

# Office of Inspector General Corporation for National and Community Service

**AUDIT OF THE LEARN AND SERVE AMERICA GRANT  
AWARDED TO THE  
AMERICAN ASSOCIATION OF COMMUNITY COLLEGES**

**OIG REPORT 10-06**



*Corporation for*  
**NATIONAL &  
COMMUNITY  
SERVICE** 

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This report was issued to Corporation management on October 8, 2009. 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 April 8, 2010, and complete its corrective actions by October 8, 2010. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



## OFFICE OF INSPECTOR GENERAL

October 8, 2009

TO: Margaret Rosenberry  
Director, Office of Grants Management

Elson Nash  
Acting Director, Learn & Serve America

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

SUBJECT: *OIG Report 10-06, Audit of the Learn & Serve America Grant Awarded to the American Association of Community Colleges*

Attached is the final report for the above-noted OIG audit of the Learn & Serve America Grant Awarded to the American Association of Community Colleges (AACC). This audit was performed by OIG staff in accordance with generally accepted government auditing standards.

The purpose of this audit was to examine the grant costs incurred by AACC to determine whether the amounts incurred and claimed are allowable under the grant agreement. In addition, we determined if AACC had adequate procedures and controls to ensure its subgrantees were in compliance with Federal laws, regulations and award conditions.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by April 8, 2010. Notice of final action is due by October 8, 2010.

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

### Attachment

cc: Frank Trinity, General Counsel  
William Anderson, Acting Chief Financial Officer  
Rocco Gaudio, Deputy Chief Financial Officer, Grants & Field  
Financial Management  
Claire Moreno, Senior Grants Officer  
Doug Lees, Grants Management Specialist  
Tracey Seabolt, Program Coordinator  
Bridgette Roy, Audit Liaison & Administrative Assistant

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

## EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), performed an audit of the Learn and Serve Higher Education grant awarded by the Corporation to the American Association of Community Colleges (AACC). The purpose was to examine the grant costs incurred by AACC to determine whether the amounts incurred and claimed are allowable under the grant agreement, its terms and conditions, and applicable Federal law and regulations. In addition, we determined if AACC had adequate procedures and controls to ensure its subgrantees are in compliance with Federal laws, applicable regulations and award conditions.

In 2001, the OIG issued Report 02-03, *Audit of Corporation for National and Community Service Grant Number 97LHEDC001 to American Association of Community Colleges*, which identified questioned costs related to the following:

- Inadequately documented costs by subgrantees
- Costs charged to incorrect program year by subgrantees and AACC
- Excess costs claimed by subgrantees
- Indirect costs claimed by subgrantees and AACC
- Excess retirement fringe benefits claimed by AACC
- Inadequately documented direct costs claimed by AACC
- Unreasonable hotel charges claimed by AACC

During this audit, we found that AACC had addressed many of the issues identified in the 2001 audit. However, we found that: AACC did not claim all costs that were incurred in the periods covered by Financial Status Reports; incorrectly charged expenses to the Learn and Serve America (LSA) grant; incorrectly charged expenses to the wrong account classifications; and that its subgrantees reported expenses to AACC without sufficient and adequate documentation. We determined that AACC was adequately implementing the LSA grant as documented in its program progress reports.

## BACKGROUND

AACC promotes service learning to the 1,200 associate degree-granting institutions in the United States. It uses the concept of service learning by combining community service with classroom instruction, focusing on critical, reflective thinking as well as personal and civic responsibility. Service learning programs involve students in activities that address local needs while developing their academic skills and commitment to their communities.

The goals of AACC's national project, Community Colleges Broadening Horizons through Service Learning, are to build on established foundations to integrate service learning into the institutional climate of community colleges, and to increase the number, quality, and sustainability of service learning programs through an information clearinghouse, data collection and analysis, model programs, training and technical assistance, publications, and referrals.

The Corporation, through its Learn and Serve America Higher Education program, has been issuing LSA grants to AACC since 1994. The current grant (06LHHDC001) was awarded on August 15, 2006, for the project period September 1, 2006, through August 31, 2009. The grant award amount was \$1,090,076.

AACC provides subgrants to community colleges for the LSA program and categorizes its subgrantees as either mentee or mentor colleges. AACC defines mentee colleges as those institutions having little or no established service learning. Mentee schools receive training and technical assistance to develop a sustainable service learning program in at least a few academic disciplines. Mentor colleges are defined as community colleges with substantial service learning in place for at least three years, across several academic disciplines, usually employing a designated service learning coordinator or director.

**OBJECTIVE, SCOPE, AND METHODOLOGY**

The objective of this audit was to examine the grant costs incurred by AACC to determine whether the amounts claimed are allowable under the grant agreement, its terms and conditions, and applicable Federal law and regulations. In addition, we determined if AACC had adequate procedures and controls to ensure its subgrantees are in compliance with Federal laws, applicable regulations and award conditions.

The scope of this audit focused on the funds awarded to AACC under Learn and Serve America Grant 06LHHDC001. AACC has claimed the following costs:

<u>Reporting Period</u>	<u>Federal Costs Claimed</u>	<u>Match Costs Claimed</u>
09/01/06-12/31/06	\$18,359	\$12,261
01/01/07-6/30/07	\$88,409	\$116,588
07/01/07-12/31/07	\$246,513	\$274,797
01/01/08-06/30/08	\$108,523	\$76,127
Totals	<u>\$461,804</u>	<u>\$479,773</u>

We performed tests of costs incurred in Program Years 2006-2007 and 2007-2008 (September 1, 2006, through June 30, 2008). In addition, we tested AACC’s compliance with program requirements. These tests included a review of AACC’s progress reports and its oversight of subgrantee programmatic activities.

We selected a sample of quarterly/semi-annual reports submitted by each subgrantee to AACC and requested the supporting documentation. During our audit period, AACC supported nine mentee colleges (two of which were no longer subgrantees at the commencement of the audit) and four mentor colleges.

We conducted our fieldwork at AACC’s offices in Washington, DC from January to June 2009.

## SUMMARY OF RESULTS

1. AACC reported claimed costs on its Financial Status Reports (FSRs) using financial data from prior periods.
2. AACC incorrectly charged expenses to the LSA grant.
3. AACC incorrectly charged expenses to the wrong accounting classifications.
4. Subgrantees reported incurred costs to AACC without adequate documentation.

## RESULTS OF AUDIT

### 1. AACC reported claimed costs on its FSRs using financial data from prior periods.

AACC's financial status reports are prepared directly from the amounts recorded in its general ledger reports. We found that reports may include expenditures from prior accounting periods. For instance, the most recent FSR submitted for the LSA grant covered the six-month period ended June 30, 2008. However, at that date, AACC's latest financial records were available only through April 30, 2008. The financial records from April 30, 2008, were used to submit costs claimed on the FSR. On the prior FSR, AACC had reported financial data that was available as of November 2007. Therefore, for the period ending June 30, 2008, AACC reported a combination of costs incurred from the prior period and the current period.

After reviewing the general ledger, we found that AACC had not claimed, as of June 30, 2008, \$58,911 (Federal share) and \$44,103 (match share) in expenses for its LSA grant. We determined that AACC was not posting its expenses to the general ledger in a timely manner, thereby causing the Corporation to rely on financial data that did not provide an accurate depiction of the total expenses that had been incurred by the grantee during the reporting period.

The Corporation's Learn and Serve Provisions state that grantees must complete and submit the Standard Form 269<sup>1</sup>, "Financial Status Report", in eGrants to report the status of all funds. The Corporation requires the following time periods for coverage:

<b>Period Covering</b>	<b>Report Due</b>
July 1 - December 31	January 31
January 1 - June 30	July 31

The Federal common rule for grants management by institutions for higher learning and other non-profit organizations, 45 C.F.R. § 2543.21(b)(1), *Standards for financial management*, states:

Recipients' financial management systems shall provide for the following:

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<sup>1</sup> As of January 31, 2009, the Corporation requires grantees to submit its expenditure and program income data using the new Federal Financial Report (FFR), Form Number SF-425.

Accurate, current and complete disclosure of the financial results of each Federally-sponsored project or program in accordance with the reporting requirements set forth in § 2543.51.

### **Recommendations**

We recommend that the Corporation:

- 1a. Require AACC to record expenses in its general ledger in a timely manner, and
- 1b. Verify that AACC adjusts its FFR to reflect the actual amount of expenses incurred during the reporting period.

### **AACC's Response**

AACC concurred with the recommendations. Since the audit, AACC has consolidated duties with specific time frames for completion of tasks related to the preparation of its financial statements. In addition, the July 31, 2009 FFR, which was submitted to the Corporation, was completed using data from AACC's June 2009 financial statements.

### **Corporation's Response**

The Corporation concurred with the recommendations. AACC will adjust the cumulative totals in its next FFR with a comment noting that the change was made as a result of an audit. By February 2010, the Corporation plans to verify the source data for AACC's latest FFR, and will ensure AACC's policies and procedures are designed and implemented to ensure timely and accurate reporting.

### **OIG's Comment**

The planned actions proposed by AACC and the Corporation in its responses meet the intent of the recommendations and address the finding.

## **2. AACC incorrectly charged expenses to the LSA grant.**

During a review of grant and match expenses incurred as of June 30, 2008, we found two of 45 transactions tested that should not have been charged to the grant.

<u>Expense Type</u>	<u>Date of Transaction</u>	<u>Amount Questioned</u>
Monitoring	3/31/07	\$251
Participants' Training Costs	3/31/08	\$697
<b>Total</b>		<b>\$948</b>

AACC found the error associated with the posting of the expense for participant training in November 2008. Although this expense was corrected with a journal entry, it was incorrectly recorded on the FSR for June 30, 2008. AACC reported expenses claimed

as of April 30, 2008, on the FSR and, since this expense was incurred on March 31, 2008, it was included in the amount claimed on the FSR.

OMB Circular A-122, Cost Principles for Non-Profit Organizations, Attachment A, General Principles, Paragraph A.4, *Allocable Costs*, states the following:

a. A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

(1) Is incurred specifically for the award.

(2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or

(3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

In discussions with AACC personnel, we determined that these costs were incorrectly charged by its accounting staff. The error caused AACC to draw down \$948 in expenses that were not allocable to the LSA grant.

### **Recommendation**

2. We recommend that the Corporation recover the questioned costs of \$948, and ensure AACC strengthens its controls for charging costs to the LSA grant.

### **AACC's Response**

AACC stated that this finding related to recommendation 1, the lack of timely preparation of financial statements, and that by recording its expenditures and preparing its financial reports in a timely manner, the recommendation was addressed.

### **Corporation's Response**

The Corporation concurred with the recommendation. It agrees that the costs are disallowed and will require AACC to adjust its current FFR to reflect the accurate total, noting the adjustment in the comment sections of the FFR. By January 2010, the Corporation plans to verify AACC's revised accounting policies and procedures to strengthen the accuracy of costs charged to the grant.

### **OIG's Comment**

The planned actions proposed by the Corporation in its responses meet the intent of the recommendations and address the finding.



**3. AACC incorrectly charged expenses to the wrong accounting classification for the LSA grant.**

AACC incorrectly charged two transactions as direct expenses that were later reclassified on its general ledger as match expenses. These charges were not found and corrected by AACC until November 2008, four to five months after it recorded the expenses in its general ledger.

The expenses were associated with the following:

<u>Expense Type</u>	<u>Original Date of Transaction</u>	<u>Amount</u>
Conference Registration Fees	6/20/08	\$400
Hotel-Travel Participants	7/22/08	\$1,003

The common rule for grants management, 45 C.F.R. § 2543.21(b)(2), *Standards for financial management*, states:

Recipients' financial management systems shall provide for records that identify adequately the source and application of funds for federally-sponsored activities.

These incorrect postings to the LSA grant were due to a classification error by AACC's accounting staff. This could lead to inadequate reporting of the classification of expenses by AACC. In addition, the expenses could have been drawn down in error by AACC, thus causing AACC to incur unallowable costs.

**Recommendation**

3. We recommend that the Corporation direct AACC to strengthen its controls for charging expenses to the correct cost classifications for the LSA grant.

**AACC's Response**

AACC has enhanced its processes to provide ample control over the classification of its expenditures. This includes additional reviews of transactions for appropriateness by the Chief Financial Officer and other AACC officials.

**Corporation's Response**

The Corporation concurred with the recommendation. By February 2010, the Corporation will review AACC's revised accounting practices and procedures to ensure its corrective action adequately addresses the audit finding.

**OIG's Comment**

The planned actions proposed by the Corporation in its responses meet the intent of the recommendations and address the finding.

**4. Subgrantees claimed expenses to AACC that were not supported by sufficient and adequate documentation.**

During a review of supporting documentation for subgrantee expenses, we found one mentee college that did not report the correct amount on its original submission to AACC. The subgrantee had over-claimed the Federal share by \$196 and over-claimed match expenses by \$2,475. By over-claiming its match, the subgrantee could cause AACC to claim in excess of its match on its FSR. We also found that the same mentee college relied on verbal confirmation from a research staff member for work performed on the grant that was charged as match. Because the subgrantee had claimed excess match for the grant year, we did not question the match costs. However, we are questioning the \$196 in grant expenses that AACC recorded in its general ledger and included in its FSR.

We found that another former mentee college did not maintain sufficient and adequate documentation to support salaries and fringe expenses charged to the grant as match expenses. The former mentee did not have a defined method for allocating salaries and fringe benefits to the grant for its match expenses during the quarterly period selected for review. It relied on a series of e-mails and staff notes from meetings to allocate the expenses. We found that the college reported on its FSR match that was in excess of the requirement set forth by AACC for the grant year. Therefore, we will not question the match expenses. However, AACC incorrectly recorded these expenses in its general ledger and included the costs in its FSR.

We further found that two of the four mentor colleges did not maintain adequate support for their match expenses. One mentor college claimed \$364 in airline tickets that were not supported by any documentation for the expenses. The mentor college relied on verbal confirmation from a staff member that a trip had been taken. This amount did not affect the college in meeting its match requirement to AACC; however, it led to an over-statement of match by AACC since the total match claimed by the college was included in AACC's match as reported on its FSR.

Another mentor college claimed budgeted amounts as match expenses for staff salary and benefits and materials for DVD editing and production. We question the difference between the costs that were actually incurred for the expenses and the budgeted costs that were claimed by the subgrantee, which is \$3,554. Grantees are required to claim actual expenses incurred, not budgeted amounts. This reduction will cause the mentor college to not meet its match requirement as required by AACC. In addition, it would also cause the over-claiming of match by AACC on its FSR.

The common rule on grants management, According to Sec. 45 CFR 2543.51 *Monitoring and reporting program performance.*(a) states that “[r]ecipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award.”

In addition, Learn and Serve Provisions state that grantees must maintain adequate supporting documents for its expenditures (Federal and non-Federal) and in-kind contributions made under this grant. Costs must be shown in books or records [e.g., a disbursement ledger or journal], and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

## **Recommendations**

We recommend that the Corporation:

- 4a. Require ACCC to review the match expenses claimed by mentee and mentor colleges and make adjustments to its FSR for those match costs that are disallowed.
- 4b. Resolve questioned Federal costs of \$196 claimed by AACC.
- 4c. Require AACC to provide training to subgrantees, both financial and programmatic personnel, on Corporation regulations for maintaining appropriate and sufficient documentation for expenses charged to the LSA grant.

## **AACC's Response**

AACC has added an additional level of review of subgrantee costs, by requiring subgrantees to provide complete electronic documentation of expenses with each quarterly and semi-annual report. Also, AACC will recover the incorrectly claimed \$196 in grant expenses and adjust its FFR. AACC stated that it provides training to its subgrantees' programmatic and financial personnel at annual planning and evaluation conferences and during staff site visits. AACC provides copies of the Learn and Serve grant provisions with its subgrantee's award letters, which are sent to their program and financial personnel.

## **Corporation's Response**

The Corporation concurred with the recommendations. The Corporation will verify that the policies and procedures developed by AACC are designed to adequately address the findings and are implemented. The Corporation will also obtain verification that the \$196 adjustment has been resolved by an offset. The Corporation will review the training AACC provides for maintaining appropriate and sufficient documentation of expenses charged to the grant, and will ensure training is provided to both program and financial staff. The Corporation will ensure all of the corrective actions are completed by February 2010.

## **OIG's Comment**

The planned actions proposed by the Corporation in its responses meet the intent of the recommendations and address the finding.

## **EXIT CONFERENCE**

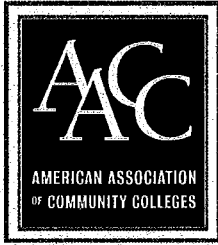
We conducted an exit conference with AACC and Corporation representatives on July 15, 2009. During the exit conference, AACC management stated that it was in the process of addressing the OIG's findings (see AACC comments above). AACC's and the Corporation's responses to the draft report are included in this final report as Appendices A and B, respectively.

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

## **APPENDIX A**

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### **American Association of Community Colleges' Response to Draft Report**



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September 11, 2009

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

RE: Comments to Audit Report - American Association of Community Colleges

Dear Mr. Axenfeld:

We are in receipt of your draft audit report related to CNCS grant 06LHHDC001 awarded to the American Association of Community Colleges (Association). We appreciate the opportunity to respond to findings presented in the report. Our responses are as follows.

Recommendations 1a and 1b. The Association should record expenses in its general ledger in a timely manner, and where applicable adjust amounts reported on the FFR to reflect actual amounts.

*Association Response:*

The Association agrees with the recommendations. Since the audit was performed, the Association has made a number of changes to the preparation of its financial statements. Duties have been consolidated with specific time frames for completion of tasks. The changes have resulted in more timely completion of the general ledger accounts and balances. Our latest FFR, due during July 2009, was completed with financial data from the Association's June 2009 financial statements.

The preparation of timely financial statements should eliminate the need to prepare amended FFRs.

Recommendation 2. The Association should strengthen its controls for charging costs to the LSA grant.

*Association Response:*

This finding relates to recommendation 1, the lack of timely preparation of financial statements. As the report states, the Association discovered the misclassifications and completed the appropriate corrections to the subsequent FFR. Due to the lack of timely financial records, the time lag for the correction appeared inordinately lengthy. As stated in the response to recommendation 1, the Association now records its expenditures and prepares its financial reports more timely.

Recommendation 3. The Association should strengthen its controls over expense classifications.

*Association Response:*

Payments for grant expenditures are initiated by the project director. The expense report is then reviewed and approved by the appropriate vice president for that activity. The expense report is then forwarded to the grants specialist for review. After the payment is

prepared, the chief financial officer reviews the transaction for appropriateness. The project director reviews the detailed general ledger after all monthly transactions are posted to the account.

The Association believes these enhanced processes should provide ample control over the classification of expenditures to the grant.

Recommendations 4a, 4b, and 4c. The Association should review and make adjustments for subgrantee match expenses, resolve questioned costs, and provide appropriate training to subgrantees.

*Association Response:*

The project director reviews grant and match expenses by subgrantees, both in person during site visits and via quarterly and semi-annual reports. Subgrantees are responsible for maintaining and submitting accurate documentation that supports their claimed expenses. As an additional level of review, the Association will request complete electronic documentation of expenses with each quarterly and semi-annual report.

The Association will recover the incorrectly claimed \$196 in grant expenses and adjust its FFR for subgrantees' incorrectly claimed grant and match expenses.

The Association provides training to its subgrantees' programmatic personnel at annual planning and evaluation conferences, and to both programmatic and financial personnel during staff site visits. AACC includes copies of the Learn and Serve America grant provisions with its subgrantees' award letters, which are sent to both programmatic and financial personnel.

If you have any questions about these responses, please contact me at 202/728-0200, ext. 261, or [dbrown@aacc.nche.edu](mailto:dbrown@aacc.nche.edu).

Sincerely,



Donald O. Brown  
Vice President and Chief Financial Officer

cc: Lynn Barnett, AACC  
George Boggs, AACC  
Bill Gruber, AACC  
Claire Moreno, CNCS  
Gail Robinson, AACC  
Tracey Seabolt, CNCS  
Fran Smith, AACC

## **APPENDIX B**

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



Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

**To:** Stuart Axenfeld, Inspector General for Audit  
**From:** Margaret Rosenberry, Director of Grants Management  
**Date:** September 14, 2009  
**Subject:** Response to OIG Draft Report: Audit of the Learn and Serve America Grant Awarded to the American Association of Community Colleges

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Thank you for the opportunity to review the Office of the Inspector General draft audit of the Learn and Serve America Grant awarded to the American Association of Community Colleges (AACC). The Corporation reviewed the draft audit report and grantee response and held discussions with the grantee. We are addressing all findings and recommendations at this time.

The Corporation concurs with audit findings 1 through 4 and will work with AACC to implement the associated recommendations to correct and improve timeliness, accuracy and supporting documentation. However, we disagree with recommendations 1b and 2a to adjust prior period FFRs to ensure prior period accuracy or to recover questioned costs. The FFR reports cumulative totals. Therefore, the Corporation instructed AACC to adjust its most recent FFR and include a comment referencing the audit finding. Nevertheless, the Corporation is requiring AACC to implement corrective action to shorten the lag time between receipt of financial data and reviews for accuracy and recordation to the general ledger. We have also advised AACC on the importance of compliance requirements for accurate, current and complete disclosure of the financial results of each federally sponsored project.

**Finding 1. AACC reported claimed costs on its FSR/FFRs using data from prior periods.**

The auditors recommend the Corporation:

- 1a. Require AACC to record expenses in its general ledger in a timely manner; and,
- 1b. Verify that AACC adjusts its FFR to reflect the actual amount of expenses incurred during the reporting period.

**Corporation Response:** The Corporation agrees with Recommendation 1a. The Corporation agrees AACC's FFR should reflect current and accurate expenses incurred during the reporting period. However, to resolve this recommendation, as discussed above, the recommended audit adjustment to the FFR will be reflected in the cumulative total on AACC's most recent financial report with a comment to note the change has been made as a result of audit. AACC has stated it has made several changes to improve timeliness and accuracy of financial reporting. The Corporation will ensure that the grantee changes are documented in policies and procedures which are formally implemented as part of its financial management system. AACC has stated its latest FFR, due July 2009, is based on financial data from AACC's June 2009 financial statements. The Corporation will verify the source data for the latest FFR and will ensure AACC's policies and procedures are designed and implemented to ensure timely, accurate and current reporting in February 2010.

**Finding 2. AACC incorrectly charged expenses to the LSA grant.**

The auditors recommend the Corporation:

- 2a. Recover the questioned costs; and,
- 2b. Ensure AACC strengthens its controls for charging costs to the LSA grant.

**Corporation Response:** The Corporation agrees the questioned costs should be disallowed and will require AACC to adjust its current FFR to reflect an accurate total and note the adjustment in the comments section of the FFR. In regards to Recommendation 2b, the grantee has revised its accounting policies and procedures to strengthen accuracy of coding and has advised staff of the audit finding and recommendations. The Corporation will review the revised policies and procedures and ensure corrective action is implemented by January 2010. The corrective action discussed under Finding 1 will assist in resolving this finding and recommendation as well.

**Finding 3. AACC incorrectly charged expenses to the wrong accounting classification for the LSA grant.**

The auditors recommend the Corporation ensure that AACC strengthen its controls for charging expenses to the correct cost classifications for the LSA grant.

**Corporation Response:** The auditor found AACC charged two transactions to federal share which it reclassified on its general ledger as grantee share five months later. The corrective action discussed under Findings 1 and 2 above will assist in resolution of this recommendation. In addition, the grantee has implemented additional review of expense reports by the vice president for the activity and by the Chief Financial Officer. The Corporation will review revised accounting practices and procedures and ensure corrective action adequately addresses the audit finding by February 2010.

**Finding 4. Subgrantees claimed expenses to AACC that were not supported by sufficient and adequate documentation.**

The auditors recommend the Corporation:

- 4a. Require AACC to review the match expenses claimed by mentee and mentor colleges and makes adjustments to its FSR/FFR for those match costs that are disallowed;
- 4b. Resolve questioned Federal costs of \$196 claimed by AACC; and,
- 4c. Require AACC to provide training to subgrantees, both financial and programmatic personnel, on Corporation regulations for maintaining appropriate and sufficient documentation for expenses charged to the LSA grant.

**Corporation Response:** In regards to Recommendation 4a, AACC has implemented additional review and monitoring procedures and developed a checklist to ensure this finding and recommendation are included in monitoring by the project director. In addition, AACC implemented a policy to require complete electronic documentation of expenses from subgrantees with each quarterly and semi-annual report. The Corporation will verify that the policies and procedures are designed to adequately address the findings and are implemented. In regards to Recommendation 4b, the Corporation will obtain verification that the \$196 adjustment has been resolved by an offset. In regards to Recommendation 4c, The Corporation will review the training AACC provides on requirements for maintaining

appropriate and sufficient documentation of expenses charged to the grant and ensure the training is provided to both program and financial staff and appropriately includes refreshers to its staff. The Corporation will ensure corrective action on Finding 4 is completed by February 2010.

Cc: William Anderson, Acting Chief Financial Officer for Finance  
Frank Trinity, General Counsel  
Elson Nash, Acting Director of Learn and Serve  
Bridgette Roy, Audit Resolution Coordinator