
a. Review the audit reports and determine if supporting workpapers should be reviewed.	_____	_____

	<u>Initial</u>	<u>WP Ref</u>
<ul style="list-style-type: none"> b. Obtain and review all relevant reports and workpapers and document any weaknesses affecting material transaction cycles that should be tested or followed-up as necessary. 	_____	_____
7. Determine performance measures		
<ul style="list-style-type: none"> a. Review the grantee application and determine if it includes evaluation measures on one or more performance indicators. If so, determine what measures have been adopted and whether the application narrative sets forth the method to be used for measuring the extent of compliance. 	_____	_____
<ul style="list-style-type: none"> b. Briefly describe the measures and the related performance criteria. 	_____	_____
C. OMB Circular A-133 Audit Coverage		
1. Determine if the grantee has been audited as required by OMB Circular A-133 for the period covered by these procedures.	_____	_____
2. Review OMB Circular A-133 reports to determine if the SIF grant was considered a major program for purposes of testing compliance with specific regulations and terms and conditions of the grant.	_____	_____
3. If the SIF grant was audited as a major program, obtain from the grantee the contact name and telephone number of the auditor responsible for the grantee's OMB Circular A-133 audit. Contact the auditor to schedule a review of workpapers supporting OMB Circular A-133 audits for the past two years.	_____	_____
4. Review the OMB Circular A-133 workpapers and summarize the scope and results of all testing related to the SIF grant. Notify the OIG of issues that may affect planning.	_____	_____
5. If the SIF grant was not tested as a major program, determine if amounts reported on the OMB Circular A-133 reports appear reasonable when compared to related FFRs or other financial reports. Consider timing differences in the analysis.	_____	_____
6. Identify any internal control or compliance findings noted in the OMB Circular A-133 reports or management letters that could affect the SIF grant. Develop proposed procedures to address these findings in the planning memorandum.	_____	_____

<u>Initial</u>	<u>WP Ref</u>
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D. Claimed Costs

- | | | |
|--|-------|-------|
| <p>1. Determine claimed Federal costs for the agreed-upon procedures period by calculating the difference between the cumulative Federal expenditures balance reported on the FFR submitted at the end of the agreed-upon procedures period and the cumulative Federal expenditure balance reported on the FFR submitted prior to the start of the agreed-upon procedures period.</p> | _____ | _____ |
| <p>2. Determine claimed match costs for the agreed-upon procedures period by calculating the difference between the cumulative match expenditures balance reported on the FFR submitted at the end of the agreed-upon procedures period and the cumulative match expenditure balance from the FFR submitted prior to the start of the agreed-upon procedures period.</p> | _____ | _____ |
| <p>3. Verify reconciliation amounts for the latest FFR obtained in step A. 6. c. If the grantee reconciliations are not available, reconcile claimed Federal costs for the agreed-upon procedures period for each grant to the grantee’s supporting accounting records.</p> | _____ | _____ |
| <p>4. Verify reconciliation amounts for the latest FFR obtained in step A. 6. d. If the grantee reconciliations are not available, reconcile claimed match costs for the agreed-upon procedures period for each grant to the grantee’s supporting accounting records.</p> | _____ | _____ |
| <p>5. For a sample of subgrantees for the agreed-upon procedures period, tie the total amount of Federal expenditures reported on the grantee’s FFR to the total amount paid by the grantee per its accounting records and the drawdown schedule. Identify and analyze material variances. Consider materiality and use judgment to determine the number of subgrantees to select for this test.</p> | _____ | _____ |

E. Understanding the Grantee’s Subgrantee Monitoring Process

- | | | |
|--|-------|-------|
| <p>1. Discuss with grantee management the process used to ensure that subgrantee financial and project management systems comply with all Corporation and OMB requirements, and how the organizational structure supports this process. The process should include procedures to provide record retention and reporting guidance to subgrantees.</p> | _____ | _____ |
| <p>2. Discuss with grantee management the process used to evaluate and monitor each subgrantee. Document this process, highlighting key controls, personnel who perform key tasks, and the documentation examined and maintained.</p> | _____ | _____ |

	<u>Initial</u>	<u>WP Ref</u>
3. Determine if the grantee made site visits to its subgrantees in accordance with its policy. Review site visit documentation for adequacy.	_____	_____
4. Obtain files for subgrantees that received a site visit. Other than site visits, determine if additional procedures were performed and documented to assess financial and programmatic compliance and related controls at these sites.	_____	_____
5. Document the grantee's procedures to ensure adequate and timely financial reporting:		
a. Determine if subgrantees submitted financial reports and FFRs as required and on a timely basis.	_____	_____
b. Determine what procedures are performed, if any, by the grantee to determine the accuracy and validity of information reported in the financial reports and FFRs.	_____	_____
c. Verify that all rates were in accordance with the NICRAs. If they were not, determine how the grantee determines reasonableness of indirect costs for each subgrantee.	_____	_____
d. Determine what action the grantee takes to follow up on missing FFRs and enforce timely submission. If FFRs were late, were waivers given, or did policy permit? Why were they late, and if no action was taken, why?	_____	_____
6. Document the grantee's procedures to ensure compliance with matching requirements (Serve America Act SEC. 198K. 42 U.S.C. 12653k):		
a. Determine if procedures are in place to ascertain if the subgrantee has met its matching funds criteria.	_____	_____
b. Determine what actions are taken by the grantee if matching requirements are not met.	_____	_____
c. Determine what actions are taken by the grantee to ensure that matching costs are allowable. (State & Local 45 CFR §2541.240 and Non-Profit & Higher Ed 45 CFR §2543.23)	_____	_____
7. Document the grantee's procedures to ensure adequate feedback and evaluation:		
a. Determine if formal program evaluations are completed and documented for each subgrantee.	_____	_____

	<u>Initial</u>	<u>WP Ref</u>
b. Determine procedures used by the grantee to obtain and review all applicable audit reports and follow up on relevant weaknesses cited in audit reports and management letters.	_____	_____
c. Identify subgrantees that appear to meet the OMB Circular A-133 reporting threshold based on reviews of FFRs or Federal Review Clearinghouse Data Collection Forms, or knowledge of the subgrantee. Explain any differences from the grantee list and other records obtained and reviewed. Document how the grantee obtains A-133 reports in a timely manner, verifies expenditures reported in the Schedule of Expenditures of Federal Awards (SEFA), and obtains management letters. (American Recovery and Reinvestment Act (ARRA) grant expenditures should be segregated from non-ARRA expenditures on the SEFA.)	_____	_____
d. Determine if the grantee monitors the financial effectiveness of its subgrantees.	_____	_____
8. Determine if the grantee identified deficiencies during subgrantee site visits. Select a sample of these subgrantees to determine the adequacy of procedures in place to ensure that corrective action was taken on these deficiencies.	_____	_____
9. For the sample of subgrantees, determine if the evaluation file contains information on reported accomplishments. Determine if these results were considered during the grant renewal and pre-selection processes.	_____	_____
10. Prepare an overall assessment of the grantee's subgrantee monitoring practices. Consider assessment results in determining agreed-upon procedures for the grantee and subgrantees.	_____	_____

F. Subgrantee Sample Selection

1. Identify subgrantees whose SIF grants have been subjected to OMB Circular A-133 audits during the period covered by these procedures:		
a. Review the OMB Circular A-133 reports and determine if SIF subgrants were considered major programs.	_____	_____
b. Review the OMB Circular A-133 reports and related management letters. Identify any internal control and compliance findings that could affect the SIF grant.	_____	_____
2. Review the grantee's site visit or monitoring reports for each subgrantee and document weaknesses and risk areas identified.	_____	_____

	<u>Initial</u>	<u>WP Ref</u>
3. If applicable, review subgrantee requests for reimbursement and any documentation included with the requests.	_____	_____
4. Select a sample of subgrantees that will be submitted in the planning memorandum for agreed-upon procedures testing. Use risk-based selection, including:		
a. Subgrant size.	_____	_____
b. Review of subgrantee site visit or monitoring reports.	_____	_____
c. Review of available subgrantee OMB Circular A-133 reports.	_____	_____
d. Interviews with program managers responsible for subgrantee monitoring.	_____	_____
e. Interviews with Corporation grant and program officers.	_____	_____

G. Planning Memorandum and Proposed Agreed-Upon Procedures

1. Prepare a planning memorandum that includes, at a minimum, the following:		
a. Background information on the grantee, including full address and phone number. Include website URL, if applicable.	_____	_____
b. An explanation of any changes added to or deleted from the original statement of work.	_____	_____
c. A summary of issues identified during the planning phase that affect the grantee or any of the subgrantees.	_____	_____
d. A summary table of information gathered on the subgrantees detailing subgrantee size, OMB Circular A-133 coverage, findings, monitoring issues, and issues identified by program managers.	_____	_____
e. An explanation of which subgrantees were selected for testing and why, and an explanation of why the other subgrantees were not selected for testing. Include names of the auditors assigned to each subgrantee.	_____	_____
f. A summary schedule of compensation for the grantee and subgrantee senior positions.	_____	_____
g. Updated milestones.	_____	_____

	<u>Initial</u>	<u>WP Ref</u>
2. Modify the standard Grantee Testing agreed-upon procedures (using track-changes) based on the planning phase work.	_____	_____
3. Modify the standard Subgrantee Testing agreed-upon procedures (using track-changes) based on the planning phase work. Prepare a separate workplan for each subgrantee detailing, to the extent possible, specific procedures to be performed and sample sizes.	_____	_____
4. Submit the planning memorandum along with the grantee and subgrantee workplans to the OIG Audit Manager for review and concurrence.	_____	_____
5. Schedule and conduct the planning conference with the OIG.	_____	_____
6. Coordinate the date for the entrance conference with the grantee, the OIG, and the Office of Grants Management (OGM) audit liaison. Discuss possible dates for performing testing at the grantee and subgrantee locations. Coordinate the agenda with the OIG. Invite the Chairman of the grantee's Board or Audit Committee to attend. Encourage the grantee to invite the selected subgrantees. The OIG will disseminate the agenda to the Corporation representatives.	_____	_____

Initial WP
Ref

II. GRANTEE TESTING

A. Cost Testing

1. Labor Costs

a. Using the detailed accounting records, select a random pay period or pay periods and identify all employees whose Federal and match labor costs were charged to the SIF grant in that period.

1) Based on the planning memorandum, evaluate the reasonableness of compensation for senior positions using compensation surveys for similar organizations.

b. Trace labor charges to labor distribution reports or payroll records.

c. Calculate the percentage of the employees' time charged to the SIF grant for the sampled pay periods.

d. Confirm that the percentage charged for each employee is based on timesheets or periodic certifications in compliance with applicable cost principles.

1) Verify that the time-and-attendance record is properly completed.

e. If costs were not based on the method required by the applicable OMB Cost Circular, interview employees whose time was charged and obtain estimates of the percentage of effort expended on their other activities, including administration and fundraising.

1) Compare estimated effort to percentage of time charged. If percentages do not agree, document the discrepancy and question excess charges to the SIF grant, if they can be calculated. If amounts cannot be calculated, include a recommendation that the Corporation work with the grantee to calculate questioned costs resulting from erroneous charges and lack of adequate documentation.

f. Summarize results of procedures performed.

1) Discuss testing results with the OIG Audit Manager and determine if additional procedures will be performed.

2) Quantify questioned costs and the associated indirect costs.

	<u>Initial</u>	<u>WP Ref</u>
3) Report all exceptions noted. Identify the condition, cause, criteria, and effect of each finding. Prepare a recommendation for corrective action for each finding.	_____	_____
2. Fringe Benefits		
a. Review the grantee's NICRA to determine the required treatment of fringe benefits.	_____	_____
b. Verify that Federal and match fringe benefits are claimed in accordance with the NICRA.	_____	_____
c. If the grantee uses a rate to allocate Federal and match fringe benefits, obtain a schedule or invoices from the grantee showing fringe benefits provided to employees and related percentages.	_____	_____
e. Using the grantee's financial statements or accounting records, calculate the percentage of Federal and match fringe benefits to labor costs. Compare the calculated percentage to the rate charged to the grant.	_____	_____
f. If the rates are not within four percentage points of each other or a percentage cannot be calculated, obtain a schedule from the grantee showing fringe benefits provided to employees and the related estimated percentage. Compare the rate estimated to the actual rate charged, and obtain explanations for variances. Calculate questioned costs related to all variances.	_____	_____
g. If the grantee does not use a fringe benefit rate, identify the basis for Federal and match fringe benefits charged to the SIF grant. Analyze these costs for reasonableness by reviewing the grant budget and accounting records.	_____	_____
h. Summarize results of procedures performed.		
1) Discuss testing results with the OIG Audit Manager and determine if additional procedures will be performed.	_____	_____
2) Quantify questioned costs and the associated indirect costs.	_____	_____
3) Report all exceptions noted. Identify the condition, cause, criteria, and effect of each finding. Prepare a recommendation for corrective action for each finding.	_____	_____
3. National Service Criminal History Checks		

	<u>Initial</u>	<u>WP Ref</u>
a. Determine if all grant-funded staff (Federal and match) received National Service Criminal History Checks in accordance with CFR requirements (45 CFR sections 2540.200 – 2540.207).		
1) Confirm that the grantee conducted state criminal registry searches and National Sex Offender Public Registry (NSOPR) searches on grant-funded staff (Federal and match).	_____	_____
2) When final regulations are implemented by the Corporation, confirm that the grantee conducted FBI fingerprint searches on grant-funded staff (Federal and match) who were employed on or hired on or after 4/21/11 and who had periodic and episodic contact with children and vulnerable populations. Grantees have 60 days after final regulations are issued to implement the FBI fingerprint searches. Final regulations have not yet been issued @ 11/14/11.	_____	_____
3) Confirm that when the grantee conducted state criminal registry searches, it searched state criminal registry databases recognized by the Corporation in the state where the employee works and resided at the start of employment.	_____	_____
4) Confirm that the grantee conducted NSOPR searches using the Department of Justice’s National Sex Offender Public Registry (www.nsopr.gov).	_____	_____
5) If the grantee did not conduct National Service Criminal History Checks in accordance with Corporation regulations, determine if the grantee submitted and obtained Corporation approval for an alternative search protocol.	_____	_____
b. If the grantee did not perform required checks or obtain an approved alternative search protocol, question all salary, benefit, and associated indirect costs for the grant-funded staff (Federal and match).	_____	_____
4. Other Direct Costs		
a. Select a representative sample of at least 10 Federal expenditures and at least 10 match expenditures from the accounting detail for the SIF grant. Verify that each sampled expenditure was:		
1) Incurred during the grant period.	_____	_____
2) Adequately supported.	_____	_____
3) Charged to the correct project and consistent with the program description in the grant application.	_____	_____

	<u>Initial</u>	<u>WP Ref</u>
4) Included in the original or amended budgets.	_____	_____
5) Allowable in accordance with applicable cost principles.	_____	_____
6) In compliance with the grantee's travel policies or, absent policies, with <i>Federal Travel Regulations</i> .	_____	_____
7) Either specifically included in the approved budget or subsequently approved in writing by the Corporation prior to purchase (for equipment or supplies costing \$5,000 or more).	_____	_____
8) Verifiable from recipient records. Records should be descriptive enough to determine the sources and individual match amounts.	_____	_____
9) Not included as a contribution for any other Federally assisted program.	_____	_____
10) Not paid by the Federal government under another award, except where authorized by Federal statute.	_____	_____
11) Not in-kind match. SIF Cooperative Agreement Terms and Conditions require all match costs to be cash match.	_____	_____
b. Summarize results of procedures performed.		
1) Discuss testing results with the OIG audit manager and determine if additional procedures will be performed.	_____	_____
2) Quantify questioned costs and associated indirect costs.	_____	_____
3) Report all exceptions noted. Identify the condition, cause, criteria, and effect of each finding. Prepare a recommendation for corrective action for each finding.	_____	_____
5. Indirect Costs		

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The Final Notice of Funds Availability states that applicants with approved indirect cost rates for Federal grants must use those rates for any indirect costs they include in their budgets. The Corporation will work with applicants selected for award who do not have approved Federal indirect cost rates to help them develop and obtain approval for their rates.

The SIF Cooperative Agreement Terms and Conditions state that reimbursement for indirect costs, general and administrative costs, overhead, or any similar cost rate-type agreement, will be at the rate(s) and on the base(s) specified in the approved award budget. These amounts are subject to finalization by the Cognizant Federal agency or the Corporation. Any provisional rate(s) is subject to downward adjustment only under this award. Accordingly, final approved rate(s) charged to this award may not exceed the maximum provisional rate(s). If the Cognizant Federal agency or the Corporation does not approve a final rate, the maximum provisional rate will be considered the final rate.

- a. Review approved grant budget narratives and identify the rate(s) and base(s) specified for Federal and match indirect costs. _____
- b. Review the copy of the NICRA obtained during planning and identify whether the rate used in the budget was a provisional rate or a final rate. _____
- c. Interview grantee personnel to gain an understanding of how the grantee ensures the appropriate indirect cost rate is charged to the SIF grant. _____
- d. Verify that the indirect cost rates were applied to the correct Federal and match base costs. _____
- e. Verify that final indirect rates were used to calculate indirect costs and that the final approved rates do not exceed the maximum provisional rate. (If the Cognizant Federal agency or the Corporation does not approve a final rate, the maximum provisional rate will be considered the final rate.) _____
- f. Verify that downward adjustments were made when final rates were less than provisional rates. _____
- g. Recalculate allowable Federal and match indirect costs based on the application of the correct indirect cost rate to the correct base costs. _____
- h. Summarize results of procedures performed. _____

	<u>Initial</u>	<u>WP Ref</u>
1) Discuss testing results with the OIG Audit Manager and determine if additional procedures will be performed.	_____	_____
2) Quantify questioned costs and associated indirect costs.	_____	_____
3) Report all exceptions noted. Identify the condition, cause, criteria, and effect of each finding. Prepare a recommendation for corrective action for each finding.	_____	_____

B. Compliance Testing

1. Record Retention

- a. Confirm that the grantee has a written policy to retain supporting documents for Corporation grants for three years from submission date of the final FFR.

2. Programmatic and Budget Changes

- a. Determine if the grantee obtained prior written approval from the Corporation's SIF Program Office and the Office of Grants Management before:

- 1) Making changes in the scope, objectives, or goals of the grantee's program, whether or not they involve budgetary changes.

- 2) Entering into subgrants or contracts for SIF activities which had not been previously identified or included in the approved application budget.

- 3) Making changes in deadlines identified in the SIF Cooperative Agreement Terms and Conditions.

- b. Determine if the grantee obtained prior written approval of the Corporation's Office of Grants Management before amending the approved budget in any of the following ways:

- 1) Incurring specific costs requiring prior approval under OMB Circulars A-21, A-87, or A-122. Examples include overtime pay, rearrangement and alteration costs, and pre-award costs.

- 2) Purchasing equipment over \$5,000 using SIF grant funds, unless specified in the approved application and budget.

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3) Changing cumulative and/or aggregate budget line items that amount to 10 percent or more of the total budget. (The total budget includes both Corporation and grantee shares. Grantees may transfer funds among approved direct cost categories when the cumulative amount of such transfers does not exceed 10 percent of the total budget).	_____	_____
3. Staffing and Management Changes		
a. Determine if the grantee notified the Corporation of any change in staffing of any key position included in whole or in part as a Federal or match cost in the award budget.	_____	_____
b. Determine if the grantee notified the Corporation of any change in any positions that are not included in the approved budget but involve leadership of the grantee.	_____	_____
c. Determine if the grantee notified the Corporation of any changes in the senior leadership of the grantee.	_____	_____
4. Reporting		
a. Determine if the grantee submitted FFRs by the due dates specified in the SIF Cooperative Agreement Terms and Conditions (or as extended by the Corporation). Cite as exceptions only those FFRs submitted more than five calendar days after their due date.	_____	_____
b. Determine if the grantee submitted a final FFR within 90 days of completion, grant period expiration, or date on the Notice of Grant Award (NGA) project end date. Cite as exceptions only those final FFRs submitted more than five days after the 90-day period.	_____	_____
c. Determine if the grantee submitted quarterly progress reports on the specific measures outlined in the grantee's application narrative and other measures established by the Corporation in consultation with the grantee, by the due dates specified in the SIF Cooperative Agreement Terms and Conditions (or as extended by the Corporation).	_____	_____
d. Verify that the reports include: a budget report for the completed budget period; narrative analysis of the budget report, explaining differences between budgeted and actual activities and costs by funding source; progress towards performance goals and any supporting data and methodology; analysis of sub-application progress and performance measures; and discussion.	_____	_____

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5. Program Income		
Income, including any fees for service earned as a direct result of the Cooperative Agreement-funded program activities during the award period, must be retained by the awardee and used to finance the Cooperative Agreement's non- Corporation share. Further, program income earned in excess of the amount needed to finance the awardee share must be added to funds committed to the project by the Corporation and the awardee and used to further expand eligible program activities and objectives.		
a. Review the program application narrative and grant budget narrative to determine if program income, including any service fees earned as a direct result of Cooperative Agreement-funded program activities during the award period, was budgeted or discussed.	_____	_____
b. If program income was budgeted or discussed, obtain an accounting report that identifies income actually earned.	_____	_____
c. Compare program income earned to the amount of claimed cash match. Identify any instances in which earned income exceeds cash match.	_____	_____
d. If earned income exceeds match, determine what it was used for and whether it was reported on Line 10L (Total Federal Program Income Earned), Line 10N (Program Income Expended in Accordance with the Addition Alternative), and on Line 10O (Unexpended Program Income) of the FFR. Call the OIG audit manager to discuss.	_____	_____
6. Advance Payments or Drawdowns		
a. Determine if advance payments or drawdowns were based on actual and immediate cash needs. (For drawdowns, compare drawdowns from inception of the grant to the most recent FFR).	_____	_____
b. Determine if advance funds were deposited in interest-bearing accounts, unless an exception to this requirement applies.	_____	_____
c. Determine if earned interest greater than \$250 (\$100 if state or local government) was remitted as required.	_____	_____
7. Summarize results of procedures performed.		
a. Discuss testing results with the OIG Audit Manager and determine if additional procedures will be performed.	_____	_____

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| b. Report all exceptions noted. Identify the condition, cause, criteria, and effect and prepare a recommendation for corrective action for each finding. | _____ | _____ |

C. Social Innovation Compliance Testing

1. Matching Funds for Grantees

- | | | |
|--|-------|-------|
| a. Confirm that match costs provided the grantee were at least 50 percent of total funds provided under the grant. | _____ | _____ |
| b. Confirm that the grantee provided the matching funds in cash. | _____ | _____ |
| c. Confirm that the matching funds were provided from state, local, or private sources, including state or local agencies, businesses, private philanthropic organizations, or individuals. | _____ | _____ |
| d. In cases in which a state commission, a local government office, or both are a part of the eligible entity, confirm that the state commission, the local government office, or both contributed at least 30 percent but no more than 50 percent of the matching funds. | _____ | _____ |
| e. Inquire of the grantee to determine if the entity was eligible for a 50 percent reduction of the matching requirements. The Corporation may reduce the matching funds required by 50 percent for an eligible entity serving a community (such as a rural low-income community) if the eligible entity can demonstrate that the area is significantly philanthropically underserved. | _____ | _____ |

2. Subgrants

- | | | |
|---|-------|-------|
| a. Confirm that the grantee awarded subgrants to eligible entities on a competitive basis. | _____ | _____ |
| b. Confirm that the eligible entities selected for subgrants were: | | |
| 1) Community organizations serving low-income communities within the specific local geographical area described in the eligible entity's application, or | _____ | _____ |
| 2) Community organizations addressing a specific issue area described in the eligible entity's application, in low-income communities in geographical areas described in the application. | _____ | _____ |

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c. Confirm that subgrants were for periods of not less than three and not more than five years, and if renewed for such periods, confirm that the amounts were not less than \$100,000 per year.	_____	_____
d. Confirm that at least 80 percent of the Federal share was awarded to subgrantees. The balance may go toward the intermediary's program support costs, including evaluation, knowledge management, and SIF implementation (Notice of Funds Availability).	_____	_____
e. Confirm that subgrantees submitted applications to the grantee and confirm that the application contained information required by the grantee, including:		
1) A description of the initiative the community organization carries out and plans to replicate or expand, or of the new initiative the community organization intends to support using funds received from the eligible entity, and how the initiative relates to the issue areas in which the eligible entity has committed to work in the eligible entity's application.	_____	_____
2) Data on the measurable outcomes the community organization has improved, and information on the measurable outcomes the community organization seeks to improve by replicating or expanding a proven initiative or supporting a new initiative. The measurable outcomes shall be among the measurable outcomes that the eligible entity identified in its application.	_____	_____
3) An identification of the community in which the community organization proposes to carry out an initiative, located in the local geographical area described in the eligible entity's application.	_____	_____
4) A description of the evidence-based decision-making strategies the community organization uses to improve the measurable outcomes, including:		
a) Use of evidence produced by prior rigorous evaluations of program effectiveness, including, where available, well-implemented randomized controlled trials; or	_____	_____
b) A well-articulated plan to conduct, or partner with a research organization to conduct, rigorous evaluations to assess the effectiveness of initiatives addressing national or local challenges.	_____	_____

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c) A description of how the community organization uses data to analyze and improve its initiatives.	_____	_____
5) Specific evidence of how the community organization will meet the requirements for providing matching funds.	_____	_____
6) A description of how the community organization will sustain the replicated or expanded initiative after the conclusion of the subgrant period.	_____	_____
7) Any other information the grantee may require, including information necessary for the grantee to fulfill its subgrantee selection requirements.	_____	_____
 3. Matching Funds for Subgrantees		
a. Confirm that the grantee did not make a subgrant to a community organization unless that organization agreed to provide, on an annual basis, at least 50 percent of total funds provided under the subgrant.	_____	_____
b. If the community organization failed to make such matching funds available for a fiscal year, confirm that the grantee did not make payments for the remaining fiscal years of the subgrant period.	_____	_____
c. Confirm that the community organization provided the matching funds in cash.	_____	_____

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III. SUBGRANTEE TESTING

A. Preliminary Work

- 1. Contact the subgrantee to schedule an entrance conference and fieldwork. Notify the grantee of the dates and times for each subgrantee entrance conference. _____
- 2. Request that the following be available (in electronic format if available) at the entrance conference, or sooner if possible:
 - a. Transaction-level accounting records supporting Federal expenditures claimed on FFRs. _____
 - b. Transaction-level accounting records supporting match expenditures claimed on FFRs. _____
 - c. Reconciliations between Federal accounting records and FFRs. _____
 - d. Reconciliations between match accounting records and FFRs. _____
 - e. Supporting documentation for claimed Federal and match costs. _____
 - f. NICRA. _____
 - g. Comparison of actual cost to budget, including mapping of budget line item to general ledger account. _____

B. General Testing

- 1. Reconciliation to Subgrantee Accounting Records
 - a. Obtain transaction-level accounting records supporting Federal and match expenditures claimed. _____
 - b. Identify instances in which grant costs (Federal share or match costs) are not segregated in the accounting system or are commingled with other programs. _____
 - c. Obtain reconciliation between accounting records and claimed costs. Obtain explanations for variances. _____
- 2. Subgrantee Matching Requirements

	<u>Initial</u>	<u>WP Ref</u>
a. Confirm that match costs provided by the subgrantee on an annual basis were at least 50 percent of total funds provided under the subgrant.	_____	_____
b. If the subgrantee failed to make such matching funds available for a fiscal year, obtain an explanation and confirm that the grantee did not make payments for the remaining fiscal years of the subgrant period.	_____	_____
c. Confirm that the subgrantee provided the matching funds in cash.	_____	_____

C. Cost Testing

1. Labor Costs

a. Using detailed accounting records, select a random pay period or pay periods and identify all employees whose Federal and match labor costs were charged to the SIF grant in that period. Obtain an understanding of the basis for charging labor costs (i.e., budget or actual).	_____	_____
1) Based on the planning memorandum, evaluate the reasonableness of compensation for senior positions using compensation surveys for similar organizations.	_____	_____
b. Trace labor charges to labor distribution reports or payroll records.	_____	_____
c. Calculate the percentage of the employees' time charged to the SIF grant for the sampled pay period.	_____	_____
1) Verify that the time-and-attendance record is properly completed.	_____	_____
d. If labor costs were allocated based on budget percentages, obtain the SIF budget and assess whether labor costs were charged in accordance with the budget.	_____	_____
e. Confirm that the percentage charged for each employee is based on or consistent with timesheets or periodic certifications in compliance with applicable cost principles.	_____	_____
f. If costs were not based on the method required by the applicable OMB Cost Circular, interview employees whose time was charged and obtain estimates of the percentage of effort expended on their other activities, including administration and fundraising.	_____	_____

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1) Compare estimated effort to percentage of time charged. If percentages do not agree, document the discrepancy and question excess charges to the grant, if they can be calculated. If amounts cannot be calculated, include a recommendation that the Corporation work with the grantee to calculate questioned costs resulting from erroneous charges and lack of adequate documentation.	_____	_____
g. Summarize results of procedures performed.		
1) Discuss testing results with the OIG audit manager and determine if additional procedures will be performed.	_____	_____
2) Quantify questioned costs and the associated indirect costs.	_____	_____
3) Report all exceptions noted. Identify the condition, cause, criteria, and effect of each finding. Prepare a recommendation for corrective action for each finding.	_____	_____
2. Fringe Benefits		
a. If the subgrantee uses a rate to allocate Federal and match fringe benefits obtain a schedule or invoices from the subgrantee showing fringe benefits provided to employees and related percentages.	_____	_____
b. Using the subgrantee's financial statements or accounting records, calculate the percentage of Federal and match fringe benefits to labor costs. Compare the calculated percentage to the rate charged to the grant.	_____	_____
c. If the rates are not within four percentage points of each other, or a percentage cannot be calculated, obtain a schedule from the grantee showing fringe benefits provided to employees and the related estimated percentage. Compare the rate estimated to the actual rate charged, and obtain explanations for variances. Calculate questioned costs related to all variances.	_____	_____
d. If the subgrantee does not use a fringe benefit rate, identify the basis for Federal and match fringe benefits charged to the grant. Analyze these costs for reasonableness by reviewing the SIF budget and accounting records.	_____	_____
e. Summarize results of procedures performed.		
1) Discuss testing results with the OIG Audit Manager and determine if additional procedures will be performed.	_____	_____

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2) Quantify questioned costs and associated indirect costs.	_____	_____
3) Report all exceptions noted. Identify the condition, cause, criteria, and effect of each finding. Prepare a recommendation for corrective action for each finding.	_____	_____
3. National Service Criminal History Checks		
a. Determine if grant-funded staff (Federal and match) received National Service Criminal History Checks in accordance with CFR requirements (45 CFR sections 2540.200 – 2540.207).		
1) Confirm that the subgrantee conducted state criminal registry searches and National Sex Offender Public Registry searches on grant-funded staff (Federal and match).	_____	_____
2) When final regulations are implemented by the Corporation, confirm that the grantee conducted FBI fingerprint searches on grant-funded staff (Federal and match) who were employed on or hired on or after 4/21/11 and who had periodic and episodic contact with children and vulnerable populations. Grantees have 60 days after final regulations are issued to implement the FBI fingerprint searches. Final regulations have not yet been issued @ 11/14/11.	_____	_____
3) Confirm that when the subgrantee conducted the state criminal registry searches, it searched state criminal registry databases recognized by the Corporation in the state where the employee works and resided at the start of employment.	_____	_____
4) Confirm that the subgrantee conducted NSOPR searches using the Department of Justice’s National Sex Offender Public Registry (www.nsopr.gov).	_____	_____
5) If the subgrantee did not conduct National Service Criminal History Checks in accordance with Corporation regulations, determine if it submitted and obtained Corporation approval for an alternative search protocol.	_____	_____
6) If the subgrantee did not perform required checks or obtain an approved alternative search protocol, question all salary, benefit, and associated indirect costs for the grant-funded staff (Federal and match).	_____	_____
4. Other Direct Costs		

	<u>Initial</u>	<u>WP Ref</u>
a. Select a representative sample of at least 10 Federal expenditures and 10 match expenditures from the accounting detail. If the accounting detail does not distinguish between Federal and match costs, select a representative sample of expenditures and identify the Federal and match amounts from the sample invoice. Verify that each sample expenditure was:		
1) Incurred during the grant period.	_____	_____
2) Adequately supported.	_____	_____
3) Charged to the correct project and consistent with the program description in the grant application.	_____	_____
4) Included in the original or amended budgets.	_____	_____
5) Allowable in accordance with applicable cost principles.	_____	_____
6) Either specifically included in the approved budget or subsequently approved in writing by the Corporation prior to purchase (for purchases of equipment or supplies costing \$5,000 or more).	_____	_____
7) Verifiable from recipient records. Records should be descriptive enough to determine the sources and individual match amounts.	_____	_____
8) Not included as contributions for any other Federally assisted program.	_____	_____
9) Not paid by the Federal government under another award, except where authorized by Federal statute.	_____	_____
10) Not in-kind match. SIF Cooperative Agreement Terms and Conditions require all match to be cash match.	_____	_____
b. Summarize results of procedures performed.		
1) Discuss testing results with the OIG Audit Manager and determine if additional procedures will be performed.	_____	_____
2) Quantify questioned costs and associated indirect costs.	_____	_____
3) Report all exceptions noted. Identify the condition, cause, criteria, and effect of each finding. Prepare a recommendation for corrective action for each finding.	_____	_____

	<u>Initial</u>	<u>WP Ref</u>
5. Indirect Costs		
a. Review approved subgrantee budget narratives and identify the rate(s) and base(s) specified for Federal and match indirect costs.	_____	_____
b. Review a copy of the subgrantee's NICRA and identify whether the rate used in the budget was a provisional or final rate.	_____	_____
c. Interview subgrantee personnel to gain an understanding of how the subgrantee ensures the appropriate indirect cost rate is charged to the SIF grant.	_____	_____
d. Verify that the indirect cost rates were applied to the correct Federal and match base costs.	_____	_____
e. Verify that final indirect rates were used to calculate indirect costs and that the final approved rates do not exceed the maximum provisional rate. (If the Cognizant Federal agency or the Corporation does not approve a final rate, the maximum provisional rate will be considered the final rate.)	_____	_____
f. Verify that downward adjustments were made when final rates were less than provisional rates.	_____	_____
g. Recalculate allowable Federal and match indirect costs based on the application of the correct indirect cost rate to the correct base costs.	_____	_____
h. Summarize results of procedures performed.		
1) Discuss testing results with the OIG audit manager and determine if additional procedures will be performed.	_____	_____
2) Quantify questioned costs and associated indirect costs.	_____	_____
3) Report all exceptions noted. Identify the condition, cause, criteria, and effect of each finding. Prepare a recommendation for corrective action for each finding.	_____	_____

D. Budgetary and Programmatic Changes

1. Determine if the subgrantee obtained prior written approval from the grantee:		
a. If changes occurred in the program staffing, scope or goals, and objectives.	_____	_____

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b. If the subgrantee entered into subgrants or contracted out any program activities funded by the grant that were not specifically identified in the approved application and grant.	_____	_____
2. Determine if the subgrantee obtained prior written approval before deviating from the approved budget in any of the following ways:		
a. Budget transfers to absorb administrative costs above the amount specified in the approved budget.	_____	_____
b. Changes requiring prior approval under OMB Circulars A-110 or A-102.	_____	_____
c. Costs requiring prior approval under OMB Circulars A-21, A-87, or A-122.	_____	_____
d. Purchases of equipment over \$5,000 using grant funds, unless specified in the approved budget.	_____	_____

E. Reporting

1. Determine if the subgrantee submitted FFRs as required by the grantee. Cite as exceptions only those FFRs submitted more than five days after their due date.	_____	_____
2. Confirm that the subgrantee submitted Periodic Expense Reports (PERs) or other applicable financial reports as required by the grantee.	_____	_____
3. If the program is complete, confirm that the subgrantee submitted a final PER or similar financial report as required by the grantee within 90 days of completion. Cite as exceptions only those final FFRs submitted more than 5 days after the 90-day period.	_____	_____

F. Evaluation

1. Confirm that the subgrantee has documented policies and procedures to internally track progress toward achieving program objectives and management effectiveness.	_____	_____
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G. Project or Program Income

1. Review the subgrant budget and budget narrative. If program income was budgeted or discussed, obtain an accounting report that identifies income actually earned. Compare this amount to the budgeted income and determine if budgeted income exceeds actual income by 20 percent.	_____	_____
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| 2. Compare program income earned to the amount of claimed cash match. Identify any instances in which earned income exceeds cash match. | _____ | _____ |

H. Grant Payments

- | | | |
|---|-------|-------|
| 1. Determine if advance payments or drawdowns were based on actual and immediate cash needs. (For drawdowns, compare drawdowns from inception of the grant to the most recent FFR.) | _____ | _____ |
| 2. Determine if advance funds were deposited in interest-bearing accounts, unless an exception to this requirement applies. | _____ | _____ |
| 3. Determine if earned interest greater than \$250 (\$100 if state or local government) was remitted as required. | _____ | _____ |

I. Subgrantee Exit Conference

- | | | |
|--|-------|-------|
| 1. Schedule the exit conference with the subgrantee. Invite the grantee to the exit conference and document the invitation in the workpapers. Provide the subgrantee and grantee with the findings to date in writing. The workpapers must include documentation of the notification and transmission of findings to the grantee and subgrantee. | _____ | _____ |
| a. At the conclusion of fieldwork, provide an exception briefing to the subgrantee with full details of the exceptions (unless fraud is involved). | _____ | _____ |
| b. Provide the grantee with full details of the exceptions (unless fraud is involved). | _____ | _____ |
| c. If the review identified purported members who are not listed on the Corporation roster, or if the Corporation roster includes purported members who cannot be substantiated in subgrantee records, immediately provide this information and evidence to the OIG. | _____ | _____ |

J. Grantee Monitoring of Subgrantees

- | | | |
|--|-------|-------|
| 1. Determine if weaknesses and risk areas identified during the grantee’s monitoring site visits were resolved. If issues remain unresolved, document the reasons. | _____ | _____ |
|--|-------|-------|

K. Summarize Results

- | | | |
|---|-------|-------|
| 1. Summarize results of procedures performed. | _____ | _____ |
|---|-------|-------|

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2. Discuss testing results with the OIG audit manager and determine if additional procedures will be performed.	_____	_____
3. Report all exceptions noted. Identify the condition, criteria, cause, and effect of each finding. Prepare a recommendation for corrective action for each finding.	_____	_____

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IV. REPORTING

A. Overview

1. Coordinate with the OIG to confirm the report date, format, and contents. _____
2. Prepare the draft report, to include a schedule of award(s), claimed and questioned costs, findings (including the elements of condition, criteria, cause, and effect, as applicable), and recommendations. _____
3. Cross-reference the report to supporting workpapers. At a minimum, all dollar amounts and numeric values **must** be cross-referenced. _____

B. Quality Control

1. Submit the draft report and workpapers to the quality control partner or through the quality control process. _____
2. Following the quality control review, submit the report and workpapers to the OIG for review and approval. _____

C. Exit Conference

1. In coordination with the OIG, schedule and conduct an exit conference. _____
 - a. Invite the Chairman of the Board, the Audit Committee, or other group or individual charged with governance of the grantee / subgrantees. _____

D. Management Representations

1. Obtain the management representation letter. _____

E. Final Report

1. Prepare and submit the final report. Grantee responses and additional reviewer comments must be included separately for each finding. Include grantee and Corporation responses as appendices or attachments. _____