

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

**AGREED-UPON PROCEDURES FOR  
GRANTS AWARDED TO  
NEW JERSEY COMMISSION ON NATIONAL  
AND COMMUNITY SERVICE**

**OIG REPORT NUMBER 12-16**



Prepared by:

Castro & Company, LLC  
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Alexandria, Virginia 22314

**This report was issued to Corporation management on September 27, 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 March 27, 2013, and complete its corrective actions by September 27, 2013. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.**



September 27, 2012

TO: William Basl  
Director, AmeriCorps\*State and National

Margaret Rosenberry  
Director, Office of Grants Management

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

SUBJECT: *OIG Report 12-16, Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to New Jersey Commission on National and Community Service*

Attached is the final report for the above-noted engagement. This agreed-upon procedures review was conducted by Castro & Company LLC 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 and recommendations in this report is due by March 27, 2013. Notice of final action is due by September 27, 2013.

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

Attachment

cc: Rowena Madden, Executive Director, New Jersey Commission  
David Rebich, Chief Financial Officer, CNCS  
Claire Moreno, Audit Liaison, Office of Grants Management, CNCS  
Karen Gandolfo, Audit Resolution Specialist, CNCS  
Thomas Castro, Partner, Castro & Company LLC

**OFFICE OF INSPECTOR GENERAL  
AGREED-UPON PROCEDURES FOR  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE  
GRANTS AWARDED TO THE  
NEW JERSEY COMMISSION ON NATIONAL AND COMMUNITY SERVICE**

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## Executive Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Castro & Company, LLC, to perform agreed-upon procedures (AUP) for the costs incurred by the New Jersey Commission on National and Community Service (Commission) and three subgrantees from January 1, 2008, through September 30, 2011, under grants awarded by the Corporation. The results of the AUP include findings of questioned costs, weaknesses in internal controls, and non-compliance with applicable laws and regulations. We performed tests of accounting and other records at the Commission, located in Trenton, New Jersey, and at subgrantees Jefferson Park Ministries, International Institute of New Jersey, and New Jersey Community Development Corporation.

The Commission and two subgrantees had inadequate accounting operations to manage Federal funds, including supporting their salaries and fringe benefit costs. These payroll costs were charged to Corporation grants based on budgeted amounts rather than actual costs incurred, which is not permitted by the Office of Management and Budget cost principles. Subgrantees need additional training on their responsibilities related to managing the grant dollars and to ensure compliance with Federal grant requirements.

As a result of applying these procedures, we questioned as unsupported \$1,895,026 of Federal costs and \$229,178 of match costs. A questioned cost is: (1) an alleged violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that at the time of testing, such costs were not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable. The results of our AUP are summarized in the Consolidated Schedule of Award Costs.

The procedures included judgmentally selecting samples to test the costs claimed by the Commission for compliance with its award agreements with the Corporation and other Federal requirements. Based on this sampling, questioned costs detailed in this report may not represent total costs that may have been questioned had all expenditures been tested. In addition, we made no attempt to project such questioned costs to total costs claimed.

Details of the questioned costs, grant awards, non-compliance with grant provisions, and applicable laws and regulations are presented in the Schedule of Internal Control and Compliance Findings that follows the results of our AUP, which are summarized below.

- Finding No. 1 – Accounting Operations Of The Commission And Subgrantees Were Inadequate To Account For Federal Funds
- Finding No. 2 – Improper Support For The Allocation Of Payroll And Fringe Benefit Costs
- Finding No. 3 – Member Compliance Requirements Were Not Met For Living Allowance Distribution
- Finding No. 4 – Program Income Was Not Properly Reported
- Finding No. 5 – Member Compliance Requirements Were Not Met For End-of-Term Evaluations and Criminal Background Checks
- Finding No. 6 – Federal Financial Reports Were Not Submitted Timely
- Finding No. 7 – Improper Procedure For Handling Advance Payments

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Office of Inspector General  
Corporation for National and Community Service

We have performed the procedures, which were agreed to by the OIG, solely to assist the OIG in evaluating the Commission's compliance with applicable laws and regulations. A related purpose was to assess the allowability of costs incurred by the Commission during the AUP period for the grants listed below. These costs, as presented in the Consolidated Schedule of Award Costs, are the responsibility of Commission management.

<b>Grant Number</b>	<b>Grant Type</b>	<b>Grant Period</b>	<b>AUP Period</b>
10ACHNJ001	Competitive	09/01/10 to 08/31/12	09/01/10 to 09/30/11
07ACHNJ001	Competitive	09/01/07 to 02/15/11	04/01/09 to 02/15/11
06AFHNJ001	Formula	09/01/06 to 08/31/12	04/01/09 to 03/31/11
09RCHNJ001	ARRA Competitive	06/01/09 to 10/30/10	06/01/09 to 10/30/10
09RFHNJ001	ARRA Formula	06/01/09 to 10/30/10	06/01/09 to 09/30/10
10CAHNJ001	Commission Administration	01/01/10 to 12/31/12	01/01/10 to 06/30/11
07CAHNJ001	Commission Administration	01/01/07 to 12/31/09	01/01/08 to 12/31/09
10PTHNJ001	PDAT	01/01/10 to 12/31/12	01/01/10 to 06/30/11
07PTHNJ001	PDAT	01/01/07 to 12/31/09	01/01/07 to 12/31/09
10CDH NJ001	Disability	01/01/10 to 12/31/12	01/01/10 to 06/30/11
07CDH NJ001	Disability	01/01/07 to 12/31/09	01/01/08 to 12/31/09
10SFANJ001	Foster Grandparent Program	07/01/10 to 06/30/13	07/01/10 to 06/30/11
07VSANJ003	VISTA	07/18/10 to 07/16/11	07/18/10 to 07/16/11

This AUP 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. The procedures included obtaining an understanding of the Commission and its policies, procedures, grants, and subgrantees. They also included reviewing documents at the Commission and its subgrantees related to member eligibility, claimed costs, matching costs, and compliance with laws, regulations, and the terms of grant agreements. 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 for any other purpose.

The results of the procedures are described in the Schedule of Internal Control and Compliance Findings. As a result of applying the procedures, we questioned as unsupported \$1,895,026 of Federal costs and \$229,178 of match costs. A questioned cost is: (1) an alleged violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that at the time of testing, such costs were not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable.

The agreed-upon materiality limits for this engagement include not reporting immaterial amounts of \$150 or less, or insignificant compliance findings. Insignificant compliance findings include submitting forms/reports seven days late or less, and grant matching differences of two percent or less.

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

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

A handwritten signature in black ink that reads "Castro & Company, LLC". The signature is written in a cursive, slightly slanted style.

Castro & Company, LLC  
September 28, 2012

**Corporation for National and Community Service  
New Jersey Commission on National and Community Service  
Consolidated Schedule of Award Costs**

Grant Number	AUP Period	Total Grant Funding	Total Costs Claimed	Costs Claimed During AUP Period	Questioned Costs	Schedule <sup>1</sup>
10ACHNJ001	09/01/10 to 09/30/11	\$1,599,232	\$567,438	\$443,576	\$0	N/A
07ACHNJ001	04/01/09 to 02/15/11	1,061,457	1,601,457	914,915	35,835	A
06AFHNJ001	04/01/09 to 03/31/11	15,078,308	10,718,827	4,174,787	23,247	B
09RCHNJ001	06/01/09 to 10/30/10	256,408	236,678	236,678	3,787	A
09RFHNJ001	06/01/09 to 09/30/10	800,231	720,101	720,101	37,925	C
10CAHNJ001	01/01/10 to 06/30/11	774,790	593,103	555,043	529,987	A
07CAHNJ001	01/01/08 to 12/31/09	1,038,951	1,036,762	688,421	567,307	A
10PTHNJ001	01/01/10 to 6/30/11	235,842	160,360	147,002	80,976	A
07PTHNJ001	01/01/10 to 06/30/11	397,393	394,605	258,105	130,200	A
10CDHNJ001	01/01/10 to 06/30/11	152,367	114,759	114,759	112,653	A
07CDHNJ001	01/01/08 to 12/31/09	182,598	179,991	138,280	123,777	A
10SFANJ001	07/01/10 to 06/30/11	1,425,761	629,228	629,228	153,171	A
07VSANJ003	07/18/10 to 07/16/11	114,650	97,207	97,207	96,161	A
	<b>Totals</b>	<b>\$23,117,988</b>	<b>\$17,050,516</b>	<b>\$9,118,102</b>	<b>\$1,895,026</b>	

<sup>1</sup> Separate schedules are prepared for the grants with questioned costs.

**New Jersey Commission on National and Community Service  
Schedule of Claimed and Questioned Costs  
Various Grant Awards**

Grant	Total Costs Claimed During AUP Period	Questioned Costs		Notes
		Federal	Match	
07ACHNJ001	\$914,915	\$35,835	\$31,567	1
09RCHNJ001	236,678	3,787	2,818	1
10CAHNJ001	555,043	529,987	0	2
07CAHNJ001	688,421	567,307	0	2
10PTHNJ001	147,002	80,976	0	2
07PTHNJ001	258,105	130,200	0	2
10CDHNJ001	114,759	112,653	0	1,2
07CDHNJ001	138,280	123,777	0	1,2
10SFANJ001	629,228	153,171	0	1,2
07VSANJ003	97,207	96,161	15,995	1,2
<b>Totals</b>	<b>\$3,779,638</b>	<b>\$1,833,854</b>	<b>\$50,380</b>	

**NOTES:**

1. We are questioning \$259,398 of Federal costs and \$50,380 of match costs because the Commission's Federal Financial Reports (FFRs)<sup>2</sup> did not reconcile to its accounting systems or subgrantees' Periodic Expense Reports (PERs). (See Finding No. 1)
2. We are questioning \$1,574,456 of Federal costs because the Commission Payroll was not supported by timesheets. (See Finding No. 2)

<sup>2</sup> The FFR replaced the Financial Status Report in 2010. All references to FFR in this report pertain to both the FFR and the former FSR, whichever is applicable to the context and specific time frame of the individual findings that begin on Page 8 (Schedule D).



**New Jersey Commission on National and Community Service  
Schedule of Claimed and Questioned Costs  
Award No. 06AFHNJ001 (Formula)**

Subgrantee	Total Costs Claimed During AUP Period	Questioned Costs		Notes
		Federal	Match	
Jefferson Park Ministries (JPM)	\$197,872	\$19,864	\$94,111	1 and 2
International Institute of New Jersey (IINJ)	557,655	3,383	76,016	1 and 2
<b>Totals</b>	<b>\$755,527</b>	<b>\$23,247</b>	<b>\$170,127</b>	

**NOTES:**

1. We are questioning \$14,197 of Federal costs and \$168,919 of match costs because the Commission FFRs did not reconcile to their accounting systems or subgrantee's PERs. (See Finding No. 1)
2. We are questioning \$9,050 of Federal costs and \$1,208 of match costs because of improper support for the allocation of payroll and fringe benefit costs. (See Finding No. 2)

**New Jersey Commission on National and Community Service  
Schedule of Claimed and Questioned Costs  
Award No. 09RFHNJ001 (Recovery - Formula)**

Subgrantee	Total Costs Claimed During AUP Period	Questioned Costs		Notes
		Federal	Match	
JPM	\$77,802	\$8,635	\$4,949	1 and 2
Other Subgrantees	480,847	29,290	3,722	1
<b>Totals</b>	<b>\$558,649</b>	<b>\$37,925</b>	<b>\$8,671</b>	

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**NOTES:**

1. We are questioning \$37,228 of Federal costs and \$6,435 of match costs because the Commission's FFRs did not reconcile to their accounting systems or subgrantee's PERs. (See Finding No. 1)
2. We are questioning \$697 of Federal costs and \$2,236 of match costs because of improper support for the allocation of payroll and fringe benefit costs. (See Finding No. 2)

**New Jersey Commission on National and Community Service  
Schedule of Internal Control and Compliance Findings**

**Finding No. 1 – Accounting Operations of the Commission and Subgrantees Were Inadequate to Account for Federal Funds**

The Commission and its subgrantees, Jefferson Park Ministries (JPM) and International Institute of New Jersey (IINJ), were not properly managing their grant funds. During the period covered by this AUP, their accounting systems were not reconciled to costs claimed or grant drawdowns. Specific details of these issues are noted below.

**Commission’s Inadequate Accounting Operations**

The Commission had significant internal control issues related to its grant accounting system. The system did not adequately account for grant costs and reconcile to the costs claimed on its FFRs. In addition, as reported in Finding 2 of this report, the internal controls associated with staff salaries were not sufficient to ensure the accuracy of the costs reported on its FFRs. These issues resulted in the following unsupported costs and internal control and compliance issues:

- We noted unsupported costs of \$342,790 (\$288,688 of Federal costs and \$54,102 of match costs) reported by the Commission on the latest FFRs. We were unable to reconcile the following grants from the accounting system to the latest FFRs.

Grant	FFR Amount	Accounting System	Federal Costs	FFR Amount	Accounting System	Match Costs
07ACHNJ001	\$914,915	\$879,080	\$35,835	\$677,423	\$645,856	\$31,567
09RCHNJ001	236,677	232,890	3,787	143,045	140,227	2,818
09RFHJ001	720,101	690,811	29,290	423,665	419,943	3,722
10CDHJ001	114,759	38,603	76,156	-	-	-
07CDHJ001	138,280	125,363	12,917	-	-	-
10SFANJ001	629,228	557,288	71,940	-	-	-
07VSANJ003	97,207	38,444	58,763	56,936	40,941	15,995
<b>Totals</b>	<b>\$2,851,167</b>	<b>\$2,562,479</b>	<b>\$288,688</b>	<b>\$1,301,069</b>	<b>\$1,246,967</b>	<b>\$54,102</b>

- The initial allocation of salaries to the State administrative fund is a New Jersey requirement that, according to the Commission, requires a significant level of effort to perform. Therefore, the function of calculating and processing time allocations to the AmeriCorps grants was not always performed on a timely basis, sometimes only annually. As a result, costs reported on the FFRs were not always correct.

Costs incurred by the Commission are maintained within its accounting system; however, the costs incurred by its subgrantees are not maintained in the same system, but are tracked on a spreadsheet, which is updated based on the PERs/FFRs submitted by each of the subgrantees. The \$342,790 of unsupported Commission costs were associated with the costs reported on the FFRs that did not agree to both the Commission’s detailed accounting system and the subgrantees’ PERs/FFRs.

### **JPM's Inadequate Accounting Operations**

We noted that JPM had significant internal control weaknesses related to accounting for its grant funds because it was not utilizing its accounting system's capability to separately account for Federal and match costs. In addition, costs reported on its PERs/FFRs to the Commission were not supported by its accounting system or proper supporting documentation. These issues resulted in the following unsupported costs and internal control and compliance issues.

Of \$117,751 of unsupported costs, \$83,039 of that amount was based on our reconciliation of JPM's PERs/FFRs to its accounting system. JPM was not able to provide supporting documentation for the remaining \$34,712. The table below shows these unsupported costs by grant:

<b>Grant</b>	<b>Federal Costs</b>	<b>Match Costs</b>	<b>Total Unsupported Costs</b>
06AFHNJ001	\$14,197	\$92,903	\$107,100
09RFHNJ001	7,938	2,713	10,651
<b>Total</b>	<b>\$22,135</b>	<b>\$95,616</b>	<b>\$117,751</b>

Based on our discussion with JPM's Executive Director, it was evident that the PERs/FFRs were prepared using the grant budget figures and were not based on actual expenditures associated with the grants. Some of the costs reported by JPM on its PERs/FFRs were not properly accounted for in the general ledger for its AmeriCorps grant-related projects, but were erroneously associated with non-AmeriCorps projects.

Regarding the other direct and match costs, the Executive Director stated that misplacement of the supporting documents for these costs was an oversight.

### **IINJ's Inadequate Accounting Operations**

IINJ had significant internal control weaknesses related to the maintenance of supporting documentation for its AmeriCorps grants. Based on our sample of 22 match costs, three transactions charged to the 06AFHNJ001 grant, totaling \$76,016, had no supporting documentation.

For the 06AFHNJ001 grant, IINJ's Executive Director stated that these transactions were associated with audit adjustments made by its auditors on prior year financial statements. However, that auditor is no longer performing the audit for IINJ, and the supporting documentation is not available.

#### **Criteria**

OMB Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, C.1 states:

Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- j. Be adequately documented.

OMB Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, 8.h states:

Support of salaries and wages. These standards regarding time distributions are in addition to the standard for payroll documentation.

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payroll documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official(s) of the government unit...

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5)...

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee

## **Recommendations**

We recommend that the Corporation:

- 1a. Resolve the unsupported questioned costs totaling \$536,557 (\$342,790 + \$117,751 + \$76,016) and recover disallowed costs.
- 1b. Ensure that the Commission and JPM utilize their accounting system's capability to account for grant costs by program, and for segregating Federal and match costs claimed.
- 1c. Ensure that the Commission and JPM perform timely reconciliations of their general ledgers to the PERs/FFRs and drawdowns, and that supervisory reviews of the reconciliations be conducted periodically.
- 1d. Ensure that the Commission enhances its subgrantee monitoring procedures to require the review of the subgrantees' reconciliations of the PERs/FFRs to their general ledger.
- 1e. Ensure that JPM and IINJ maintain adequate support for Federal costs claimed and match costs expended.
- 1f. Ensure that JPM staff attends fiscal training to enhance their knowledge of grant accounting operations and the related internal controls.

### Commission's Response

The Commission agrees with the finding as it relates to improving its internal controls and procedures to ensure its general ledger is properly updated to include the claimed grant costs. It will develop and implement additional controls to ensure that all salary and fringe benefit costs are reconciled and allocated amongst the proper grant projects quarterly. In addition, it will work to strengthen and enhance subgrantee monitoring procedures associated with the management of the subgrantees' general ledger.

Although the Commission acknowledges areas of improvement to its controls associated with the management of grant costs within its general ledger, it disagreed that these costs are unallowable. It stated that, although the costs have not been properly and timely allocated to the grant projects within the general ledger, these costs were directly attributable to the grants and, thus, properly reported on the FFRs.

JPM responded to each recommendation by stating controls it will implement to address each of the recommendations. The improved controls are associated with in-kind contributions, tracking of Federal and match grant costs within the general ledger, and the preparation of FFRs.

IINJ stated that although a portion of its claimed match costs were unallowable, it still had a sufficient amount of match equal to 95 percent of its budgeted match for the program year.

### Auditor's Comments

We agree with the controls that the Commission and JPM suggested they will implement, and we recommend that the Corporation follow up with the entities to ensure those controls have been properly implemented.

Related to the Commission's assessment that the grant costs reported on the FFR were attributable to the grants and thus properly reported on the FFRs, we recommend the Commission provide proper documentation to support that these costs were attributable to the grant period under audit.

IINJ closed down its operations subsequent to the completion of our audit fieldwork. Therefore, we have no further recommendations related to its response.

**Finding No. 2 – Improper Support for the Allocation of Payroll and Fringe Benefit Costs**

The Commission, JPM and IINJ were unable to support the allocation of payroll and fringe benefits costs claimed on three grants because none of the entities could provide supporting documentation. Specific details of these issues are noted below.

The Commission’s process for allocating salaries to the Federal grants included the initial charge of the salaries to a State general fund account. Periodically, the Commission allocates the appropriate amount of salaries to the Federal grants. Based on this process we noted the following areas of weakness:

- We are questioning \$1,574,456 of Federal costs because timesheets supporting Commission staff activities were not maintained, and hours expended on these activities were only certified on an annual basis. Furthermore, the annual certifications were not based on actual activity, but were based on budgeted amounts. The table below shows these questioned costs by grant.

<b>Grant</b>	<b>Payroll Amount</b>
10CAHNJ001	\$529,987
07CAHNJ001	567,307
10PTHNJ001	80,976
07PTHNJ001	130,200
10CDH NJ001	36,497
07CDH NJ001	110,860
10SFANJ001	81,231
10VSANJ001	37,398
<b>Total Payroll</b>	<b>\$1,574,456</b>

- Salaries included in match costs were not separately allocated to the Federal grant but were maintained within the State general fund account.

For JPM, we are questioning \$9,808 of salaries and fringe benefits due to timesheets not being approved by a supervisor, timesheets not showing each employee’s hours allocated to the respective AmeriCorps grants, and documentation not being provided to support the costs. These costs were related to the grants as noted below:

Grant	JPM Salaries			JPM Fringe Benefits			Total Unsupported (a) + (b)
	Federal Costs	Match Costs	(a) Unsupported Costs	Federal Costs	Match Costs	(b) Unsupported Costs	
06AFHNJ001	\$1,923	\$ -	\$1,923	\$3,744	\$1,208	\$4,952	\$6,875
09RFHNJ001	-	-	-	697	2,236	2,933	2,933
<b>Totals</b>	<b>\$1,923</b>	<b>\$ -</b>	<b>\$1,923</b>	<b>\$4,441</b>	<b>\$3,444</b>	<b>\$7,885</b>	<b>\$9,808</b>

For IINJ, we noted that:

- One (1) of the employee's timesheets could not be located to support two transactions;
- Two (2) employees' timesheets did not show a percentage breakdown of their work hours that should be charged to the AmeriCorps grants;
- Eight (8) employees charged hours to the AmeriCorps grants that were greater than the amounts supported by their timesheets. These issues resulted in questioned costs of \$3,383 for grant number 06AFHNJ001.

JPM and IINJ staff attributed the above issues to their respective Executive Directors. However, for the employees whose salary costs charged to the AmeriCorps grant exceeded the amount supported by their timesheets, these occurrences were attributed to the subgrantee charging the grants based on the budgeted amounts instead of the actual amounts.

### Criteria

OMB Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, 8.h states:

Support of salaries and wages. These standards regarding time distributions are in addition to the standard for payroll documentation.

- (1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payroll documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official(s) of the government unit.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5)...
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
  - (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
  - (b) They must account for the total activity for which each employee is compensated,



- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.

OMB Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, 8.d (5) states:

The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in section 22, Insurance and indemnification); pension plan costs (see subsection e.); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities.

### **Recommendations**

We recommend that the Corporation:

- 2a. Resolve the unsupported questioned costs totaling \$1,587,647 (\$1,584,264 + \$3,383) and recover disallowed costs.
- 2b. Ensure that the Commission implements controls to complete timesheets, review all timesheets to ensure that they are properly completed, signed by the employee, and reviewed and approved by their supervisor prior to payroll processing.
- 2c. Ensure that the Commission advises its subgrantees to implement controls for reviewing timesheets to determine that they are properly completed, signed by the employees, and reviewed and approved by their supervisor prior to payroll processing.

### Commission's Response

Although the Commission stated it had controls to ensure the proper amount of salaries and fringe benefit costs were allocated to the grants, it has implemented a time keeping system as an additional control to ensure the proper documentation and support of these costs.

JPM and IINJ also stated they will implement controls to ensure the timesheets are properly completed to support the salary costs.

### Auditor's Comments

We agree with the controls that the Commission, JPM and IINJ suggested they will or have implemented, and we recommend that the Corporation follow up with the entities to ensure they have been properly implemented.

### **Finding No. 3 - Member Compliance Requirements Were Not Met for Living Allowance Distribution**

During our review of a sample of living allowances paid to members at JPM, IINJ and the New Jersey Community Development Corporation (NJCDC), we noted all three subgrantees made unequal living allowance payments during their members' terms of service. For JPM, three of the seven members we sampled received lump sum living allowance payments at the end of their terms. We noted unequal living allowance payments to two of the seven IINJ members, and all eleven members sampled for NJCDC.

JPM stated it was not aware that lump sum payments were not allowed. NJCDC stated that the previous AmeriCorps program manager paid the living allowance on an hourly basis. Therefore, if members were missing an excessive amount of service hours, NJCDC would reduce their living allowance. For IINJ, the payments were made under a previous program manager, and the current program manager was not aware of the reasons for the reduced payments.

#### **Criteria**

2006 AmeriCorps Provisions, Section IV.I.1. *Living Allowance Distribution*, states:

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

If a member serves 1700 hours but is permitted to conclude a term of service before the originally agreed upon date, the program may not provide a "lump sum" payment to the member. Similarly, if a member enrolls after the program's start date, the program must provide regular living allowance payments from the member's start date and may not increase the member's living allowance incremental payment or provide a lump sum to "make up" any missed payments.

#### **Recommendation**

We recommend that the Corporation:

3. Ensure that, during its annual subgrantee training, the Commission emphasizes the living allowance requirements and the need for subgrantees to implement procedures to comply with these requirements.

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

The Commission stated that its monitoring of subgrantee payroll is performed on a sample basis and occurs at mid-year, making it unlikely that lump sum payments at the end of a member's service will be detected. Therefore, it will implement a control procedure to sample members from the prior program year.

NJCDC disagreed with the finding and believes it was paying the living allowances in accordance with the requirements for late entrance into the program, suspension of a

member, and early exit from the program. In addition, it believes that some of the living allowances cited in the finding for being paid inconsistently were actually paid in equal installments.

IINJ and JPM concurred with the findings. JPM stated it is no longer making lump sum and/or partial living allowance payments. IINJ closed its operations and did not provide any response on how it would improve its controls associated with living allowance payments.

Auditor's Comment

For the Commission, IINJ and JPM, we recommend the Corporation follow up to determine whether the recommendations have been properly addressed.

For NJCDC, our interpretation of the requirements is that living allowances are to be paid in equal payments and only ceased upon the members' conclusion of their contract. A member's late entrance into the program and suspension of a member are not valid reasons for varying the living allowance payments. In addition, a member's early exit would warrant the living allowance payment not being paid at all, only after it is determined that the member will not return; otherwise, the full payment should be made. Finally, our analysis shows that all eleven (11) members reviewed had unequal living allowance payments. If NJCDC believes they were paid in equal payments, we recommend the Corporation follow up to verify the payments for the disputed members, and ensure that NJCDC has implemented controls that properly address the recommendation on page 15.

**Finding No. 4 – Program Income Was Not Properly Reported**

JPM received \$65,915 in program income during the course of the following grants:

<b>Grant</b>	<b>Program Income Amount</b>
06AFHNJ001	\$34,178
09RFHNJ001	31,737
<b>Total</b>	<b>\$65,915</b>

The program income resulted from an agreement between JPM and the City of Elizabeth Board of Education for tutoring services for Elizabeth public school students. These services, charged at the rate of \$45 per hour, were the same services being provided by JPM for the AmeriCorps grants that were reimbursed by the Corporation. None of these amounts was reported in JPM's PERs/FFRs or to the Corporation, and these funds were used for the general operations of JPM, not for the AmeriCorps grants. Neither the AmeriCorps members nor the grant program received the benefits of the program income.

The Executive Director of JPM stated she was unaware that the value of these tutoring services is considered program income.

## Criteria

45 Code of Federal Regulations (C.F.R). § 2541.250 (b) - *Program Income*, states in part:

*Definition of program income.* Program income means gross income received by the grantee or subgrantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period. "During the grant period" is the time between the effective date of the award and the ending date of the award reflected in the final financial report.

45 C.F.R. § 2541.250 (g)(1), *Deduction*, states in part:

Ordinarily program income shall be deducted from total allowable costs to determine the net allowable costs. Program income shall be used for current costs unless the Federal agency authorizes otherwise.

45 C.F.R. § 2541.250 (g)(2), *Addition*, states:

When authorized, program income may be added to the funds committed to the grant agreement by the Federal agency and the grantee. The program income shall be used for the purposes and under the conditions of the grant agreement.

45 C.F.R. § 2541.250 (g)(3), *Cost sharing or matching*, states:

When authorized, program income may be used to meet the cost sharing or matching requirement of the grant agreement. The amount of the Federal grant award remains the same.

## Recommendations

We recommend that the Corporation:

- 4a. Instruct the Commission to return the \$65,915 in program income to the Corporation, or seek Corporation guidance on the disposition of the income in accordance with the above CFR requirements.
- 4b. Ensure that, during its annual training for all subgrantees, the Commission emphasizes the requirements associated with program income.
- 4c. Instruct the Commission to review all of its subgrantees to determine if they have earned and properly reported any program income. In addition, determine if the program income was returned to the Corporation or used in accordance with the above criteria.

## Commission's Response

The Commission stated that, since the recipients of the tutoring were not charged for the services, the funding should be allowed as a possible source of match for the period in question and not be treated as funds that must be returned to the Corporation. According to the Commission, JPM viewed the funds as a grant from the Elizabeth Board of Education, not as income generated from the services provided by the members.

JPM stated that some of the funds received were utilized as cash match toward members' living allowances.

### Auditor's Comment

We disagree with the Commission that these costs could be used as possible match since it has not provided any documentation showing that these funds were utilized for the purpose of the grant. If they have been used for the grant as JPM stated, we recommend that the Corporation work with the Commission and obtain the documentation to support this assertion. Otherwise, we recommend the Corporation follow up with the Commission to ensure the recommendations are properly addressed.

### **Finding No. 5 – Member Compliance Requirements Were Not Met for End-of-Term Evaluations and Criminal Background Checks**

During our review of 21 members at IINJ, we noted that two of the members did not receive an end-of-term evaluation for their final service term. Six other IINJ members, who had substantial recurring contact with children and/or vulnerable individuals, did not have evidence that a criminal background check was performed. None of these six IINJ members are still active in the program.

#### **Criteria**

2005 AmeriCorps Provisions, page 10, Section IV – AmeriCorps Special Provisions, Sub-Section D – Training, Supervision, & Support, Part 6 – Performance Review states:

The grantee must conduct and keep a record of at least a midterm and end-of-term written evaluation of each member's performance for Full and Half-time members and an end-of-term written evaluation for less than Half-time members. The evaluation should focus on such factors as:

- a. Whether the member has completed the required number of hours;
- b. Whether the member has satisfactorily completed assignments; and
- c. Whether the member has met other performance criteria that were clearly communicated at the beginning of the term of service.

45 C.F.R. § 2522.220 – *What are the required terms of service for AmeriCorps participants?*, states in part:

- c. Eligibility for second term. 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...

AmeriCorps Special Provisions, Section IV.C. *Member Enrollment*, states in part:

7. Criminal Background Checks. Programs with members (18 and over) or grant-funded employees who, on a recurring basis, have access to children (usually defined under state or local law as un-emancipated minors under the age of 18) or to individuals considered vulnerable by the program (i.e. the elderly or individuals who are either physically or mentally disabled), shall, to the extent permitted by state and local law, conduct criminal background checks on these members or employees as part of the overall screening process.

The grantee must ensure, to the extent permitted by state or local law, that it maintains background check documentation for members and employees covered by this provision in the member or employee's file or other appropriate file. The documentation must demonstrate that, in selecting or placing an individual, the grantee or the grantee's designee (such as a site sponsor) reviewed and considered the background check's results.

### **Recommendations**

We recommend that the Corporation:

- 5a. Ensure the Commission, during its annual subgrantee training, emphasizes the requirements for (a) completing and maintaining the required performance evaluations, and (b) the requirements for conducting background checks, including FBI fingerprint searches.
- 5b. Ensure the Commission follows up with the subgrantee to determine they have implemented procedures to monitor member files for compliance with the requirements, such as the utilization of a checklist.

### Commission's Response

The Commission accepted the response of IINJ related to this finding. IINJ stated the missing evaluations were associated with the Program Manager unexpectedly leaving the organization. As it relates to the criminal background checks, IINJ stated that the members in question did not work directly with any children, and if their work was associated with children, it was only in the presence of their parents.

### Auditor's Comment

Although we understand the challenges associated with Program Managers unexpectedly leaving the program, we recommend that controls be strengthened to ensure the compliance requirements of the grants are not minimized under any circumstances.

As it relates to the criminal background checks, any access to children, whether with their parent(s) or not, requires the member to have a background check performed before they begin their service, in accordance with AmeriCorps requirements. Therefore, we recommend the Corporation follow up with the Commission to ensure the recommendations are properly addressed.

## **Finding No. 6 – Federal Financial Reports Were Not Submitted Timely**

During our testing of FFRs prepared by the Commission and NJCDC, we found that the Commission submitted five FFRs late.

- Three reports were 4 days late.
- One was 13 days late.
- One was 38 days late.

For NJCDC, two FFRs were late by 12 and 72 days.

The Commission attributed the late submissions to difficulty encountered in posting payroll reconciliation adjustments. As discussed in Finding No. 1, the Commission initially records all salaries to the State General Fund. Periodically, these salaries are required to be allocated to their respective grant project funds. NJCDC was not aware of the reason its reports were submitted late.

### **Criteria**

AmeriCorps Provision, IV, AmeriCorps Special Provisions, F, *Reporting Requirements, 2, Financial Reports*, states in part:

The grantee must submit semi-annual cumulative financial reports summarizing expenditures during the reporting period. These reports will be submitted through the appropriate electronic system. Financial report deadlines are as follows:

<b><u>Due Date</u></b>	<b><u>Reporting Period Covered</u></b>
April 30	Start of grant through March 31
October 31	April 1 – September 30

AmeriCorps Provisions, Section B - Special Provisions, Sub Section 16. *Reporting Requirements*, states in part:

The Corporation expects each Grantee to set its own Sub-Grantee reporting requirements. Grantees are responsible for monitoring Sub-Grantee activities and training needs, tracking progress toward objectives, and identifying challenges. Sub-Grantees must adhere to the reporting requirements outlined and communicated by its Grantee for the program year.

### **Recommendations**

We recommend that the Corporation:

- 6a. Ensure the Commission develops and implements internal controls and procedures to assure that all program expenditures recorded on FFRs are reported to the Corporation in a timely manner.
- 6b. Ensure the Commission emphasizes during its annual subgrantee training the requirements and importance of submitting PERs/FFRs when they are due.

Commission's Response

The Commission agreed with the finding and stated it will continue to strengthen and implement controls to assure the timely submission of all FFRs. NJCDC attributed its late submissions to its transition to new financial accounting software.

Auditor's Comment

We recommend that the Corporation follow up with the Commission to ensure the recommendations have been properly addressed.

**Finding No. 7 – Improper Procedure for Handling Advance Payments**

We determined that the three subgrantees we tested were receiving advance payments from the Corporation through the Department of Human Services' Payment Management System. However, the Commission's procedures for monitoring these advance payments were inadequate.

The Commission's procedures for reimbursing its subgrantees' grant-related expenses are not based on actual expenditures incurred during a prior period. Instead, the Commission pays the subgrantees three-fourths of the total grant in three equal payments with the fourth payment based on the total grant expenditures incurred, less the three initial payments. Based on our review of the grant payments and the associated grant expenditures incurred, we concluded that this process of paying the subgrantees has resulted in advance payments, or unspent balances, for the following grant periods for each subgrantee:

<b>Subgrantee</b>	<b>Grant</b>	<b>Calendar Quarter</b>	<b>Advance Amount</b>
JPM	06AFHNJ001	12/31/2010	\$ 9,292
JPM	09RFHNJ001	3/31/2010	8,651
IINJ	06AFHNJ001	12/31/2008	10,055
IINJ	06AFHNJ001	3/31/2009	3,898
IINJ	06AFHNJ001	6/30/2009	6,034
IINJ	06AFHNJ001	12/31/2010	18,305
IINJ	06AFHNJ001	3/31/2011	25,751
IINJ	09RFHNJ001	3/31/2010	17,122
NJCDC	06AFHNJ001	12/31/2008	5,369
NJCDC	06AFHNJ001	3/31/2009	13,613
NJCDC	06AFHNJ001	6/30/2009	21,998
NJCDC	06AFHNJ001	8/31/2009	4,536

We calculated the advance amounts shown above by deducting the quarterly drawdown amounts from the total expenses appearing on each subgrantee's PERs. Where drawdowns exceeded PER expenses, the result is an excess advance payment that was not reimbursed by the subgrantee to the Commission.

The Commission and its subgrantees did not have procedures in place to monitor these advance payments to ensure they were used in a timely manner, funds were deposited into interest bearing accounts, and interest accrued on unspent balances was being reported and remitted to the Payment Management System.



## Criteria

45 C.F.R. § 2541.210 (c) - *Payment*, states in part:

*Advances.* Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

45 C.F.R. § 2541.210 (i) - *Payment*, states in part:

*Interest earned on advances.* Except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (31 U.S.C. 6501et seq.) and the Indian Self-Determination Act (23 U.S.C. 450), grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or subgrantee may retain interest amounts up to \$100 per year for administrative expenses.

## Recommendations

We recommend that the Corporation:

- 7a. Ensure the Commission and the subgrantees implement procedures to more closely monitor the amounts of advance payments paid by the Commission to its subgrantees. These procedures should include internal controls to track the advance payments in accordance with the requirements.
- 7b. Ensure the Commission monitors the subgrantee procedures to ensure compliance with the requirements associated with advance payments, including the reporting and remittance of interest earned on advances.

## Commission's Response

The Commission concurred with Recommendations 7a and 7b and has implemented procedures that minimize advance payments. It has revised its procedures to ensure that payments it makes to subgrantees for calendar quarters three and four are only paid after the first two quarterly payments are exhausted, and more funds are needed to cover additional expenditures. Any payments made thereafter will be on a reimbursement basis only, and will not provide advance dollars.

## Auditor's Comment

We agree with the Commission's suggested controls, and we recommend that the Corporation follow up with the Commission to ensure these controls have been implemented and are effective in addressing the recommendations.

## Objectives and Scope

The objectives of this AUP engagement were to determine whether the Commission expended Corporation-funded Federal assistance in accordance with applicable requirements, and to report resulting findings on questioned costs, internal controls, and compliance with laws and regulations.

Castro & Company, LLC, performed the procedures 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. The procedures included obtaining an understanding of the Commission and its policies, procedures, grants, and subgrantees. They also included reviewing documents at the Commission offices and its subgrantees related to member eligibility, claimed costs, matching costs, and compliance with laws, regulations, and the terms of grant agreements.

During the period covered by our procedures, the Commission received approximately \$23.1 million under 13 Corporation grant awards. Of this amount, \$9.1 million were claimed on FFRs. Approximately 60 percent of the funds were distributed to subgrantees.

We conducted our fieldwork at the Commission and three of its subgrantees, JPM, IINJ and NJCDC, from December 12, 2011, to January 27, 2012. We selected these subgrantees for testing primarily based on:

- (1) The amount of grant dollars subawarded to each subgrantee;
- (2) The number of AmeriCorps members enrolled by each subgrantee; and
- (3) Associated risks identified during Commission monitoring visits.

## Background

The Corporation, under the authority of the National Community Service Trust Act, as amended, awards grants and cooperative agreements to State commissions, nonprofit entities, and tribes and territories to assist in the creation of full- and part-time national and community service programs. Through these grantees, AmeriCorps members perform service to meet educational, human, environmental, and public safety needs. In return, eligible members may receive a living allowance and post-service education benefits.

The Commission was created by the Governor of New Jersey in June 1994 to guide and oversee the State's national service programs. The Commission was originally created within the New Jersey Department of Education; however, in 2003, it was transferred to the governance of the New Jersey Department of State.

The Commission's goals are to:

- Develop a statewide ethic of service and a comprehensive, coordinated program targeted to the needs of New Jersey and its unique community challenges. The programs will provide opportunities for service that bring diverse people together

working for a common cause to get things done in communities, remove barriers and promote respect.

- Address the service needs of the state by prioritizing needs and problems, then targeting resources and grants to the priority needs.
- Guide the AmeriCorps program and ensure the effectiveness of its components. Develop and nurture partnerships among the education community, health care community, volunteer programs, the business sector, community-based agencies, foundations, state and local government units, cultural groups, youth programs and senior citizen groups that can work to meet the needs of its communities.
- Develop a well-planned strategy to ensure public awareness through various public relations approaches, highlighting quantitatively and qualitatively desired outcomes.
- Create a stable funding source for national and community service through fund-raising activities, endowments, and corporate funding to supplement other funding from the Corporation.

### **Exit Conference**

A discussion draft report was provided to the Corporation, the Commission and applicable subgrantees at an Exit Conference conducted on July 6, 2012. Responses to the draft report from the Commission and Corporation are summarized in appropriate sections of this report, and both sets of comments in their entirety are included in Appendices A and B, respectively.

## **APPENDIX A**

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**NEW JERSEY COMMISSION ON  
NATIONAL AND COMMUNITY SERVICE's  
RESPONSE TO THE DRAFT REPORT**



STATE OF NEW JERSEY  
DEPARTMENT OF STATE  
TRENTON, NJ 08625  
(609) 984-1900

CHRIS CHRISTIE  
*Governor*

LT. GOVERNOR KIM GUADAGNO  
*Secretary of State*

September 6, 2012

Ronald Huritz, Audit Manager  
Office of the Inspector General  
1201 New York Avenue, NW, Suite 830  
Washington, D.C. 20525

Dear Mr. Huritz:

On behalf of the New Jersey Commission on National and Community Service, thank you for the opportunity to respond to the Office of the Inspector General (OIG) draft audit report.

Enclosed please find our response to the Agreed-Upon Procedures For Grants Awarded to the New Jersey Commission on National and Community Service. As detailed in our response, we have provided additional information pertaining to each finding listed with hopes that this information, when combined with the proposed corrective action plans, will answer any questions raised from the audit report and produce resolution of the issues contained therein.

The New Jersey Commission is dedicated to implementing continuous improvement processes and strengthening our monitoring systems, internal procedures, policies and controls to ensure that the highest of standards are being met. We are grateful for the support of the NJ Department of State and the Division of Administration.

We appreciate the assistance provided by your office during the audit process and we look forward to working with the Corporation for National and Community Service.

Sincerely,

Rowena Madden  
Executive Director  
New Jersey Commission on National & Community Service

c. Randal Vellocido  
Kathleen Kisko  
Eric Anderson  
Eric Carlsson  
Dominick Fiorilli  
Wendy Galloway  
Ivette Ramos  
Pat Schwartz

Margaret Mattinson  
Peg Rosenberry  
Claire Moreno  
Anthony Campbell  
Robert Guarasci  
Catherine Tansey  
Catherine Saintillien

New Jersey Commission on National & Community Service

**FINDING NO.1: -Accounting Operations of the Commission and Sub-grantees Were Inadequate to Account for Federal Funds**

**Commission’s Inadequate Account Operations:**

While the New Jersey Commission on National and Community Service agrees that there are opportunities to improve operationally, it does not concur with the assessment that these opportunities represent any significant internal control issues or inadequate accounting operations to manage federal funds. Upon performing a review of the costs questioned in this finding, it has been observed that the majority of these expenses are centered on a singular issue; the time-frame by which salary and fringe reconciliations/settlements post to the federal accounts.

Of the 288,688 in federal costs questioned under *Finding No.1*; 219,776 are related to Commission grants, of which 190,691.36 is strictly salary and fringe charges. The remaining 29,084.64 were member support costs. These costs were expenses directly attributable to grant operations, thus reported on the FFRs. They were settled to the grant general ledgers in the subsequent quarters and thus did not show up on the period reviewed. This created the appearance of a discrepancy between the general ledger and the amounts reported on the FFRs.

Since these costs are budgeted in all grant applications and are directly related to grant operations; staff working to meet the goal and objectives of each funding opportunity, we believe these costs detailed below to be ‘... *necessary and reasonable for proper and efficient performance and administration of Federal awards...*’ as outlined in *OMB Circular No. A-87, Cost Principals for State, Local and Indian Tribal Governments Attachment A, C.1:a*, and thus to be in compliance.

The breakdown of these costs is as follows:

<b>Grant</b>	<b>FFR Amount</b>	<b>Accounting System</b>	<b>Federal Costs Questioned</b>
10CDHNJ001	\$ 114,759	\$ 38,603	\$ 76,156
07CDHNJ001	\$ 138,280	\$ 125,363	\$ 12,917
10SFANJ001	\$ 629,228	\$ 557,288	\$ 71,940
07VSANJ001	\$ 97,207	\$ 38,444	\$ 58,763
<b>Sub-Totals A</b>	<b>\$ 979,474</b>	<b>\$ 759,698</b>	<b>\$ 219,776</b>

**10CDHNJ001:** The 76,156 in costs associated with this grant that has been questioned by the auditors are 54,119.46 in salary charges and 10,011.00 in fringe charges in account 11-100-074-2505-079 and 8,918.00 in salary charges and 3,108.00 in fringe charges in the 10-100-074-2505-079 account. These costs were questioned by the auditors since they appear on the 10CDHNJ001 general ledger after the FFR end date of 6/30/11 but are included as expenses on the FFR. These costs were included in the FFR because even though they did not appear on the 10CDHNJ001 general ledger as of 6/30/11, the salary and fringe costs were attributable to the grant for the period being reported. The actual settlements were processed after the 6/30/11 date.

**07CDHNJ001:** The 12,917 in questioned expenses associated with this grant are again for salary and fringe reconciliations that were posted via transactions occurring after the review period. Since these expenses were directly attributable to the grant and were budgeted, they were included on the FFR.

**10SFANJ001:** The 71,940 in questioned costs associated with this grant are attributed to 47,073.48 in salary charges, 10,066.67 in fringe charges, 7,146.55 in program support charges (travel, training & supplies) and 7,652.90 in foster grandparent stipends in account 11-100-074-2505-120. Again, these costs were questioned by the auditors since they appear on the 10SFANJ001 general ledger after the FFR end date of 6/30/11 but are included as expenses on the FFR. These costs were included in the FFR because even though they did not appear on the 10SFANJ001 general ledger as of 6/30/11 the salary and fringe calculations were for staff time/activity and directly related to the operations of the grant for the period being reported. The 7,652.90 stipend charge was for Foster Grandparent(s) Unused Sick time billed back for the period ending 6/30/11.

**07VSANJ001:** The 58,763 in questioned costs associated with this grant are from 22,686.86 from the 07-100-074-2505-096 (16,707.26 in salary, 5,671.27 in fringe and 307.83 in travel) and 35,000 in expenses from the 08-100-074-2505-096 (33,940.79 in salary and 1,059.21 in travel). We believe these costs were questioned because they are listed on the cumulative FFR but fall outside of the period reviewed since they are from the previous fiscal years. The remaining 1,076.14 in expenses that are questioned are 1,076.14 in salary charges and 487.50 in expense corrections posted to the 09-100-074-2505-096. All costs listed here have been audited previously by The Corporation For National and Community Service and were found to be in full compliance

<b>Grant</b>	<b>FFR Amount</b>	<b>Accounting System</b>	<b>Federal Costs Questioned</b>	<b>Match Questioned</b>
07ACHNJ001	\$ 914,915	\$ 879,080	\$ 35,835	\$ 31,567
09RCHNJ001	\$ 236,677	\$ 232,890	\$ 3,787	\$ 2,818
09RCHNJ007	\$ 720,101	\$ 690,811	\$ 29,290	\$ 3,722
<b>Sub-Totals B</b>	<b>\$ 1,871,693</b>	<b>\$ 1,802,781</b>	<b>\$ 68,912</b>	<b>\$ 38,107</b>

**07ACHNJ001, 09RCHNJ001, 09RCHNJ007:**

The remaining 68,912 in federal costs questioned during the audit and the 38,107 in matching costs being questioned are related to the grants that contain sub-grantee components: The AmeriCorps Competitive, and the Recovery and Reinvestment Grants. The general ledger for these accounts will not reconcile to interim FFRs but do agree with the FINAL FFRs submitted. This anomaly occurs because the NJ Commission on National and Community Service calculates interim FFRs using the sub-grantee submitted reports on actual expenditures incurred, to get the most accurate accounting of costs. Using the State of New Jersey's general ledger, would only produce quarterly payments to the sub-grantees and not actual expenses. As indicated above, this anomaly is always reconciled when the Final FFR is submitted as final payments to sub-grantees is based on the difference between their 3<sup>rd</sup> quarter payments and total expenses reported on their FINAL FFR, effectively balancing the state's general ledger to the sub-grantees. We believe this issue is addresses later in the audit under Finding #7 and are confident the corrective action plan implemented therein will alleviate any issues.

	<b>FFR</b>	<b>Accounting</b>	<b>Federal Costs</b>	<b>Match Costs</b>
	<b>Amount</b>	<b>System</b>	<b>Questioned</b>	<b>Questioned</b>
<b>Sub-Total A</b>	\$ 979,474	\$ 759,698	\$ 219,776	\$ 15,995
<b>Sub-Total B</b>	\$ 1,871,693	\$ 1,802,781	\$ 68,912	\$ 38,107
<b>TOTALS</b>	\$ 2,851,167	\$ 2,562,479	\$ 288,688	\$ 54,102
				<b>\$ 342,790</b>

As you can see from the breakdown of costs, most of these dollars identified by the auditors are directly related to the operations of the grants and are supported by work performed pursuing the goals and objectives of each program. Therefore we believe these costs to be ‘...generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award...’ and thus conforming to *OMB Circular No. A-87, Cost Principals for State, Local and Indian Tribal Governments* as outlined in Attachment A, C.2.

Since these transactions often occurred quarterly or in some cases semi-annually, we concur with the auditors that the salary and fringe settlement transactions not reconciled to the federal general ledgers in a timely fashion demonstrates a lack of compliance with *OMB Circular No. A-87, Cost Principals for State, Local and Indian Tribal Governments Attachment B, 8.h:5*, which states that personnel activity reports or equivalent documentation must: ‘*be prepared at least monthly and must coincide with one or more pay periods...*’.

Therefore, the New Jersey Commission on National and Community Service proposes that these questioned costs do not actually demonstrate a material inadequacy of accounting operations, but rather reveal a weakness in the timeliness of our salary and fringe reconciliations as an identifiable area of needed improvement. Recognizing the need to change or enhance our existing policies and procedures to further strengthen our program administration and meet this issue, we would like to propose the following Corrective Action Plan:

**CORRECTIVE ACTION:**

The New Jersey Commission on National and Community Service, in conjunction with the Division of Administration, New Jersey Department of State will develop and implement additional internal controls and procedures to insure the timely completion of all salary and fringe reconciliations, occurring at least quarterly, to be reviewed by an assigned supervisor. This will maintain an up-to-date general ledger of claimed costs per grant.

In addition to this, it was noted that; during the audit period, staff of the New Jersey Commission carried responsibility for reporting the sub-grantee FFRs, but did not have access to the state of New Jersey Financial System. Moving forward, and in response to the audit, the New Jersey Commission Grants Officer is being cross-trained on this accounting system and will have access to it. This will alleviate any discrepancies between the FFRs. To further address this issue, an Accountant has been added to the staff of the New Jersey Commission on National and Community Service. This accountant will work extensively to assist with the timely reconciliation of accounts.



Lastly, staff of the New Jersey Commission will work to strengthen and enhance sub-grantee monitoring procedures to insure compliance with regard to the management of sub-grantee general ledgers. We look forward to working with the Corporation on National and Community Service to ensure full and complete implementation of this corrective action plan and to obtaining a final resolution to these finding.

### **Jefferson Park Ministries Response to Finding #1**

Recommendation 1a Corrective Action: JPM will obtain in-kind contribution forms from donors when materials are delivered. JPM will not record the in-kind contribution in its accounting records until JPM has the appropriate supporting documentation. JPM will record all claimed match in accounting journals as both revenue and expenditures. JPM will ensure that matching funds must be verifiable from recipient, incurred during the project, only counts services that contribute to organizational functions such as accounting or training of staff or members. The value of direct community services performed by volunteers will not count as match.

Recommendation 1.b Corrective Action. JPM will set up the chart of accounts with specific accounts for each grant, which will distinguish grant vs. non grant related expenditures, identifying cost by program year, accounting for each award/grant separately and recording in-kind contribution.

Recommendation 1.c Corrective Action. JPM will prepare the FFR based on actual reports from the general ledger. JPM will retain copies of those reports that correspond with the FFR as part of the official records. JPM will retain all financial and member records for seven years. JPM is in the process of creating and implementing procedures to conduct a regular reconciliation between FFR and the accounting systems and document the process in written procedures. There will be a preparer and reviewer sign off on the reconciliation.

Recommendation 1.d. Corrective Action. The Commission will reinforce its subgrantee monitoring procedures to require all subgrantee reconciliations of the PERs/FFRs to the general ledger on at least a quarterly basis. While we emphasize this in our trainings, for both subgrantee Program Managers and Fiscal Officers, we will strengthen this aspect of training and monitoring.

Recommendation 1.e. JPM will not record the in-kind contribution in its accounting records until JPM has the appropriate supporting documentation. JPM will record all claimed match in accounting journals as both revenue and expenditures. JPM will ensure that matching funds must be verifiable from recipient, incurred during the project, only counts services that contribute to organizational functions such as accounting, training of staff or members. The value of direct community services performed by volunteers will not count as match.

Recommendation 1.f. At the recent "Starting Strong" training, two fiscal staff of JPM attended the all-day fiscal training. The training included all of the financial management requirements of the federal program, as required by CNCS. This included, but was not limited to, training on match, living allowance distribution, source documentation, OMB circulars.

**International Institute of New Jersey (IINJ) Response to Finding #1**

In November, 2009, IINJ changed its principle accountant and requested the services of an outsourced accounting firm. As a result of the initial investigation conducted by the outsourced accounting firm, IINJ made a number of changes in its accounting procedures and updated the financial software. In addition, IINJ ultimately hired a senior accountant to review past records and to implement stronger accounting procedures. At the same time, a volunteer supervisory accountant monitored the progress. IINJ also worked with a new payroll firm and hired a payroll specialist so that we could ensure clearer payroll records.

IINJ's 2008-09 Auditors, Withum Smith&Brown pointed out that \$76,016 of match was not properly documented and as a result, not allowed. Our volunteer supervisor accountant also noted this fact so we deducted the amount from the total match. Even though this match was not allowed, IINJ still had \$217,449.87 in match that was 95% of the match which had been budgeted for the program at the beginning of the year. The overall program award of federal funds was \$245,700.

**International Institute AmeriCorps Expense Report IN- KIND Aug 08- Sept 09**

7/16/2012 11:00am

Budget Comparison Report Current Period: 9/1/2008 -8/31/2009

Budget Period: 9/1/2008 - 8/31/2009

Cc1 = 400 Cc2 = MIK

		Year-to-Date Actual	Year-to-Date Budget	YEAR TO DATE VARIANCE
Revenue				
	CONTRIBUTED SVCS PLEGDED	58000	217,449.87	0.00
				217,449.87
Total Revenue		217,449.87	0.00	217,449.87
Expenses				
	OPERATIONS AND ADMIN. COST			
	OPERATIONS AND ADMIN.			
	Total OPERATIONS AND ADMIN.	0.00	0.00	0.00
	OTHER (MISC. AND OCCUPANDY)			
	Total OTHER (MISC. AND OCCUPANDY)	0.00	0.00	0.00
Total OPERATIONS AND ADMIN. COST		0.00	0.00	0.00
	CONTRIBUTED SVCS PROVIDED	98100	217,449.87	0.00
Total Expenses		217,449.87	0.00	(217,449.87)
Excess or (Deficiency) of Revenue Over Expenses		0.00	0.00	0.00

**IINJ AmeriCorps Detail In-Kind Aug08-Sep09.xls**

7/ /16/2012 10:54am

Budget Comparison Report Account Detail for:

100 - 98100 - 400 - MIK

**CONTRIBUTED SVCS PROVIDED**

Activity for: 9/1/2008 - 8/31/2009

Post Date	Journal	Control #	Memo	Debit	Credit	Balance
9/1/2008			Opening Balance	0.00	0.00	
9/30/2008	GLGJ	73	Linda JE#21 reverse dup. 1Q AM	0.00	44,286.00	
9/30/2008	GLGJ	74	Linda JE#22 reverse dup. 2Q AM	0.00	31,360.00	
12/31/2008	GLGJ	6	MBR SUPERVISION @1208	18,778.00	0.00	
12/31/2008	GLGJ	6	MBR SPACE @1208	13,348.00	0.00	
12/31/2008	GLGJ	6	OFFICE RENT/TEL/UTILITY @1208	2,080.00	0.00	
12/31/2008	GLGJ	6	INTERPTING TRNG 2 DAYS	500.00	0.00	
1/31/2009	GLGJ	6	MBR SUPERVISION @1208	18,778.00	0.00	
1/31/2009	GLGJ	6	MBR SPACE @1208	13,348.00	0.00	
1/31/2009	GLGJ	6	OFFICE RENT/TEL/UTILITY @1208	2,080.00	0.00	
1/31/2009	GLGJ	6	INTERPTING TRNG 2 DAYS	500.00	0.00	
2/28/2009	GLGJ	6	MBR SUPERVISION @1208	18,778.00	0.00	
2/28/2009	GLGJ	6	MBR SPACE @1208	13,348.00	0.00	
2/28/2009	GLGJ	6	OFFICE RENT/TEL/UTILITY @1208	2,080.00	0.00	
2/28/2009	GLGJ	6	INTERPTING TRNG 2 DAYS	500.00	0.00	
3/28/2009	GLGJ	6	MBR SUPERVISION @0309	16,930.00	0.00	
3/28/2009	GLGJ	6	MBR SPACE @3009	20,022.00	0.00	
3/28/2009	GLGJ	6	OFFICE RENT/TEL/UTILITY @0309	1,560.00	0.00	
3/28/2009	GLGJ	9	MBR SUPERVISION @1208	18,778.00	0.00	
3/28/2009	GLGJ	9	MBR SPACE @1208	13,348.00	0.00	
3/28/2009	GLGJ	9	OFFICE RENT/TEL/UTILITY @1208	2,080.00	0.00	
3/28/2009	GLGJ	9	INTERPTING TRNG 2 DAYS	500.00	0.00	
6/30/2009	GLGJ	31	AmeriCorps supervision @0609	18,568.00	0.00	
8/31/2009	GLGJ	15	AmeriCorps Mbr supervision @809	21,545.87	0.00	
8/31/2009	GLGJ	26	Adjust.to entry #73 for FY08	44,286.00	0.00	
8/31/2009	GLGJ	26	Adjust.to entry #74 for FY08	31,360.00	0.00	
Report Total:				293,095.87	75,646.00	217,449.87

**IINJ AmeriCorps Attachment C 4Q09-REV.xls**  
**COMPARISON OF ACTUAL TO BUDGET**  
**EXPENDITURES**  
A GRANT BETWEEN  
STATE OF NEW JERSEY  
DEPARTMENT OF STATE/AMERICORPS-  
NJCNCs FORMULA  
**AND**  
**INTERNATIONAL INSTITUTE OF NEW JERSEY**  
GRANT NUMBER 09AMER-006AFO  
FOR THE PERIOD ENDING: \_\_\_\_09/01/09

**Part A: AmeriCorps Member Support Costs**

\*Year to Date Expenses\*

<u>Budget Categories</u>	<u>Fed Budget</u>	<u>Grantee Budget</u>	<u>Total Budget</u>	<u>Federal</u>	<u>Grantee</u>	<u>Total</u>
A. Living Allowance	\$170,040.00	\$55,945.00	\$225,985.00	\$169,404.24	\$37,781.34	\$207,185.58
B. FICA (7.65%)	\$14,694.00	\$2,594.00	\$17,288.00	\$12,959.42	\$2,890.26	\$15,849.68
C. Worker's Comp / Member Support Costs	\$2,689.00	\$475.00	\$3,164.00	\$2,676.59	\$528.94	\$3,205.54
D. Health Care (F/T.)	\$5,421.00	\$15,243.00	\$20,664.00	\$5,421.00	\$13,051.94	\$18,472.94
<b>Part A: TOTAL</b>	<b>\$192,844.00</b>	<b>\$74,257.00</b>	<b>\$267,101.00</b>	<b>\$190,461.25</b>	<b>\$54,252.49</b>	<b>\$244,713.75</b>
	72%	28%		\$0.78	\$0.22	

**Part B: Operations and Administrative Costs**

\*Year to Date Expenses\*

<u>Budget Categories</u>	<u>Fed Budget</u>	<u>Grantee Budget</u>	<u>Total Budget</u>	<u>Federal</u>	<u>Grantee</u>	<u>Total</u>
A. Personnel Exp.	\$35,500.00	\$68,821.00	\$104,321.00	\$35,500.00	\$68,003.00	\$103,503.00
B. Benefits	\$5,385.00	\$4,131.00	\$9,516.00	\$5,385.00	\$4,131.00	\$9,516.00
C. Staff Travel		\$292.00	\$292.00	\$0.00	\$292.00	\$292.00
Member Travel	\$311.00	\$469.00	\$780.00	\$311.00	\$469.00	\$780.00
D. Equipment			\$0.00	\$0.00	\$0.00	\$0.00
E. Supplies	\$0.00	\$2,196.00	\$2,196.00	\$0.00	\$2,106.39	\$2,106.39
F. Contr/Consult Srv			\$0.00	\$0.00	\$0.00	\$0.00
G. Training -		\$500.00	\$500.00	\$0.00	\$0.00	\$0.00

Staff						
Training - Memb		\$2,000.00	\$2,000.00	\$0.00	\$2,540.00	\$2,540.00
H. Evaluation		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
I. Other (Meetings / Payroll Service)		\$66,040.00	\$66,040.00	\$0.00	\$76,039.00	\$76,039.00
Telephone			\$0.00	\$0.00	\$0.00	\$0.00
Field Trips			\$0.00	\$0.00	\$0.00	\$0.00
F/Trip Transport		\$500.00	\$500.00	\$0.00	\$0.00	\$0.00
J. Admin. Costs	\$11,660.00	\$9,354.00	\$21,014.00	\$11,660.00	\$9,617.00	\$21,277.00
K. Indir Cost Rate			\$0.00	\$0.00	\$0.00	\$0.00
<b>Part B: TOTAL</b>	<b>\$52,856.00</b>	<b>\$154,303.00</b>	<b>\$207,159.00</b>	<b>\$52,856.00</b>	<b>\$163,197.39</b>	<b>\$216,053.39</b>
Total Direct Cost	\$245,700.00	\$228,560.00	\$474,260.00	\$243,317.25	\$217,449.88	\$460,767.14
<b>Total Cost Funded by Department</b>	<b>\$245,700.00</b>	<b>\$228,560.00</b>	<b>\$474,260.00</b>	<b>\$243,317.25</b>	<b>\$217,449.88</b>	<b>\$460,767.14</b>

**FINDING NO. 2: Improper Support For The Allocation of Payroll and Fringe Benefit Costs**

When grant applications are submitted, and budgeted line items are calculated, they are done so utilizing an in-depth review of previous years' expenditures (including all program operations and actual time/activity performed) as well as a precise projection of Corporation sponsored activities planned for the upcoming year. These include projections for staff time/activity allocations for the upcoming year. While these budgets provide baseline data for the year, they are not the only method for calculating staff time/activity and salary and fringe reconciliations are never based on these budgeted figures alone.

Several times a year, fiscal staff of the Division of Administration meet with the Executive Director of the New Jersey Commission on National and Community Service to review the status of accounts. This includes, but is not limited to, periodic reviews of: all purchases, encumbrances, account corrections, transactions and staff assignments. These meetings are used to not just ensure that the appropriate salary and fringe charges are being recorded to each account, but also to adjust for any staffing changes, responsibility re-assignments etc. that might affect the original budgeted time and activity allocations. In some cases, staff was assigned 100% to a particular grant for more than one grant period, so no adjustments were warranted.

In addition to this, an extensive annual review occurs on each federal account at the time of closeout. These annual reviews are performed and certifications provided to support the validity of time and

activity charged to each account. These certifications were not solely based on budgeted amounts but rather an in-depth after-the-fact review of actual time/activity performed accounting for total compensation per staff member in accordance with *OMB Circular No. 87, Cost Principles for State, Local and Indian Tribal Governments, Attachment B, 8.H, 5 (a) & (b)*.

In conjunction with these certifications, calendars listing staff activities for the period in question were also provided, but the New Jersey Commission concurs that these did not rise to the level of documented timesheets.

**CORRECTIVE ACTION:**

Beginning July 1, 2012, the New Jersey Department of State has implemented the “eCats” time keeping system, a mandatory fully automated, multi-tiered online timekeeping system. Gradually implemented throughout New Jersey State government, this online time keeping system has bi-weekly time/activity reporting, certification of time by the supervisor, shows all holidays, vacation, sick and administrative leave, and allocates Department of State staff to their various program offices. The New Jersey Department of State has committed \$15,000 in funding to support this initiative and bring “ecats” on-line to the New Jersey Commission on National and Community Service. Time and activity reporting is now a daily occurrence with bi-weekly certification corresponding to pay periods. Additionally, in response to this audit finding, the Department of State, Division of Administration, had a special drop-down menu developed within “e-cats” to account for New Jersey Commission staff that will separate out time spent on Commission Admin, PDAT, Disabilities, Foster Grandparent Program, VISTA, and the state-funded Office of Volunteerism all on a weekly basis. It is our hope that this automated time keeping system, combined with the new internal procedures making its usage mandatory and requiring both employee signatures and supervisor certification, will bring appropriate resolution to this finding.

**Jefferson Park Ministries (JPM) Response to Finding #2:**

JPM will develop a system to compare actual time against budgeted time and document the process in writing. JPM will review timesheets and perform periodic reconciliations of completed timesheets with hours completed. All salaries and wages charged to CNCS grants will be supported by signed time and attendance records. Timesheets are signed by the members, site supervisors and program managers before being submitted for payroll. No checks will be released to members without their timesheets. Fringe benefit statements for insurance and other benefits are maintained by JPM.

**International Institute of NJ Response to Finding #2:**

All of the AmeriCorps Members that volunteered at IINJ needed constant training and supervision. None of them were trained as interpreters/translators, paralegals, counselors or case aides before they came to IINJ. All of them needed training not just in the procedures of the workplace but also in an understanding of social work, the law, the welfare system, confidentiality, teaching of English language and financial literacy and the stress of working with people who had strong needs. This has been a continuous challenge for IINJ in working with AmeriCorps Members. During the past 4.5 years, I have seen our trainings for AmeriCorps increase but I have also noted the difficulty that the staff and

supervisors have had in documenting these trainings. The AmeriCorps Program Manager and the Executive Director pointed out the importance of providing the need for documentation.

When AmeriCorps New Jersey did a site monitoring visit in March, 2010, they also noted that IINJ needed to properly document our supervisory hours and training hours by using CC3's, by showing the other grants that pay for the employee and by carefully labeling the kind of match.

In reviewing the Match for the 2008-2009 program, I noted that IINJ only put down \$500 for a two day workshop on basic interpretation and translation skills. I believe now, realizing the full value of this workshop, that the amount should have been far greater than \$500 for the 2-day workshop which was taken by all of IINJ's bilingual AmeriCorps. This training in interpreting and translation is a match only for the AmeriCorps grant and it is one of benefits we provide for Members.

In addition, all the AmeriCorps Members were supervised and monitored after taking this interpreting session. Supervisors usually sat in close proximity to the AmeriCorps Members so that they could provide instant correction and monitoring. This past year, IINJ supervisors had started a daily review session with the AmeriCorps Members so that they would learn from each other and continue to improve.

Lastly, IINJ, hired a payroll specialist who worked with the staff to make sure that timesheets were properly done. If the timesheets were not completed properly, they were sent back to the staff.

### **FINDING NO. 3: Member Compliance Requirements Were Not Met For Living Allowance Distribution**

#### **Commission Response to Finding No. 3**

The Commission repeatedly and emphatically trains Program Managers on the requirement of equal payments per the AmeriCorps requirements. We have additionally trained subgrantees that they cannot provide lump sum payments, either at the beginning or the end of the members' service. While our monitoring protocols include a sampling of members' payroll, we do not monitor each and every member. Also, since monitoring occurs mid-year, we are unlikely to capture situations of lump sum payments made at the end of a member's service. Moving forward, we will do sampling from the prior program year.

#### **New Jersey Community Development Corporation (NJCDC) Subgrantee Response to Finding No. 3**

During the audit, NJCDC was given a list of 11 AmeriCorps Members for the sampling of living allowance payouts. The auditing team shared the unedited version of a spreadsheet (see attached) with program staff, highlighting payment discrepancies in orange. On the morning of Friday, January 13, the current Program Manager met with [a member of] the auditing team to review Member files for the Members in question. The notes to the right of the Members' payout schedules detail the findings during that meeting, and indicate the source of any changes to the stipend amounts.

Specifically:

- With 3 of the 11 sampled Members, NJCDC has no record of any inconsistencies in the payment schedules.
- All other inconsistencies are due to suspended terms, disciplinary suspensions, enrolling late or exiting prior to the scheduled contract end dates and in the middle of a scheduled pay period, consistent with our program policy.
- The difference between the audited payment schedule for [member name redacted] and her W2 was due to the stipend payment issued on 10/8/10, which fell beyond the scope of the audit.

At no point did program staff state that AmeriCorps Members were paid on an hourly basis, or that Member stipends were affected by the number of hours completed. Therefore, this false conclusion is that of the auditors. Program staff understood all questions regarding living stipend discrepancies to be resolved, and iterated the program policy at the Program Audit Exit Conference.

**[Member A]**

<b>Date</b>	<b>Gross Earnings</b>	
1/15/2010	438.46	
1/29/2010	438.46	
2/12/2010	438.46	
2/26/2010	438.46	
3/12/2010	350.77	suspended 2 days
3/26/2010	438.46	
4/9/2010	438.46	
4/23/2010	438.46	
5/7/2010	438.46	
5/21/2010	438.46	
6/4/2010	438.46	
6/18/2010	438.46	
7/2/2010	438.46	
7/16/2010	438.46	
7/30/2010	438.46	
8/13/2010	438.46	
8/27/2010	438.46	
9/10/2010	306.92	exited early
<b>Total</b>	<b>7,673.05</b>	

**[Member B]**

<b>Date</b>	<b>Gross Earnings</b>	
1/15/2010	438.46	
1/29/2010	438.46	
2/12/2010	438.46	
2/26/2010	438.46	
3/12/2010	438.46	
3/26/2010	438.46	
4/9/2010	438.46	



4/23/2010	438.46	
5/7/2010	438.46	
5/21/2010	438.46	
6/4/2010	438.46	
6/18/2010	438.46	
7/2/2010	438.46	
7/16/2010	438.46	
7/30/2010	438.46	
8/13/2010	438.46	
8/27/2010	438.46	
9/10/2010	306.92	exited early
<b>Total</b>	<b>7,760.74</b>	

[Member C]

Date	Gross Earnings	
1/15/2010	438.46	
1/29/2010	438.46	
2/12/2010	350.77	suspended 2 days
2/26/2010	350.77	suspended 2 days
3/12/2010	306.92	suspended 3 days
3/26/2010	438.46	
4/9/2010	438.46	
4/23/2010	438.46	
5/21/2010	306.92	suspended 3 days
6/4/2010	438.46	
<b>Total</b>	<b>3,946.14</b>	

[Member D]

Date	Gross Earnings	
1/15/2010	438.46	
1/29/2010	438.46	
2/12/2010	438.46	
2/26/2010	438.46	
3/12/2010	438.46	
3/26/2010	438.46	
4/9/2010	438.46	
4/23/2010	438.46	
5/7/2010	438.46	
5/21/2010	438.46	
6/4/2010	438.46	
6/18/2010	438.46	
7/2/2010	438.46	
7/16/2010	438.46	
7/30/2010	438.46	

8/13/2010	438.46	
8/27/2010	438.46	
9/10/2010	438.46	
9/24/2010	438.46	
10/8/2010	438.46	
10/22/2010	438.46	
11/5/2010	350.77	suspended 2 days
11/19/2010	438.46	
12/3/2010	438.46	
12/17/2010	438.46	
12/30/2010	438.46	

**Total 11,312.27**

**[Member E]**

Date	Gross Earnings	
1/15/2010	394.62	started late in pay period (12/29)
1/29/2010	438.46	
2/12/2010	438.46	
2/26/2010	438.46	
3/12/2010	438.46	
3/26/2010	438.46	
4/9/2010	438.46	
4/23/2010	438.46	
5/7/2010	438.46	
5/21/2010	438.46	
6/4/2010	438.46	
6/18/2010	438.46	
7/2/2010	438.46	
7/16/2010	438.46	
7/30/2010	438.46	

**Total 6,533.06**

**[Member F]**

Date	Gross Earnings	
1/15/2010	438.46	
1/29/2010	438.46	
2/12/2010	438.46	
2/26/2010	438.46	
3/12/2010	438.46	

3/26/2010	438.46	
4/9/2010	438.46	
4/23/2010	438.46	
5/7/2010	438.46	
5/21/2010	438.46	
6/4/2010	438.46	
6/18/2010	438.46	
7/2/2010	438.46	
7/16/2010	438.46	
7/30/2010	438.46	
8/13/2010	438.46	
8/27/2010	438.46	
<b>Total</b>	<b>7,453.82</b>	<b>NO DISCREPANCY</b>

[Member G]

Date	Gross Earnings	
1/15/2010	438.46	
1/29/2010	438.46	
2/12/2010	438.46	
2/26/2010	438.46	
3/12/2010	438.46	
3/26/2010	438.46	
4/9/2010	438.46	
4/23/2010	438.46	
5/7/2010	438.46	
5/21/2010	438.46	
6/4/2010	438.46	
6/18/2010	438.46	
7/2/2010	438.46	
7/16/2010	438.46	
7/30/2010	438.46	
8/13/2010	438.46	
8/27/2010	438.46	
9/10/2010	306.92	exited early
<b>Total</b>	<b>7,760.74</b>	

[Member H]

Date	Gross Earnings	
1/15/2010	438.46	
1/29/2010	438.46	
2/12/2010	438.46	
2/26/2010	438.46	

3/12/2010	438.46	
3/26/2010	438.46	
4/9/2010	438.46	
4/23/2010	438.46	
5/7/2010	438.46	
5/21/2010	438.46	
6/4/2010	438.46	
6/18/2010	438.46	
7/2/2010	438.46	
7/16/2010	438.46	
7/30/2010	438.46	
8/13/2010	438.46	
8/27/2010	43.85	exited early
<b>Total</b>	<b>7,059.21</b>	

**[Member I]**

Date	Gross Earnings	
1/15/2010	438.46	
1/29/2010	438.46	
2/12/2010	350.77	suspended 2 days
2/26/2010	350.77	suspended 2 days
3/12/2010	306.92	suspended 3 days
3/26/2010	438.46	
4/9/2010	438.46	
4/23/2010	438.46	
5/7/2010	438.46	
5/21/2010	438.46	
6/4/2010	0	suspended term
6/18/2010	0	suspended term
7/2/2010	0	suspended term
7/16/2010	438.46	
7/30/2010	438.46	
8/13/2010	438.46	
8/27/2010	438.46	
9/10/2010	438.46	
9/24/2010	438.46	<b>2010 W-2 reported</b>

Difference  
between Living  
Allowance  
Schedule & W-2

**Total**                    **6,708.44**                    7,015.36

**306.92**                    amount paid on  
10/8/10 (not  
audited)

**[Member J]**

<b>Date</b>	<b>Gross Earnings</b>	
1/15/2010	438.46	
1/29/2010	438.46	
2/12/2010	438.46	
2/26/2010	438.46	
3/12/2010	438.46	
3/26/2010	438.46	
4/9/2010	438.46	
4/23/2010	438.46	
5/7/2010	438.46	
5/21/2010	438.46	
6/4/2010	438.46	
6/18/2010	438.46	
7/2/2010	438.46	
7/16/2010	438.46	NO DISCREPANCY

**[Member K]**

<b>Date</b>	<b>Gross Earnings</b>	
1/15/2010	438.46	
1/29/2010	438.46	
2/12/2010	438.46	
2/26/2010	438.46	
3/12/2010	438.46	
3/26/2010	438.46	
4/9/2010	438.46	
4/23/2010	438.46	
5/7/2010	438.46	
5/21/2010	438.46	
6/4/2010	438.46	
6/18/2010	438.46	
7/2/2010	438.46	NO DISCREPANCY

NJCDC maintains that the program is in compliance with the Corporation's living allowance guidelines, and will continue its policies of distributing equal payments on a biweekly basis with the following exceptions:

- If a Member fails to serve a full week due to enrolling late or exiting the program early and in the middle of a scheduled pay period.
- If the program suspends the term of a Member.
- If the Member is suspended for disciplinary reasons, consistent with the Member's service contract.

### **International Institute of NJ (IINJ) Subgrantee Response to Finding #3**

IINJ concurs with the finding and agrees that it is absolutely critical that all living allowances should be equal.

### **Jefferson Park Ministries (JPM) Response to Finding #3**

JPM concurs with the finding and is no longer giving lump sum and/or partial living allowance payments.

## **FINDING NO. 4: Program Income Was Not Properly Reported**

### **Commission Response to Finding No. 4.**

Since the fall of 2010, the Commission has required subgrantees to inform us if they have program income that has not been used as match. To date no programs have indicated to us that they have received program income. It is our understanding that Jefferson Park Ministries viewed the \$65,915 as a grant from the Elizabeth Board of Education, and not as income generated from the services provided by the AmeriCorps members. We do agree that the JPM Executive Director was unaware that the value of the tutoring services was considered program income, and she therefore did not report it to the Commission, as such. We believe that there are sufficient grounds to view this grant as a program partnership on behalf of the students. We also think that based on the fact that recipients of this service were not charged for the services by the AmeriCorps members is indicative of the fact that the agency did not consider this as program income. We therefore request that, upon further consideration, this funding should be allowed as a possible source of match for the period in question and not be treated as funds that need to be returned by the agency.

### **JPM Subgrantee Response to Finding No. 4**

During the two years in question regarding program income, JPM only used two AC members for only four hours a week for a period of six months of the year respectively. Some of the funds from the Board of Education grant were utilized as cash match toward members' living allowance.

## **FINDING NO. 5: Member Compliance Requirements Were Not Met For End-of-Term Evaluations and Criminal Background Checks**

### **Commission Response to Finding No 5:**

The New Jersey Commission hosts a 3-4 day manager orientation each year for all AmeriCorps program managers. The Commission also hosts monthly conference calls or meetings. NJ Commission staff is in regular contact with programs via phone calls and emails. These trainings, calls and meetings diligently review the requirements of managing an AmeriCorps program and the needed documentation for compliance. This includes the requirements of all eligibility documentation including but not limited to citizenship, criminal background checks, member evaluation and enrollment/exit and change of status documents.

Based on our knowledge of the International Institute program we accept their response to the finding of missing member evaluations (2 of 21) to be valid. As to the issue of recurring access to vulnerable populations, we concur with the response of the Executive Director that these children were accompanied by their parents for program activities. As the Corporation clarified the definition and expectation of “access,” International Institute increased their level of scrutiny in background checks for members.

#### **International Institute of New Jersey response to Finding No 5:**

International Institute of New Jersey understands the importance of having a mid-term and final evaluation report. This report indicates if the person is eligible for another term and/or that the person has satisfactorily completed his/her service. The three different AmeriCorps Program Managers over the past four plus years became progressively stronger in requiring the completion of the final reports. However, over the past four years, at least two Members suddenly dropped out of the program as a result of illness or some other calamity. IINJ tried to contact these people after they left to finish up their paperwork but they did not respond.

#### ***Criminal Background Checks***

My first response to this finding is that the AmeriCorps Members did not directly work with children. IINJ had had another program SAMHSA (2006-2009), where the staff worked directly with children in junior high schools and another program An Campe (2002-2009), where the staff worked with Haitian parents and children. However, there were no AmeriCorps Members in these programs. In fact, when we received an unaccompanied minor, the care for this child was put in the hands of a staff person.

After reading the 2009 progress reports, I noted that the children of the refugee families were often brought up as successes for the AmeriCorps program. I realized that this may have given the impression that the AmeriCorps Members worked directly with children. It is true that IINJ served refugee families and that some of these children needed assistance in going to medical clinics or going to schools. However, these activities were always done in the presence of the parent(s). For example, we had one baby with a detached retina. The parents were desperate to find some medical help for the baby. The AmeriCorps Member researched the hospital in Michigan which later accepted the baby and found a volunteer private plane to transport the mother and baby to Michigan for the surgery.

Nevertheless, the AmeriCorps Program Manager in the Spring of 2010 started running the Sex Offender’s Public Registry on Screen Now (Lexis) and the New Jersey or New York State Police Report. Shortly after the March, 2010 monitoring visit from the state of New Jersey, she started doing an addition NSOR search on Lexis and printed out, reviewed, initialed and placed the report in the Member’s file. Additionally, fingerprinting checks were incorporated.

#### **FINDING NO. 6: Federal Financial Reports Were Not Submitted Timely**

The New Jersey Commission on National and Community Service concurs with this finding. While ideally, as a sub-grantee, we would like to maintain a 100% on-time submission rate at all times for all FFRs, we understand that perfection is something to be continually striving and working towards, and thus will continue to do so. We would however, like to note, that the NJ Commission on National and Community Service has achieved an overwhelming majority of on-time submissions for its Federal Financial Reports with an estimated 95% of all reports submitted in a timely manner.

We also wish to respond to the lateness issue for 06AFHNJ001, which was due on 10/31, and submitted on 1/13/11. This was the one item related to Commission staff, [name redacted]. During the months of October and November, 2010, she was out on sick leave due to major surgery. Knowing that she would be out, she submitted a request for an extension to 11/12/10. At that time there were four reports due, two for ARRA and two for the regular AmeriCorps program. The surgery took place on October 1 and she was literally working from home four days out of surgery on these reports. She was able to submit all of the reports by the date on the extension. However, she was unaware of the new requirement from CNCS which came while she was on leave, which required that the submissions had to include language concerning use of other federal funds. In January, she was contacted by our federal Grants Officer and advised that the report would be sent back for revision, which she then completed and re-submitted.

**NJ Commission CORRECTIVE ACTION PLAN:**

The New Jersey Commission on National and Community Service will continue to strengthen and implement internal controls and procedures to assure the timely submission of all FFRs. The Commission will also re-emphasize the requirements and importance of timely submissions for FFRS during its annual sub-grantee trainings.

**NJ Community Development Corporation Subgrantee Response to Finding #6**

During the audit period time, we were in the process of transitioning to a new financial accounting software which required significant time to convert the historical data. The implementation process also required significant time for the initial setup of the infrastructure of the accounting system. The new accounting system has extensive reporting capabilities that will streamline the expenditure reporting process to allow for the timely submission of the quarterly expenditure reports. Additionally, once the new system was fully implemented, all FSRs were submitted on time.

**FINDING NO. 7: Improper Procedure For Handling Advance Payments**

Any advance payments the State of New Jersey would receive would be required to be entered into an interest-bearing account with the interest reported back to the Corporation. The Department of State conducts all of its draw downs on a reimbursement basis, so there is no interest to report from our Department.

With respect to advances paid to subgrantees, we concur with recommendation 7a and 7b, and have already implemented procedures that minimize advance payments, as follows. Rather than provide equal payments on a quarterly basis throughout the year to subgrantees, beginning in 2011-12, the Commission and Division of Administration initiated a procedure whereby payments #1 and #2 would provide 25% each of the total funds to be awarded. It should be noted that production of a contract and initial payment to subgrantees generally occurs well after the program start date of September 1. This is most often due to the tight turn-around time from our receipt of the federal award to the actual program start date of September 1. Therefore, generally, our subgrantees must cover the initial costs of the program with their own funds. Therefore, payment #1 generally is paid upon full execution of the contract, and, therefore is actually a reimbursement of the funds that subgrantees provided for program start-up and corpsmember living allowances. Payment #2 is processed at 25% of their total



award, after receipt of their first set of fiscal and progress reports, which are due to us on January 10, which is four months into the program year. By the time this payment is processed, we are already well into five months of program operations.

The following represents the changes we have implemented this past year from our prior practice. Payments #3 and #4, and any no-cost extension payments, are made only after the first two payments are fully exhausted and only additional expenditures made after that point. Therefore, the remainder of the payments are made on a reimbursement basis only, and, therefore do not provide advance dollars.

In the event that one of the smaller non-profits requests special consideration in period 3 or 4 for a small advance payment, not to exceed 10%, Commission staff will consider that request in coordination with the Division of Administration. Given the fact that most AmeriCorps funding goes to the member living allowances, we want to ensure that there is no interruption in their stipends. In consideration of these requests, we require a monthly detailed spreadsheet of how these dollars will be expended, prior to our approval.

In response to 7b, our contracting procedure states specifically in Attachment A, Section VIII.

Interest, B. Interest Earned on Advanced Payments: “The Proposed Revision of OMB Circular A-102 and A-110, Grants and Cooperative Agreements and Notice of Proposed Rulemaking has revised the current A-110 rule requiring Grantees or Subgrantees to place advances of Federal grant funds in interest-bearing accounts to waive these requirements when Grantee or Subgrantee received Federal advances of less than \$120,000 or when the interest to be earned would not be sufficient to justify the expenses entailed by the requirement. The Proposed Rule raised from \$100 to \$250 the amount Grantee and Subgrantee may retain for expenses. In addition, Grantees must deposit advances or State grants and State Aid payments in interest bearing accounts. However, each Department shall determine if interest in advanced State payments exceeding \$250 shall be remitted to the Department or applied to the grant. In accordance with the Terms and Conditions of the award, interest earned on advanced payments shall be reported.” The general practice of our department is to allow Sub-grantees to retain interest for program purposes.

## **APPENDIX B**

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

Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

**To:** Stuart Axenfeld, Assistant Inspector General for Audit

**From:** Peg Rosenberry, Director of Grants Management

**Cc:** David Rebich, CFO  
Valerie Green, General Counsel  
Claire Moreno, Senior Grants Officer for Policy & Audit  
Doug Hilton, Director Office of Oversight and Accountability

**Date:** September 5, 2012

**Subject:** Response to OIG Draft of Agreed-Upon Procedures for Corporation  
For National and Community Service Grants Awarded to the New Jersey  
Commission on National and Community Service

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Thank you for the opportunity to review the draft Agreed-Upon Procedures report of CNCS's grants awarded to the New Jersey Commission on National and Community Service. 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.