

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

**AGREED-UPON PROCEDURES FOR
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GRANTS AWARDED TO
NEW YORK STATE OFFICE OF NATIONAL AND COMMUNITY SERVICE**

OIG Report 17-07

Office of Inspector General

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

COTTON & COMPANY LLP
635 Slaters Lane, 4th Floor
Alexandria, Virginia 22314

This report was issued to Corporation management on June 29, 2017. 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 December 29, 2017 and complete its corrective actions by June 29, 2018. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



June 29, 2017

TO: Jennifer Bastress Tahmasebi
Acting Director of AmeriCorps

Dana Bourne
Chief Grants Officer

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

SUBJECT: *OIG Report 17-07, Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the New York State Office of National and Community Service (NYSONCS)*

Attached is the final report for the above-noted engagement. This agreed-upon procedures review was conducted by Cotton and Company, LLP 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 December 29, 2017. Notice of final action is due by June 29, 2018.

If you have questions pertaining to this report, please contact me at S.Axenfeld@cncsoig.gov, (202) 606-9360.

Attachment

cc: Linda Cohen, Executive Director, NYSONCS
Hillarie Logan-Dechene, Commission Chair, NYSONCS
Jeffrey Page, Chief Operating Officer, CNCS
Robert McCarty, Chief Financial Officer, CNCS
Angela Williams, Acting General Counsel, CNCS
Rhonda Honegger, Senior Grants Officer, CNCS
Monica Kitlas, Agency Audits and Investigations Coordinator, CNCS
Michael Gillespie, Partner, Cotton and Company LLP

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

CONTENTS

Section	Page
Executive Summary	1
Executive Summary Table: Major Findings.....	4
Independent Accountants' Report on Applying Agreed-Upon Procedures	6
Exhibit A: Consolidated Schedule of Claimed and Questioned Costs	10
Schedule A: Schedule of Claimed and Questioned Costs The Service Collaborative of Western New York Award No. 06AFHNY001 and 13AFHNY001	11
Schedule B: Schedule of Claimed and Questioned Costs The Service Collaborative of Western New York Award No. 11ESHNY001 and 12ACHNY001	12
Schedule C: Schedule of Claimed and Questioned Costs New York City Mayor's Office Award No. 10VGHNY001 and 13VGHNY001.....	13
Schedule D: Schedule of Claimed and Questioned Costs Blue Engine Award No. 12ACHNY001.....	14
Schedule E: Schedule of Claimed and Questioned Costs Harlem Children's Zone Award No. 12ACHNY001.....	16
Schedule F: Schedule of Claimed and Questioned Costs New York State Office of National and Community Service Award No. 06AFHNY001, 12ACHNY001, 13CAHNY001, and 13VGHNY001	20
Exhibit B: Compliance Results	23

Appendices

- A: New York State Office of National and Community Service's Response to Draft Report
- B: Corporation for National and Community Service's Response to Draft Report
- C: Blue Engine, Inc.'s Response to Draft Report
- D: Harlem Children's Zone's Response to Draft Report
- E: New York City Mayor's Office's Response to Draft Report
- F: The Service Collaborative of Western New York's Response to Draft Report

EXECUTIVE SUMMARY

One of the largest State Commissions, the New York State Office of National and Community Service (NYSONCS)¹ administered AmeriCorps funds totaling \$60,713,471 during the five years ending June 30, 2015. NYSONCS made subgrants to 51 organizations and was responsible for programmatic and financial oversight. The agreed-upon procedures (AUP) review of four of those subgrants—Blue Engine, Inc. (Blue Engine), Harlem Children’s Zone (HCZ), New York City Mayor’s Office (NYC Service), and the Service Collaborative of Western New York (TSCWNY)—found improper and unsupported costs totaling \$8,294,909 (\$1,263,141 in Federal costs and \$6,984,056 in match costs), as well as an additional \$46,069 in questionable education awards and \$1,643 in accrued interest.²

The oversight provided by NYSONCS was thoroughly inadequate. The NYSONCS staff did not understand cost principles and other requirements fundamental to Federal grants. As a result, NYSONCS did not oversee its subgrantees’ basic grant management practices, such as ensuring proper criminal history checks for grant-funded staff and members, and did not perform financial monitoring of the allowability of and support for costs charged by subgrantees to the grants, or of the accuracy and reliability of time and labor records. The results regarding HCZ are particularly serious, demanding special attention from the Corporation for National and Community Service (CNCS or the Corporation) and NYSONCS. Findings related to HCZ account for questioned costs totaling \$3,550,170, or 82 percent of the questioned Federal costs and 36 percent of the questioned match costs. Deficiencies at HCZ include:

- Numerous failures to complete the criminal history checks required by statute to prevent murderers and sex offenders from exploiting the beneficiaries of national service programs. This accounts for nearly \$1 million of questioned Federal and match costs.
- Charging the grant for labor based on an allocation of budgeted costs, instead of the hours that employees actually worked on the grant. These labor mischarges represented more than \$1.67 million in questioned costs.
- A financial management system and practices that did not meet Federal standards and led to substantial unexplained differences between the costs claimed on HCZ’s Federal Financial Report (FFR) and the costs recorded in its general ledger. These discrepancies gave rise to more than \$260,000 of questioned costs.

¹ NYSONCS is a division of the New York State Office of Children and Family Services (OCFS). Although other units within OCFS provide certain services to NYSONCS, this report refers to them generically as “NYSONCS,” without regard to which unit performs the specific responsibility.

² Participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards, and in some cases, repayment of student loan interest accrued during their service terms (accrued interest), funded by the Corporation’s National Service Trust. We determined the effect of our findings on participants’ eligibility for education and accrued-interest awards based on the same criteria used for the grantee’s claimed costs.

NYSONCS' failure to detect these gross deficiencies in one of its largest subgrantees over a two-year period reflects inadequate oversight. This report also describes similar problems at other subgrantees, albeit to a lesser extent. Overall, we reported the following defects:

- NYSONCS did not review all subgrantee legally required Single Audit reports, did not monitor whether subgrantees performed the required criminal history checks for grant-funded staff, and performed limited financial monitoring of subgrantees (Finding 1).
- Subgrantees did not consistently perform timely and complete criminal history checks for members and grant-funded staff, unnecessarily exposing communities to the risk of harm from violent offenders (Finding 2).
- One subgrantee charged living allowance costs to the wrong program years, claimed such costs for periods before members began and after they completed their service terms, and charged the grant for members who did not appear on either the Corporation's or the subgrantee's member rosters (Finding 3).
- NYSONCS and three subgrantees claimed Federal and match costs that were not adequately documented or were unallowable (Finding 4).
- NYSONCS and three subgrantees did not require grant-funded staff to complete timesheets, were unaware of Federal and New York State requirements for documenting labor hours, and allocated costs to grant awards based on the budget and the availability of funds, rather than on the hours actually worked by staff (Finding 5).
- Two subgrantees charged CNCS grants for costs that were not allowable or allocable or that lacked documentary evidence, including items that were not recorded in the general ledger, and comingled grant and non-grant expenditures (Finding 6).
- Two subgrantees had irregularities in their members' timesheets, including timesheets that were signed before recorded hours were served, timesheets that were unsigned or uncertified, and timesheets whose accuracy could not be verified. In some of these instances, timesheets do not support members' eligibility for education awards (Finding 7).
- One subgrantee could not account for daily supervision of members who served offsite and who served excessive hours at the end of their service terms (Finding 8).
- None of the four subgrantees complied with AmeriCorps requirements for performing and documenting end-of-term member evaluations. This noncompliance included failure to indicate that members completed sufficient service hours to receive education awards and completion of evaluations before members finished their service. Member files also lacked required documentation; at three subgrantees, end-of-term evaluations, member forms, and member contracts were unsigned or signed late, contained pre-printed signatures and dates, or were missing entirely (Finding 9).

- NYSONCS did not administer funds consistent with grant terms and conditions and CNCS rules. In one case, it short-changed a subgrantee by treating a fixed-amount subgrant as cost-reimbursable. In another case, NYSONCS advanced 25 percent of a subgrant immediately upon award, without regard to whether the subgrantee had an immediate need for the funds (Finding 10).

The number, variety, and prevalence of these undetected problems give us grave concerns about the ability of NYSONCS to administer and oversee Federal grant funds. Given the substantial funding entrusted to NYSONCS, prompt and decisive intervention is required. This should include:

1. Performing a detailed review of the remaining subgrantees to recover improper costs, ensure compliance with Federal requirements, and protect the integrity of AmeriCorps programs and funds;
2. Requiring NYSONCS to develop a detailed corrective action plan, with milestones, target completion dates, and verification activities, to address the deficiencies noted in this report. Corrective actions could include, among other activities, training for existing staff concerning how to oversee subgrants, hiring additional staff experienced in performing such oversight, or engaging outside professionals to perform the necessary monitoring;
3. Issuing a moratorium on further competitive grants to NYSONCS until such time as CNCS can verify that it has met the above conditions;
4. Monitoring by CNCS of NYSONCS' and subgrantees' matching of the awards on these grants, determining whether they have met match requirements and, if they do not meet those requirements, disqualifying a pro rata share of Federal costs.

HCZ requires additional attention because of the seriousness and pervasiveness of its issues. We recommended that: (1) NYSONCS develop and document an action plan, including milestones, target completion dates, and verification activities, to address each of the weaknesses noted; (2) CNCS review and approve NYSONCS' action plan for HCZ; (3) the action plan include a requirement that HCZ obtain technical assistance by hiring an employee or engaging a consultant who has experience in administering Federal grants; and (4) CNCS require that NYSONCS place HCZ on a manual hold for its existing grant drawdowns, with CNCS oversight, until HCZ has completed its corrective actions.

CNCS recognized the gravity and extent of the issues uncovered by this AUP and, based on the recommendations above, immediately placed NYSONCS on a manual hold pending completion of certain remedial measures, requiring NYSONCS to obtain authorization before drawing down grant funds. As part of these remedial measures, CNCS is limiting NYSONCS and HCZ's ability to draw grant funds and is requiring NYSONCS and HCZ to submit documentation demonstrating completion of all National Service Criminal History Checks. CNCS is also requiring NYSONCS to: (1) implement a timekeeping system that accurately allocates labor between different grants, (2) improve its monitoring plan and tools to ensure effective subgrantee oversight, and (3) develop a staffing and workload plan that ensures sufficient financial and programmatic oversight of CNCS awards. CNCS also declined to award new competitive grants to NYSONCS.

Although the subgrantees largely accepted the audit findings, NYSONCS contended that its oversight was satisfactory; in particular, it claimed that it was not required to review all of the Single Audit reports pertaining to its subgrantees. NYSONCS further contended that it should have received credit for corrective actions taken during the audit.

EXECUTIVE SUMMARY TABLE: MAJOR FINDINGS

The table below shows the components of the \$8.295 million in questioned Federal and match costs, education awards, and accrued interest.

Finding	NYSONCS	HCZ	TSCWNY	NYC Service	Blue Engine	Total	Questioned Amount
Incomplete or missing criminal history checks (Finding #2)		\$991,960			\$1,802	\$993,762	\$993,762
Errors charging or claiming living allowances (Finding #3)		\$214,511				\$214,511	\$214,511
Unsupported or unallowable costs (Finding #4)	\$4,285,240	\$167,124	\$11,415		\$24,916	\$4,488,695	\$4,488,695
Staff labor costs allocated without timesheets (Finding #5)	\$144,657	\$1,676,714		\$81,408		\$1,902,779	\$1,894,750
Inadequate financial management system (Finding #6)		\$607,757				\$607,757	\$260,307
Incomplete or missing timesheets (Finding #7)		\$5,550	\$5,550			\$11,100	\$11,100
Inadequate supervisions of members offsite (Finding #8)			\$25,322			\$25,322	\$25,322
Incomplete or missing member evaluations (Finding #9)					\$63,427	\$63,427	\$63,427
Questioned Federal costs due to unmet match costs	\$109,031	\$234,004					\$343,035
TOTAL QUESTIONED (Federal, Match, Education Award, and Accrued Interest)							<u>\$8,294,909³</u>

³ Although a particular cost may be questioned in multiple findings, the \$8,249,909 total counts each cost only once.

Exhibit A, which begins on page 9 of this report, contains the claimed and questioned costs for all of the grants and subgrants. Sub-schedules A through F show the costs claimed and questioned for each subgrantee.



Cotton & Company LLP
 635 Slaters Lane
 4th Floor
 Alexandria, VA 22314

P: 703.836.6701
 F: 703.836.0941
 www.cottoncpa.com

June 28, 2017

Office of Inspector General
 Corporation for National and Community Service

**INDEPENDENT ACCOUNTANTS' REPORT ON
 APPLYING AGREED-UPON PROCEDURES**

Cotton & Company LLP performed the procedures detailed in the Office of Inspector General's (OIG's) *Agreed-Upon Procedures for Corporation Awards to Grantees (including Subgrantees)* program, dated February 2015. The OIG agreed to these procedures solely to assist it in grant cost and compliance testing of Corporation for National and Community Service (CNCS or the Corporation)-funded Federal assistance provided to the New York State Office of National and Community Service (NYSONCS) for the awards detailed below.

We performed this agreed-upon procedures (AUP) engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and Generally Accepted Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the OIG. Consequently, we make no representation regarding the sufficiency of the procedures, either for the purpose for which this report has been requested or any other purpose.

Our procedures covered testing of the following awards:

Grant Program	Award No.	Award Period	AUP Period	Award Totals
AmeriCorps Grants				
Formula	06AFHNY001	09/01/06-12/31/14	04/01/13-12/31/14	\$46,163,467
Fixed	11ESHNY001	08/23/11-12/31/14	08/23/11-12/31/14	\$5,264,805
Competitive	12ACHNY001	07/01/12-12/31/15	04/01/13-03/31/15	\$28,969,207
Fixed	12ESHNY001	09/15/12-09/14/15	10/01/13-06/30/15	\$27,566
Formula	13AFHNY001	09/01/13-08/31/16	09/01/13-03/31/15	\$11,759,779
Fixed	14ESHNY001	09/05/14-09/04/17	09/05/14-06/30/14	1,296,750
Other Grants				
Vol. Generation Fund	10VGHNY001	10/01/10-12/31/14	10/01/10-12/31/14	\$1,310,000
Vol. Generation Fund	13VGHNY001	10/01/13-12/31/14	10/01/13-12/31/14	\$500,000
NYSONCS-Level Grants				
Administrative	10CAHNY001	01/01/10-12/31/13	01/01/13-12/31/13	\$1,521,638
Administrative	13CAHNY001	01/01/13-12/31/15	01/01/13-12/31/14	\$741,144

We performed testing of these AmeriCorps program awards at NYSONCS and four of its subgrantees. We selected samples of labor, benefits, and other direct costs reported by NYSONCS on the Federal Financial Reports (FFR) dated as follows:

2012: March 31, September 30, and December 31

2013: March 31, June 30, September 30, and December 31

2014: March 31, June 30, September 30, and December 31

2015: March 31

We also tested grant compliance requirements by sampling 89 members from Blue Engine, Inc. (Blue Engine), Harlem Children’s Zone (HCZ), New York City Mayor’s Office (NYC Service), and the Service Collaborative of Western New York (TSCWNY), as shown below. We performed all applicable testing procedures in the AUP program for each sampled member.

	Blue Engine		HCZ		NYC Service		TSCWNY	
	Total Members	Sampled Members	Total Members	Sampled Members	Total Members	Sampled Members	Total Members	Sampled Members
PY 2012-2013	0	0	139	4	106	4	36	4
PY 2013-2014	45	7	135	14	111	14	486	14
PY 2014-2015	<u>70</u>	<u>7</u>	<u>141</u>	<u>7</u>	<u>111</u>	<u>7</u>	<u>197</u>	<u>7</u>
Total	<u>115</u>	<u>14</u>	<u>415</u>	<u>25</u>	<u>328</u>	<u>25</u>	<u>719</u>	<u>25</u>

AUP SCOPE

We performed the AUP detailed in the OIG’s *Agreed-Upon Procedures for Corporation Awards to Grantees (including Subgrantees)* program, dated February 2015. Our procedures included performing testing over the following grants: AmeriCorps (Formula, Competitive, and Fixed Amount), Volunteer Generation Fund (VGF),⁴ and NYSONCS-Level (Administrative), from October 1, 2010, through June 30, 2015. The AUP scope for all awards except for Award Nos. 11ESHNY001 and 10VGHNY001 was approximately two years from the most recently filed FFR. The AUP scope for Award Nos. 11ESHNY001 and 10VGHNY001 included the entire grant period.

⁴ The Volunteer Generation Fund is a program authorized by the [Edward M. Kennedy Serve America Act](#) to support voluntary organizations and state service commissions in boosting the impact of volunteers in addressing critical community needs. The fund will focus investments on volunteer management practices that increase both volunteer recruitment and retention.

Grant Program	Award No.	Award Period	AUP Period	Awards in AUP Period
AmeriCorps Grants				
Formula	06AFHNY001	09/01/06-12/31/14	04/01/13-12/31/14	\$10,416,390
Fixed	11ESHNY001	08/23/11-12/31/14	08/23/11-12/31/14	\$5,264,805
Competitive	12ACHNY001	07/01/12-12/31/15	04/01/13-03/31/15	\$28,969,207
Fixed	12ESHNY001	09/15/12-09/14/15	10/01/13-06/30/15	\$19,889
Formula	13AFHNY001	09/01/13-08/31/16	09/01/13-03/31/15	\$11,759,779
Fixed	14ESHNY001	09/05/14-09/04/17	09/05/14-06/30/14	\$1,296,750
Other Grants				
Vol. Generation Fund	10VGHNY001	10/01/10-12/31/14	10/01/10-12/31/14	\$1,310,000
Vol. Generation Fund	13VGHNY001	10/01/13-12/31/14	10/01/13-12/31/14	\$500,000
NYSONCS-Level Grants				
Administrative	10CAHNY001	01/01/10-12/31/13	01/01/13-12/31/13	\$435,507
Administrative	13CAHNY001	01/01/13-12/31/15	01/01/13-12/31/14	\$741,144
TOTAL				\$60,713,471

The OIG's AUP program included:

- Obtaining an understanding of NYSONCS and New York State Office of Children and Family Services (OCFS) operations, programs, and subgrantee-monitoring processes. NYSONCS is a division of OCFS.
- Reconciling claimed Federal and match grant costs, both for NYSONCS and for a sample of subgrantees, to the New York State accounting system.
- Testing subgrantee member files to verify that records supported eligibility to serve, allowability of living allowances, and eligibility to receive education awards.
- Testing compliance with selected AmeriCorps provisions and award terms and conditions at NYSONCS and a sample of subgrantees.
- Testing Federal and match grants claimed by both NYSONCS and a sample of subgrantees to ensure that NYSONCS and the subgrantees:
 - Properly recorded AmeriCorps grants in the New York State general ledger and subgrantee records.
 - Claimed costs that were allowable and properly documented the costs in accordance with applicable Office of Management and Budget (OMB) circulars, grant provisions, and award terms and conditions.

We performed testing from July 2015 through May 2016 at the NYSONCS office in Albany, New York and at the following four subgrantees:

- Blue Engine, New York, New York
- HCZ, New York, New York

- NYC Service, New York, New York
- TSCWNY, Buffalo, New York

AUP RESULTS

We questioned claimed Federal-share costs of \$1,263,141 and match costs of \$6,984,056, as well as an additional \$46,069 in education awards and \$1,643 in accrued interest.

We discuss the detailed results of our AUP over claimed costs in Exhibit A and the supporting schedules. We discuss the results of our testing of grant compliance in Exhibit B.

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

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

COTTON & COMPANY LLP



Michael W. Gillespie, CPA, CFE
Partner

**NEW YORK STATE OFFICE OF NATIONAL AND COMMUNITY SERVICE
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

Grant No.	Federal Costs		Questioned				Schedule
	Awarded	Claimed	Federal Costs	Match Costs	Education Awards	Accrued Interest	
06AFHNY001							
TSCWNY	\$1,603,579	\$875,735	\$3,465	\$0	\$0	\$0	A
Other Subs	8,812,811	5,901,782	0	2,938,379	0	0	F
Total	<u>\$10,416,390</u>	<u>\$6,777,517</u>	<u>\$3,465</u>	<u>\$2,938,379</u>	<u>\$0</u>	<u>\$0</u>	
10CAHNY001	<u>\$435,507</u>	<u>\$259,567</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
10VGHNY001							
NYC Service		\$206,019	\$13,091	\$4,613	\$0	\$0	C
TSCWNY		72,339	0	0	0	0	
Other Subs		1,009,126	0	0	0	0	
Total	<u>\$1,310,000⁵</u>	<u>\$1,287,484</u>	<u>\$13,091</u>	<u>\$4,613</u>	<u>\$0</u>	<u>\$0</u>	
11ESHNY001							
NYC Service	\$4,026,750		\$0	\$0	\$0	\$0	
TSCWNY	1,238,055		0	0	5,550	1,643	B.
Total	<u>\$5,264,805</u>	<u>\$4,576,517</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,550</u>	<u>\$1,643</u>	
12ACHNY001							
Blue Engine	\$935,052	\$637,491	\$17,422	\$61,433	\$11,290	\$0	D
HCZ	4,953,000	2,195,032	1,035,077	2,509,543	5,550	0	E
TSCWNY	2,737,524	1,762,504	5,437	0	18,129	0	
Other Subs	20,343,631	13,624,953	0	1,032,344	0	0	F
Total	<u>\$28,969,207</u>	<u>\$18,219,980</u>	<u>\$1,057,936</u>	<u>\$3,603,320</u>	<u>\$34,969</u>	<u>\$0</u>	
12ESHNY001	<u>\$19,889</u>	<u>\$11,848</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
13AFHNY001							
TSCWNY	\$490,022	\$146,638	2,513	\$0	\$5,550	\$0	A
Others	11,269,757	4,860,967	0	0	0	0	
Total	<u>\$11,759,779</u>	<u>\$5,007,605</u>	<u>\$2,513</u>	<u>\$0</u>	<u>\$5,550</u>	<u>\$0</u>	
13CAHNY001	<u>\$741,144</u>	<u>\$684,980</u>	<u>\$52,067</u>	<u>\$99,590</u>	<u>\$0</u>	<u>\$0</u>	F
13VGHNY001							
NYC Service	\$50,000	\$36,873	\$25,038	\$30,637	\$0	\$0	C
TSCWNY	50,000	32,635	0	0	0	0	
Other Subs	400,000	368,030	109,031	307,517	0	0	F
Total	<u>\$500,000</u>	<u>\$437,538</u>	<u>\$134,069</u>	<u>\$338,154</u>	<u>\$0</u>	<u>\$0</u>	
14ESHNY001							
NYC Service	<u>\$1,296,750</u>	<u>\$667,169</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
Totals			<u>\$1,263,141</u>	<u>\$6,984,056</u>	<u>\$46,069</u>	<u>\$1,643</u>	

⁵ The NYSONCS subgrant awards did not specify the amount of Federal costs in each award. As a result, this table only shows the total amount of Federal costs that the Corporation awarded to NYSONCS.

**NEW YORK STATE OFFICE OF NATIONAL AND COMMUNITY SERVICE
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS
 THE SERVICE COLLABORATIVE OF WESTERN NEW YORK
 AWARD No. 06AFHNY001
 AWARD No. 13AFHNY001**

	06AFHNY001 PY 2012-2013	13AFHNY001 PY 2013-2014	Notes
Total Claimed Federal Costs for AUP Period	<u>\$875,735</u>	<u>\$146,638</u>	1 & 2
Questioned Federal Costs:			
Excess Administrative Costs	<u>\$3,465</u>	<u>\$2,513</u>	3
Questioned Education Award:			
Unsigned Timesheets	<u>\$0</u>	<u>\$5,550</u>	4

NOTES

1. The amount of claimed Federal costs for the AUP period represents the total amount of program year (PY) 2012-2013 Federal costs that NYSONCS claimed for TSCWNY on Award No. 06AFHNY001 for the period from April 1, 2013, through December 31, 2014.
2. The amount of claimed Federal costs for the AUP period represents the total amount of PY 2013-2014 Federal costs that NYSONCS claimed for TSCWNY on Award No. 13AFHNY001 for the period from September 1, 2013, through March 31, 2015.
3. We questioned Federal costs of \$3,465 for Award No. 06AFHNY001 and \$2,513 for Award No. 13AFHNY001 because TSCWNY claimed administrative costs that were more than five percent of total Federal expenditures (see Exhibit B, Finding 4.g.).
4. We questioned an education award of \$5,550 because four PY 2013-2014 TSCWNY members certified their timesheets before they served all hours recorded (see Exhibit B, Finding 7.b.).

**NEW YORK STATE OFFICE OF NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
THE SERVICE COLLABORATIVE OF WESTERN NEW YORK
AWARD No. 11ESHNY001
AWARD No. 12ACHNY001**

	11ESHNY001 PY 2013-2014	12ACHNY001 PY 2013-2014	12ACHNY001 PY 2014-2015	Notes
Total Claimed Federal Costs for AUP Period	<u>\$0</u>	<u>\$1,316,701</u>	<u>\$445,797</u>	1
Questioned Federal Costs:				
Unallowable Costs	<u>\$0</u>	<u>\$5,437</u>	<u>\$0</u>	2
Questioned Education Award:				
Member Activities	<u>\$5,550</u>	<u>\$0</u>	<u>\$18,129</u>	3
Questioned Accrued Interest:				
Member Activities	<u>\$1,643</u>	<u>\$0</u>	<u>\$0</u>	4

NOTES

1. The amount of claimed Federal costs for the AUP period represents the total amount of PY 2013-2014 and PY 2014-2015 Federal costs that NYSONCS claimed for TSCWNY on Award No. 12ACHNY001 for the period from April 1, 2013, through March 31, 2015.
2. We questioned Federal costs of \$5,437 (\$5,165 of other costs and \$272 of administrative costs) because the costs were not reasonable (see Exhibit B, Finding 4.h.).
3. We questioned education awards of \$5,550 and \$18,129, respectively, because TSCWNY was unable to provide evidence that it performed daily supervision of members who served offsite, particularly members who performed their service hours when their site was closed and members who worked excessive hours at the end of their service terms (see Exhibit B, Finding 8).
4. We questioned accrued interest of \$1,643 because TSCWNY was unable to provide evidence that it performed daily supervision of PY 2013-2014 members who worked excessive hours at the end of their service terms (see Exhibit B, Finding 8).

**NEW YORK STATE OFFICE OF NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
NEW YORK CITY MAYOR'S OFFICE (NYC SERVICE)
AWARD No. 10VGHNY001
AWARD No. 13VGHNY001**

	10VGHNY001	13VGHNY001	Notes
Total Claimed Federal Costs for AUP Period	<u>\$206,019</u>	<u>\$36,873</u>	1 & 2
Questioned Federal Costs:			
No timesheets for a grant-funded staff member	<u>\$13,091</u>	<u>\$25,038</u>	3 & 4
Total Claimed Match Costs for AUP Period	<u>\$106,243</u>	<u>\$36,591</u>	1 & 2
Questioned Match Costs:			
No timesheets for a grant-funded staff member	<u>\$4,613</u>	<u>\$30,637</u>	3 & 4

NOTES

1. The amount of claimed Federal and match costs for the AUP period represents the total amount of Federal costs that NYSONCS claimed for NYC Service on Award No. 10VGHNY001 for the period from October 1, 2010, through December 31, 2014.
2. The amount of claimed Federal and match costs for the AUP period represents the total amount of Federal costs that NYSONCS claimed for NYC Service on Award No. 13VGHNY001 for the period from October 1, 2013, through December 31, 2014.
3. We questioned Federal salary and benefit costs of \$13,091 and match salary and benefit costs of \$4,613 for Award No. 10VGHNY001 because the timesheets for the Mayor's Fund to Advance New York City (Mayor's Fund) employee that worked on the grant only accounted for daily hours worked and leave taken; they did not indicate the activities on which the employee worked (see Exhibit B, Finding 5.d.). We also questioned the Federal and match costs because NYC Service did not conduct a National Sex Offender Public Website (NSOPW) search for the employee (see Exhibit B, Finding 2.c.).
4. We questioned Federal salary and benefit costs of \$25,038 and match salary and benefit costs of \$30,637 for Award No. 13VGHNY001 because the timesheets for the NYC Mayor's Office employee that worked on the grant only accounted for daily hours worked and leave taken; they did not include the activities on which the employee worked (see Exhibit B, Finding 5.d.). We also questioned the Federal and match costs because NYC Service did not conduct a NSOPW search for one employee, and it conducted the NSOPW searches for two other employees after the employees started working on the grant (see Exhibit B, Finding 2.c.).

**NEW YORK STATE OFFICE OF NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
BLUE ENGINE
AWARD No. 12ACHNY001**

	PY 2013-2014	PY 2014-2015	Note
Total Claimed Federal Costs for AUP Period	<u>\$467,526</u>	<u>\$169,965</u>	1
Questioned Federal Costs:			
Returning member evaluation/prior-year end-of-term evaluation missing	<u>\$0</u>	<u>\$17,422</u>	2
Total Claimed Match Costs for AUP Period	<u>\$950,996</u>	<u>\$515,266</u>	3
Questioned Match Costs:			
NSOPW search not nationwide	\$0	\$1,802	4
Costs incurred before start of PY 2014-2015	0	24,916	5
Returning member evaluation/prior-year end-of-term evaluation missing	<u>0</u>	<u>34,715</u>	2
Total Questioned Match Costs	<u>\$0</u>	<u>\$61,433</u>	
Questioned Education Award:			
Returning member evaluation/prior-year end-of-term evaluation missing	<u>\$0</u>	<u>\$11,290</u>	2

NOTES

1. The amount of claimed Federal costs for the AUP period represents the total amount of PY 2013-2014 and PY 2014-2015 Federal costs that NYSONCS claimed for Blue Engine on Award No. 12ACHNY001 for the period from April 1, 2013, through March 31, 2015.
2. We questioned Federal costs of \$17,422, match costs of \$34,715, and education awards of \$11,290 because two PY 2013-2014 members did not undergo end-of-term evaluations but returned as members in PY 2014-2015. The members were not eligible for a second term of service without receiving a satisfactory end-of-term evaluation for the prior year (see Exhibit B, Finding 9.b.).
3. The amount of claimed match costs for the AUP period represents the total amount of PY 2013-2014 and PY 2014-2015 match costs that NYSONCS claimed for Blue Engine on Award No. 12ACHNY001 for the period from April 1, 2013, through March 31, 2015.
4. We questioned match costs of \$1,802 because Blue Engine was unable to locate the NSOPW search for one grant-fund employee, and its subsequent search was not a nationwide search, as one state was missing (see Exhibit B, Finding 2.b.).

5. We questioned match costs of \$24,916 because Blue Engine incurred the costs in July 2014; PY 2014-2015 did not begin until August 2014, and Blue Engine did not obtain NYSONCS' approval to incur pre-award costs (see Exhibit B, Finding 4.e.).

**NEW YORK STATE OFFICE OF NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND TOTAL QUESTIONED COSTS
HARLEM CHILDREN'S ZONE
AWARD No. 12ACHNY001**

	PY 2012-2013	PY 2013-2014	PY 2014-2015	Notes
Total Claimed Federal Costs for AUP Period	<u>\$798,491</u>	<u>\$1,334,492</u>	<u>\$62,049</u>	1
Questioned Federal Costs:				
Excess Federal costs due to unmet match	\$171,576	\$62,428	\$0	2
Improper NSOPW searches	102,230	180,987	0	3
Unallowable living allowance costs	30,680	84,656	1,540	4
Unallowable costs	0	4,275	0	5
Staff labor costs not allocated using timesheets	148,220	247,760	0	6
Unsupported costs	0	725	0	7
Total Questioned Federal Costs	<u>\$452,706</u>	<u>\$580,831</u>	<u>\$1,540</u>	
Total Claimed Match Costs for AUP Period				
	<u>\$1,328,083</u>	<u>\$1,934,371</u>	<u>\$53,127</u>	1
Questioned Match Costs:				
Improper NSOPW searches	\$251,171	\$381,979	\$0	3
Unallowable living allowance costs	27,703	68,759	1,173	4
Staff labor costs not allocated using timesheets	526,575	754,159	0	6
Unsupported costs	243,884	15,698	0	7
FBI searches not conducted	75,593	0	0	8
Unallowable costs	140,306	22,543	0	9
Total Questioned Match Costs	<u>\$1,265,232</u>	<u>\$1,243,138</u>	<u>\$1,173</u>	
Questioned Education Awards:				
Unsigned timesheets	<u>\$0</u>	<u>\$5,550</u>	<u>\$0</u>	Exhibit B. 7.a.

NOTES

1. The amount of claimed Federal and match costs for the AUP period represents the total amount of PY 2012-2013, PY 2013-2014, and PY 2014-2015 Federal and match costs that NYSONCS claimed for HCZ on Award No. 12ACHNY001 for the period from April 1, 2013, through March 31, 2015.
2. We questioned Federal costs totaling \$234,004 because HCZ did not meet its match requirements and therefore claimed excess Federal costs (see Schedule E-1).

SCHEDULE E

3. We questioned Federal costs totaling \$283,217 and match costs totaling \$633,150 because HCZ conducted improper NSOPW searches on grant-funded staff members from PYs 2012-2013 and 2013-2014 (see Schedule E-2 and Exhibit B, Finding 2.a.).
4. We questioned Federal costs totaling \$116,876 and match costs totaling \$97,635 because HCZ charged member living allowances to the wrong program year, claimed allowances before and after members' service terms, and claimed allowances for individuals that did not appear on either the Corporation's or HCZ's member rosters (see Schedule E-2 and Exhibit B, Findings 3.a., 3.b., and 3.c.).
5. We questioned Federal costs of \$4,275 because HCZ did not provide any supporting documentation for the costs (see E-2 and Exhibit B, Finding 4.f.).
6. We questioned Federal costs totaling \$395,980 and match costs totaling \$1,280,734 because HCZ did not use timesheets to allocate costs to the grant; instead, it allocated costs based on the budget and the funds remaining in the budget (see Schedule E-2 and Exhibit B, Finding 5.e.).
7. We identified unsupported Federal costs of \$4,394 and match costs of \$243,884 and \$22,597 because HCZ's accounting records did not support the salary and benefit costs. Of these amounts, we previously questioned \$3,669 of Federal costs and \$6,899 of match costs as part of Note 6; these costs should therefore not be questioned again. As a result, we only questioned Federal costs of \$725 and match costs of \$243,884 and \$15,698 (see Schedule E-2 and Exhibit B, Finding 6.a.).
8. We questioned match costs of \$75,593 because HCZ did not conduct FBI searches for two grant-funded staff members (see Schedule E-2 and Exhibit B, Finding 2.a.).
9. We questioned match costs totaling \$162,849 because the costs were unallowable (see Schedule E-2 and Exhibit B, Finding 4.f.).

**NEW YORK STATE OFFICE OF NATIONAL AND COMMUNITY SERVICE
 SCHEDULE OF QUESTIONED FEDERAL COSTS DUE TO UNMET MATCH
 HARLEM CHILDREN'S ZONE
 AWARD No. 12ACHNY001**

Description	PY 2012-2013	PY 2013-2014	Reference
Claimed Federal Costs for the Entire Program Year	\$1,316,025	\$1,334,492	
Questioned Federal Costs	<u>(281,130)</u>	<u>(518,403)</u>	Schedule E-2
Adjusted Federal Costs	<u>\$1,034,895</u>	<u>\$816,089</u>	
Claimed Match Costs for the Entire Program Year	\$1,956,974	\$1,934,371	
Questioned Match Costs	<u>(1,265,232)</u>	<u>(1,243,138)</u>	Schedule E-2
Adjusted Match Costs	<u>\$691,742</u>	<u>\$691,233</u>	
Adjusted Federal Costs	\$1,034,895	\$816,089	
Adjusted Match Costs	<u>691,742</u>	<u>691,233</u>	
Net Allowable Costs	\$1,726,637	\$1,507,322	
Match Requirement	50%	50%	
Allowable Federal Costs	<u>\$863,319</u>	<u>\$753,661</u>	
Adjusted Federal Costs	\$1,034,895	\$816,089	
Allowable Federal Costs	<u>863,319</u>	<u>753,661</u>	
Questioned Excess Federal Costs due to Unmet Match Requirements	<u>\$171,576</u>	<u>\$62,428</u>	

This schedule shows the calculations underlying our determination that, after adjusting for the questioned Federal and match costs arising from our findings, we were required to question additional Federal costs because HCZ did not meet its match requirements. The excess Federal costs claimed by HCZ total \$234,004 (\$171,576 from PY 2012-2013 and \$62,428 from PY 2013-2014).

**NEW YORK STATE OFFICE OF NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS, EXCLUDING UNMET MATCH COSTS
HARLEM CHILDREN'S ZONE
AWARD No. 12ACHNY001**

	PY 2012-2013	PY 2013-2014	PY 2014-2015	Exhibit B Finding
Total Claimed Federal Costs	<u>\$798,491</u>	<u>\$1,334,492</u>	<u>\$62,049</u>	
Questioned Federal Costs:				
NSOPW searches not conducted	\$43,391	\$144,996	\$0	2.a.
Family Watchdog website used to conduct sex offender searches	0	35,991	0	2.a.
NSOPW searches not nationwide; subsequent searches not conducted	32,127	0	0	2.a.
NSOPW search conducted using incorrect name; subsequent searches not conducted	26,712	0	0	2.a.
Living allowance charged to wrong PY	22,075	53,194	0	3.a.
Living allowance claimed before and/or after member service term	8,605	30,631	220	3.b.
Living allowance claimed for individuals not enrolled as members	0	831	1,320	3.c.
Unallowable costs	0	4,275	0	4.g.
Staff labor costs not allocated using timesheets	148,220	247,760	0	5.e.
Unsupported costs	0	725	0	6.a.
Total Questioned Federal Costs	<u>\$281,130</u>	<u>\$518,403</u>	<u>\$1,540</u>	
Total Claimed Match Costs	<u>\$1,328,083</u>	<u>\$1,934,371</u>	<u>\$53,127</u>	
Questioned Match Costs:				
NSOPW searches not conducted	\$127,091	\$239,065	\$0	2.a.
Family Watchdog website used to conduct sex offender search	65,456	0	0	2.a.
NSOPW search conducted using misspelled name; subsequent searches not conducted	15,164	23,189	0	2.a.
NSOPW search were not nationwide; subsequent searches not conducted	43,460	74,846	0	2.a.
NSOPW search conducted using incorrect name; subsequent searches not conducted	0	44,879		
FBI searches not conducted	75,593	0	0	2.a.
Living allowance charged to wrong PY	21,162	44,578	0	3.a.
Living allowance before and after member service terms	6,541	23,462	168	3.b.
Living allowance for individuals not enrolled as members	0	719	1,005	3.c.
Unallowable costs	140,306	22,543	0	4.g.
Staff labor costs not allocated using timesheets	526,575	754,159	0	5.e.
Unsupported costs	243,884	15,698	0	6.a.
Total Questioned Match Costs	<u>\$1,265,232</u>	<u>\$1,243,138</u>	<u>\$1,173</u>	
Questioned Education Awards:				
Unsigned timesheets	<u>\$0</u>	<u>\$5,550</u>	<u>\$0</u>	7.a.

NEW YORK STATE OFFICE OF NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
AWARD NO. 06AFHNY001
AWARD NO. 12ACHNY001
AWARD NO. 13CAHNY001
AWARD NO. 13VGHNY001

	06AFH	12ACH	13CAH	13VGH	Notes
Total Claimed Federal Costs for AUP Period	<u>\$6,777,517</u>	<u>\$18,219,280</u>	<u>\$684,980</u>	<u>\$437,538</u>	1
Questioned Federal Costs:					
Salary and benefit costs for employee who did not work on grant	\$0	\$0	\$45,258	\$0	2
Unsupported salary and benefit costs for OCFS employees who supported Corporation grants	<u>0</u>	<u>0</u>	6,809	0	3
Excess Federal costs due to unmet match	<u>0</u>	<u>0</u>	<u>0</u>	<u>109,031</u>	10
Total Questioned Federal Costs	<u>\$0</u>	<u>\$0</u>	<u>\$52,067</u>	<u>\$109,031</u>	
Total Claimed Match Costs for AUP Period	<u>\$10,480,373</u>	<u>\$18,585,195</u>	<u>\$966,865</u>	<u>\$582,667</u>	1
Questioned Match Costs:					
Salary and benefit costs for employee who did not work on grant	\$0	\$0	\$90,143	\$0	2
Unsupported salary and benefit costs for OCFS employees who supported Corporation grants	<u>0</u>	<u>0</u>	2,447	0	3
Unallowable costs	2,938,379	972,684	7,000	5,954	4, 5, 6, & 7
Unallocable costs	<u>0</u>	59,660	<u>0</u>	<u>301,563</u>	8, 9
Total Questioned Match Costs	<u>\$2,938,379</u>	<u>\$1,032,344</u>	<u>\$99,590</u>	<u>\$307,517</u>	

NOTES

- The amount of claimed Federal and match costs for the AUP period represents the total amount of Federal and match costs that NYSONCS claimed on:
 - Award No. 06AFHNY001 for April 1, 2013, through December 31, 2014
 - Award No. 12ACHNY001 for April 1, 2013, through December 31, 2014
 - Award No. 13CAHNY001 for January 1, 2013, through December 31, 2015
 - Award No. 13VGHNY001 for October 1, 2013, through December 31, 2014

2. We questioned Federal salary and benefit costs of \$45,258 and match salary and benefit costs of \$90,143 because NYSONCS claimed salary and benefit costs for an OCFS employee that did not work on Corporation grants (see Exhibit B, Finding 5.a.).
3. We questioned Federal salary and benefit costs of \$6,809 and match salary and benefit costs of \$2,447 because NYSONCS and OCFS employees' timesheets only accounted for daily hours worked and leave taken; they did not identify the activities on which the employees worked (see Exhibit B, Finding 5.b.).
4. We questioned match costs of \$2,938,379 on Award No. 06AFHNY001 because the costs were unallowable. For the period from April 1 through September 30, 2013, NYSONCS claimed the same \$3,911,063 in match costs on both Award No. 06AFHNY001 and Award No. 12ACHNY001. These match costs were reported by NYSONCS' Competitive grant subgrantees and should only be allocable to Award No. 12ACHNY001. This would have resulted in \$3,911,063 of questioned costs for Award No. 06AFHNY001; however, we reduced this amount by \$972,684 as a result of a separate audit finding where match costs reported by ONCS's Formula grant subgrantees were reported by ONCS on Award No. 12ACHNY001 (see Exhibit B, Finding 4.a.).
5. We questioned match costs of \$972,684 on Award No. 12ACHNY001 because the costs were unallowable. For the periods from April 1 through September 30, 2014, and October 1, 2014, through March 31, 2015, NYSONCS claimed \$972,684 of unallowable costs on Award No. 12ACHNY001. These costs were actually allocable to Award No. 06AFHNY001 but were erroneously charged to this grant. As discussed above, because the costs were allocable to Award No. 06AFHNY001, we added them to the questioned match costs for Award No. 06AFHNY001 and reduced the amount of questioned match costs for Award No. 06AFHNY001 by \$972,684 (see Exhibit B, Finding 4.a.).
6. We questioned match costs of \$7,000 because prompt payment interest costs were unallowable (see Exhibit B, Finding 4.d.).
7. We questioned match costs of \$5,954 because they were unallowable. For the period from October 1 through December 31, 2014, NYSONCS claimed \$17,862 of costs for the NYC Service subgrantee, including \$11,908 claimed as Federal costs and \$5,954 claimed as match costs. However, NYC Service requested reimbursement for \$11,908 (see Exhibit B, Finding 4.a.).
8. We questioned costs of \$59,660 that NYSONCS erroneously claimed as match on Award No. 12ACHNY001. Blue Engine reported this item to NYSONCS as revenue, but NYSONCS misclassified it (see Exhibit B, Finding 4.a.).
9. We questioned \$301,563 of match costs that NYSONCS claimed on Award No. 13VGHNY001 because the costs were unallocable. NYSONCS subgrantees incurred the costs specifically for Award No. 10VGHNY001, which had a different purpose than did Award No. 13VGHNY001. NYSONCS believed that costs funded with New York State funds were interchangeable and could be used as match costs on either grant (see Exhibit B, Finding 4.b.).

10. We questioned \$109,031 of Federal costs on Award No. 13VGHNY001 after determining that NYSONCS would not meet its 50 percent match requirement for the grant after deducting the \$338,154 of questioned match costs (see Exhibit B, Finding 4.c.).

**NEW YORK State OFFICE OF NATIONAL AND COMMUNITY SERVICE
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
COMPLIANCE RESULTS**

In performing our AUP, we identified the compliance findings described below.

Finding 1. NYSONCS did not ensure that subgrantees received Single Audit reports, did not review National Service Criminal History Checks (NSCHC) for grant-funded staff during subgrantee site visits, and did not perform financial reviews of subgrantees.

NYSONCS did not provide sufficient oversight of the AmeriCorps program funds that it administered. As a result, it failed to detect and remedy basic deficiencies in subgrantees' management of Federal resources. OMB Circular A-133 §___.225 and §___.400(d), *Pass-through entity responsibilities*,⁶ requires that a State Commission monitor the financial and performance reports of its subrecipients to ensure that they use awarded funds for authorized purposes and in compliance with Federal requirements and the terms and conditions of their subawards. NYSONCS failed to review subgrantee compliance with criminal history check requirements and did not perform reviews of its subgrantees' finances and Single Audit reports. Specifically, NYSONCS:

- Failed to review approximately half of the Single Audit reports for subgrantees and to discover discrepancies between the Federal expenditures reported on the Single Audit reports and the expenditures reported to CNCS. During this period, 27 NYSONCS subgrantees expended more than \$500,000 in Federal funds per year and were required to obtain Single Audit reports and provide them to NYSONCS. The four subgrantees in our sample and key NYSONCS staff were unaware of this requirement. NYSONCS had no formal process for reviewing the reports or documenting those reviews during the AUP period; NYSONCS reviewed only 12 of the 27 Single Audit reports in 2013 and only 14 of the 27 in 2014.⁷ Had NYSONCS reconciled the payments to the Schedule of Expenditures of Federal Awards (SEFA), it would have noted that the Mayor's Fund showed greater Federal expenditures on its Single Audit report than NYSONCS had shown it to have spent on its FFR, on which CNCS relies, and that the 2014 Single Audit report on the Mayor's Fund also omitted certain Federal costs from Award No. 13VGHNY001, as follows:

Award No.	Period	Federal Expenditures Mayor's Fund Reported on SEFA	Federal Expenditures NYSONCS Reported on FFR
10VGHNY001	07/01/12-06/30/13	\$67,231	\$32,566
10VGHNY001	07/01/13-06/30/14	\$195,479	\$112,312
13VGHNY001	07/01/13-06/30/14	\$0	\$10,079

⁶ 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart D, *Post Federal Award Requirements*, § 200.331, *Requirements for pass-through entities*.

⁷ The CNCS-OIG identified this same deficiency in 2004 (Report No. 04-18). The reconciliations between NYSONCS' payments and the grant expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) are required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart D, *Federal Agencies and Pass-Through Entities*, § .400(d), *Pass-through entity responsibilities*.

NYSONCS adopted a review process in FY 2015, but the review process did not include a step for reconciling OCFS payments to subgrantee SEFA expenditures.

- Failed to test subgrantees' compliance with the NSCHC requirements for grant-funded staff because its monitoring tool overlooked this key safety measure (45 Code of Federal Regulations (CFR) § 2540.203, *When must I conduct a State criminal registry check and a National Sex Offender Public Website site check on an individual in a covered position?*). Had it performed these tests, NYSONCS would have discovered the deficiencies identified in this report. NYSONCS advises that it has now revised the monitoring tool to address this critical risk and will conduct training for its subgrantees.
- Did not test any subgrantee compliance with Federal fiscal requirements, including cost principles and AmeriCorps grant terms and conditions. Although NYSONCS' monitoring tool allowed for certain limited financial testing during site visits, it did not perform a full review of the subgrantee's financial compliance, as required. NYSONCS representatives stated that it was not the responsibility of the program staff to conduct fiscal monitoring during the site visits and that they would only do so "if time permits." There have been many periods, including during the period covered by this AUP, in which NYSONCS lacked the staff to perform such monitoring.

NYSONCS recognized the need for a senior auditor to monitor its subrecipients' financial and programmatic performance and established a position for an auditor to perform those functions. However, that position was repeatedly vacant during the period under review. NYSONCS representatives stated that the remaining staff have been unable to take on these responsibilities due to competing priorities and workload.

Recommendations: We recommend that the Corporation:

- 1a. Verify the implementation of NYSONCS' program-monitoring procedures for ensuring that its subgrantees comply with the NSCHC requirements for grant-funded staff by reviewing completed subgrantee site visit monitoring reports and completed subgrantee-monitoring tools.
- 1b. Verify the implementation of NYSONCS' fiscal monitoring procedures by reviewing completed subgrantee site visit monitoring reports and completed subgrantee-monitoring tools. The review process should include:
 - Reviewing subgrantee general ledgers.
 - Reviewing backup documentation for claimed costs.
 - Checking expenditures and comparing the expenditures to submitted claims.
 - Monitoring fiscal compliance and match levels.
 - Comparing expenditures to subgrantee budget line items.

- Ensuring subgrantee costs comply with the cost principles and Federal requirements for advances.
- 1c. Verify the implementation of NYSONCS' risk assessment process by reviewing completed risk assessments.
 - 1d. Ensure that the new senior auditor receives appropriate training on Corporation requirements.
 - 1e. Verify that NYSONCS' program-monitoring procedures for ensuring that its subgrantees comply with the Single Audit requirements include procedures to:
 - Identify all subgrantees with Corporation expenditures for each State fiscal year and determine which of the subgrantees underwent Single Audits of the expenditures.
 - Review the audit reports for findings that affect Corporation grants to determine if NYSONCS records require adjustment.
 - Reconcile subgrantee SEFA expenditures for Corporation grants to NYSONCS payments to the subgrantees to determine if NYSONCS records require adjustment.
 - Determine if subgrantees accurately presented AmeriCorps and other Corporation awards on their SEFA schedules.
 - Retain documentation of NYSONCS reviews of subgrantee audit reports.
 - 1f. Review documentation of NYSONCS reviews of all of the subgrantees to verify that NYSONCS implemented effective procedures for reviewing subgrantee Single Audit reports.

NYSONCS Response: NYSONCS and OCFS disagreed with the finding. We have summarized their response below. Please see the appendices for NYSONCS and OCFS's full response.

NYSONCS and OCFS contended that they were not required to review all Single Audit reports pertaining to NYSONCS' subgrantees. Further, they asserted that they relied upon CNCS's positive comments regarding their internal controls following a monitoring site visit in 2014. In addition, NYSONCS listed a series of corrective actions that it had instituted in response to the audit. NYSONCS also asserted that the auditor made insufficient effort to involve senior NYSONCS officials in the audit.

Accountants' Comments: NYSONCS and OCFS's response states that they implemented corrective actions in response to many of the audit recommendations. However, they did not implement these actions until after the conclusion of fieldwork, and NYSONCS did not furnish the review team with evidence that it had conducted financial monitoring visits or tested NSCHCs for grant-funded staff using the tools listed in its response. During the audit

resolution phase, the Corporation should review and verify any corrective actions completed by NYSONCS and its subgrantees.

Despite its assertions regarding corrective actions, NYSONCS' response reflects an unwillingness to accept responsibility for its seriously deficient performance. Our review of NYSONCS and only four of its 51 subgrantees identified more than \$8.25 million in unsupported or improper costs, failure to ensure that subgrantees took legally required precautions to exclude dangerous offenders from national service, staff that were unfamiliar with key grant requirements, and deficient financial monitoring. Yet, NYSONCS defends its oversight as "satisfactory" (Appendix A, page 2 of NYSONCS' response). The AUP results speak for themselves and demonstrate otherwise.

Defending NYSONCS' failure to review subgrantees' Single Audit reports is untenable.⁸ NYSONCS asserts that there is "no controlling authority for the OIG's assertion that the Commission had an obligation to review every audit report of sub-grantees" (Appendix A, page 3 of NYSONCS' response). In fact, NYSONCS was expressly obligated to monitor the activities of subgrantees to ensure that they used Federal funds for authorized purposes and in compliance with applicable Federal requirements (OMB Circular A-133, Subpart D, —§ .400 (d)(3)). These are the very issues that Single Audit reports address. Reviewing the Single Audit reports was therefore an important and cost-effective method of meeting this obligation. Yet NYSONCS and OCFS did not review, for example, the FY 2013 and FY 2014 Single Audit reports for TSCWNY, NYSONCS' largest AmeriCorps subgrantee, or the Mayor's Fund, its largest VGF subgrantee. Likewise, they do not explain how, in the absence of reviewing the Single Audit reports, they discharged their financial oversight obligations.

Moreover, without obtaining a Single Audit report for each subgrantee that met the dollar threshold, NYSONCS had no way of verifying that the subgrantee actually underwent those audits, as NYSONCS was legally required to do (OMB Circular A-133, Subpart D, —§ .400 (d)(4)). NYSONCS was also required to determine whether the subgrantees' Single Audit results required the Commission to issue management decisions, ensure that the subgrantees implemented corrective actions, or adjust its own books and records (OMB Circular A-133, Subpart D, —§ .400 (d)(5)-(6)). NYSONCS could not make any such determinations without reviewing each audit report. NYSONCS' staff was unfamiliar with these requirements and therefore reviewed only approximately half of the subgrantees' Single Audit reports in 2013 and 2014. NYSONCS' continuing refusal to acknowledge its obligation to review each Single Audit report deepens our concern regarding its management of Federal grant funds.

In addition, NYSONCS' reliance on the results of the Corporation's 2014 fiscal monitoring visit is misplaced. The fiscal monitoring visit was a limited two-day review focused on NYSONCS' policies and procedures and its financial management system, not those of subgrantees. The scope of the current AUP review was significantly larger and extended to subgrantee financial and compliance monitoring. Thus, the AUP procedures included

⁸ By law, any entity that expends more than \$500,000 in Federal funds annually (increased to \$750,000 effective December 26, 2014) must undergo a comprehensive, organization-wide audit of whether it used the funds for authorized purposes and in compliance with applicable laws, regulations, and grant terms and conditions. (The corresponding requirements now appear in 2 CFR 331.) These audits are paid for by the taxpayers, and the resulting reports are maintained in a public database.

reconciling Federal and match expenditures reported on FFRs to the underlying supporting accounting records, reviewing subgrantee A-133 audit reports, reviewing subgrantee monitoring tools and site visit reports, and visiting subgrantees to test their costs and their compliance with NSCHC requirements. These detailed procedures enabled us to uncover deficiencies that were beyond the scope of the Corporation's 2014 review.

NYSONCS' contention that senior NYSONCS officials were excluded from audit events and discussions is also without basis. At NYSONCS' request, the auditors routed their communications through a NYSONCS employee whom NYSONCS designated as its audit liaison, i.e., the point of contact for all communications related to the audit. The auditors had no control over, or visibility into, whether and how that NYSONCS staff member disseminated the information that the auditors provided. If that individual failed to keep NYSONCS officials informed, the responsibility does not lie with the auditors.

Finding 2. Subgrantees did not perform NSCHC searches for grant-funded staff and members.

All four subgrantees failed to perform complete, timely, and thoroughly documented NSCHC searches on grant-funded staff and members. Criminal history checks are required for all AmeriCorps members and grant-funded staff to ensure that dangerous predators do not exploit individuals served by CNCS programs. Failure to complete the statutorily mandated checks could endanger the safety of communities.

Below is a summary of the deviations by category at each subgrantee.

	Blue Engine	HCZ	NYC Service	TSC WNY
Total Sampled Grant-Funded Staff	14	27	4	11
Written authorization to conduct NSCHC not documented	14	27	4	4
Lack of documentation verifying staff's identity against photo identification	14	27	3	2
NSOPW searches missing	1	9	2	0
NSOPW searches late	14	0	2	0
NSOPW searches performed by non-NSOPW website	0	2	0	0
NSOPW searches with incorrect names	1	2	0	0
NSOPW searches not nationwide	2	2	0	0
State criminal history check not conducted	0	0	1	0
Improper State criminal history check	3	0	1	0
Criminal history check not dated	14	0	0	0
State criminal history check initiated after employee started working on award	0	0	2	0
FBI check initiated after staff started working on award	0	0	2	0
FBI check not conducted	0	2	2	0
Lack of documentation that State criminal history check was conducted in the state of employee's legal residence	0	25	0	0
Lack of documentation verifying staff member is not a sex offender	0	1	0	0

- a. **HCZ** failed to conduct the required NSOPW and FBI background checks in accordance with the NSCHC. As a result, we questioned a total of \$283,217 in Federal costs and \$708,743 in match costs.

- HCZ did not conduct NSOPW searches on nine grant-funded staff members, causing us to question \$188,387 in Federal costs and \$366,156 in match costs.

PY	Federal Costs	Match Costs
2012-2013	\$43,391	\$127,091
2013-2014	<u>144,996</u>	<u>239,065</u>
Total	<u>\$188,387</u>	<u>\$366,156</u>

- HCZ conducted sex offender searches for two grant-funded staff members using the “Family Watchdog” website but could not demonstrate that these searches met NSCHC requirements. Because the adequacy and completeness of the criminal history checks are undemonstrated and unassured, we questioned \$35,991 in Federal costs and \$65,456 in match costs.

PY	Federal Costs	Match Costs
2012-2013	\$0	\$65,456
2013-2014	<u>35,991</u>	<u>0</u>
Total	<u>\$35,991</u>	<u>\$65,456</u>

- HCZ misspelled the name of one grant-funded staff member when conducting the NSOPW search, making the results unreliable. We therefore questioned \$38,353 in match costs.

PY	Match Costs
2012-2013	\$15,164
2013-2014	<u>23,189</u>
Total	<u>\$38,353</u>

- HCZ did not use the legal name of one grant-funded staff member when conducting the NSOPW search, making the results incomplete. We therefore questioned \$26,712 in Federal costs and \$44,879 in match costs.

PY	Federal Costs	Match Costs
2012-2013	\$26,712	\$0
2013-2014	<u>0</u>	<u>44,879</u>
Total	<u>\$26,712</u>	<u>\$44,879</u>

HCZ did not conduct a complete NSOPW search inclusive of all 50 states for two grant-funded members. The search omitted one state for one staff member and two states for a second staff member. According to the NSCHC Frequently Asked Questions, Paragraph 4.7, *What steps should I take if I discover that a state's sex offender registry site is inoperative when I am conducting the NSOPW check?*, programs are required to renew searches of the NSOPW until all the results include every jurisdiction. As a result, we questioned \$32,127 in Federal costs and \$118,306 in match costs claimed by HCZ.

PY	Federal Costs	Match Costs
2012-2013	\$32,127	\$43,460
2013-2014	<u>0</u>	<u>74,846</u>
Total	<u>\$32,127</u>	<u>\$118,306</u>

- HCZ did not conduct FBI searches for two grant-funded staff members, as required by 45 CFR § 2540.203, *When must I conduct a State criminal registry check and a National Sex Offender Public Website check on an individual in a covered position?* We therefore questioned \$75,593 in match costs.

PY	Match Costs
2012-2013	<u>\$75,593</u>

- HCZ was unable to provide documentation to demonstrate that it conducted State criminal history checks in the states in which staff members resided for 25 of the 27 sampled staff members. These checks are required by 45 CFR § 2540.203, *What search components of the National Service Criminal History Check must I satisfy to determine an individual's eligibility to serve in a covered position?* HCZ obtained the services of the New York Department of Education and OCFS in conducting the State criminal registry checks for these staff members. We were unable to determine whether these entities conducted a State criminal history check in the state in which the employee resided because HCZ was unable to provide documentation that it verified the staff members' identities against a government-issued photo identification. HCZ representatives stated that HCZ maintained this documentation; however, they did not explain why it did not provide the documentation to support compliance with the regulation.
- b. **Blue Engine's** criminal history checks were defective in a number of respects, including lack of written consent from employees prior to undergoing NSCHCs; inadequate documentation of verification of staff members' identity; use of "Go Pass" results for three grant-funded staff members, although CNCS authorized the use of Go Pass solely for AmeriCorps members; absence of dates on Go Pass and State registry results, providing no evidence of whether the checks were timely performed; and failure to use the legal name of a staff member in conducting an NSOPW search

and the omission of one state from the follow-up check conducted after auditors noted the inadequacy of the original search.⁹

- Blue Engine did not date the State criminal history checks for three grant-funded staff members, despite obtaining the checks from the correct source. The Corporation's *Designated Statewide Criminal History Repositories and Alternatives* document states that eligible programs may rely on clearances issued by the New York City Department of Education's Personnel Eligibility Tracking System (PETS) for New York State and FBI checks; however, programs must retain a dated printout of the results.
 - Blue Engine allowed staff to begin working on grant-funded activities prior to conducting NSOPW searches, in violation of 45 CFR § 2540.204, *When must I conduct a State criminal registry check and a National Sex Offender Public Website check on an individual in a covered position?* In PY 2013-2014, Blue Engine began claiming personnel costs for its site directors and operations staff in July 2013 but did not complete the NSOPW searches until January 23, 2014. In PY 2014-2015, Blue Engine began claiming personnel costs for its site directors and operations staff on August 1, 2014, but did not complete the NSOPW searches until September 4, 2014.
 - Blue Engine was unable to produce documentation that it conducted a timely NSOPW search for one grant-funded staff member. As required by 45 CFR § 2540.204, *When must I conduct a State criminal registry check and a National Sex Offender Public Website check on an individual in a covered position?*, grantees must conduct a NSOPW search, and the results must be reviewed and found to be clear before an individual in a covered position begins work. When we notified Blue Engine that the NSOPW search could not be located, Blue Engine ran a new NSOPW search. The new search omitted results from the state of Minnesota and therefore did not qualify as a nationwide search. As a result, we questioned \$1,802 in match costs for PY 2014-2015.
- c. **TSCWNY** did not comply with Corporation requirements for documenting FBI checks, administering the employee's NSCHC ID Verification and Authorization form, conducting State criminal history checks in the state of residence, and ensuring that it initiated NSOPW searches before the member started service.
- TSCWNY was unable to provide documentation of the FBI check results for three PY 2013-2014 TSCWNY members, as required by the CFR.¹⁰ TSCWNY provided a letter it sent to NYSONCS detailing the criminal history check process for AmeriCorps members at the Cradle Beach host site. TSCWNY lacked documentation of the date it received the criminal history results, whether the member had been cleared for service, the name and signature of the individual who reviewed the results, and the review date.

⁹ We did not question any costs because Blue Engine had excess match costs in PY 2013-2014.

¹⁰ These regulations can be found in 45 CFR § 2540.203, *What search components of the National Service Criminal History Check must I satisfy to determine an individual's eligibility to serve in a covered position?*

NYSONCS approved TSCWNY's request to file the letter along with supporting documentation for each of the members.¹¹ TSCWNY believed that its process was sufficient because it did not receive further information from NYSONCS; however, without the results of the documented FBI check, subgrantees cannot support that the member cleared the check and was eligible to serve as an AmeriCorps member.

- TSCWNY conducted New York State criminal history checks on one PY 2013-2014 member and one PY 2014-2015 member; however, the members' driver's licenses indicated that their legal residences were in Vermont and California, respectively. Although the Corporation's *Frequently Asked Questions National Service Criminal History Checks* only states that it would be prudent to conduct a search in the state in which a member is a legal resident, we believe that it should be required; otherwise, subgrantees risk failing to detect an ineligible applicant. Conducting searches in the state of legal residence should be adopted as a best practice and would be consistent with the intent of the regulation. TSCWNY should, therefore, have conducted State criminal history checks in these two states as well to avoid missing an ineligible applicant.
 - TSCWNY was unable to provide documentation authorizing the verification and release of identification for four of its grant-funded employees. In addition, for the employees who completed the forms, TSCWNY allowed the employees to verify their own information. According to 45 CFR § 2540.205, *What procedures must I follow in conducting a National Service Criminal History Check for a covered position?*, subgrantee employees and service members must complete the "National Service Criminal History Check (NSCHC) ID Verification and Authorization For Release of Information Form" before TSCWNY initiates their background checks. The program must also verify the individual's identity by examining their government-issued photo identification card, such as a driver's license.
- d. **NYC Service** was unable to produce documentation that it conducted the required NSOPW and State criminal history checks or FBI checks for staff members, that staff members authorized NSCHCs, or that it verified the identities of the four grant-funded staff members that worked on the VGF awards, as required by 45 CFR § 2540.205, *What procedures must I follow in conducting a National Service Criminal History Check for a covered position?* NYC Service representatives stated that they had spoken to its former staff members and that those staff members were unaware of these requirements until the Corporation requested criminal history documentation for the 2014 Improper Payments Elimination and Recovery Act (IPERA) review.
- NYC Service was able to provide some documentation suggesting that it had conducted an NSOPW for one of the staff members at the time of the 2014 IPERA review, but could not locate the actual NSOPW search results. Upon receiving notification that the search was missing, NYC Service provided a new NSOPW. NYC Service did not conduct a NSOPW search for the fourth staff member because, at the time of the 2014 IPERA review, the Corporation only instructed subgrantees to conduct NSCHCs on currently employed

¹¹ Letter dated June 12, 2012, from NYSONCS to TSCWNY.

individuals. We included the questioned costs related to the missing NSOPWs as part of Finding 4, related to a lack of timesheets.

- NYC Service provided a copy of a “Go Pass” criminal background check that it had conducted on one of the staff members; however, the Corporation’s Designated Statewide Criminal History Repositories and Alternatives document authorized use of “Go Pass” only for AmeriCorps members, not for grant-funded staff. NYC Service did not conduct the State criminal history check and the FBI check for the other staff member because, at the time of the 2014 IPERA review, the Corporation only instructed subgrantees to conduct NSCHCs on currently employed individuals. We included the questioned costs related to the State criminal history and FBI checks as part of Finding 5, related to a lack of timesheets; therefore, we did not question the same costs here.
- In addition, NYC Service did not initiate NSOPW searches before one member started service. The member began service on September 4, 2014; however, NYC Service did not initiate its first NSOPW search on the member until September 11, 2014. According to Corporation Enforcement of Criminal History Check Compliance, October 2011, *Consequences, NSOPR*, members cannot begin serving before the program completes the NSOPW search. NYC Service’s AmeriCorps Program Director was unable to provide an explanation for the late NSOPW search. We did not question any costs because the NSOPW search was performed in the same living allowance period and the member would have been eligible to receive the full living allowance amount for the period.

Recommendations: We recommend that the Corporation:

- 2a. Verify that NYSONCS’ site visit monitoring tool includes procedures for ensuring that subgrantees:
 - Implement and maintain written procedures and a formal process for documenting that members and grant-funded staff have consented to NSCHCs.
 - Implement and maintain written procedures and a formal process for documenting the verification of member and grant-funded staff identities against a government-issued photo identification.
 - Conduct State criminal registry, FBI, and NSOPW searches on grant-funded staff.
 - Maintain documentation to support these searches.
 - Conduct nationwide NSOPW searches prior to member and staff start dates.
 - Conduct NSOPW searches using the correct member and staff names.

- Retain documentation of nationwide NSOPW searches, including dates from the browsers.
 - Retain documentation of dated State criminal history registry searches.
- 2b. Review subgrantee site visit monitoring reports and completed subgrantee-monitoring tools to verify that NYSONCS has implemented the above recommendation and that subgrantees are complying with the procedures.
 - 2c. Calculate and recover the appropriate amount of disallowed costs based on our questioned costs, and require NYSONCS to adjust its FFRs for the disallowed costs.
 - 2d. Monitor NYSONCS and subgrantee matching requirements on these awards; at the end of the grant, determine whether NYSONCS and its subgrantees met the match requirements.
 - 2e. Undertake a detailed review of the remaining subgrantees to recover improper costs and correct compliance defects.
 - 2f. Revise its Frequently Asked Questions document to require that grantees conduct State criminal history checks in both the state in which the member resided at the time of application to the program and the state of the member's legal residence.

NYSONCS and Subgrantee Responses: NYSONCS disagreed with the finding. However, HCZ and NYC Service agreed with the finding, and TSCWNY and Blue Engine partially agreed with the finding. We have summarized their responses below. Please see the appendices for the grantee and subgrantees' full responses.

NYSONCS

NYSONCS and OCFS disagreed with the finding and did not believe that NYSONCS failed to monitor subgrantees' compliance with NSCHC requirements during the period under review. NYSONCS and OCFS provided the following responses:

- Following the Corporation's June 2014 on-site visit, NYSONCS conducted statewide reviews of subgrantees and staff in June 2014 and during the Corporation's moratorium amnesty period of October through November 2014. NYSONCS then mandated corrective action by subgrantees where NYSONCS noted deficiencies in NSCHC compliance.
- NYSONCS program staff conducted subgrantee site visits to review and determine compliance with operative AmeriCorps NSCHC regulations. When the OIG notified NYSONCS that four subgrantees were conducting incomplete criminal history checks for grant-funded staff and members, NYSONCS promptly submitted follow-up letters to each of the subgrantees; these letters provided specific corrective actions for each deficiency noted.

- In May 2016, NYSONCS updated the New York State AmeriCorps Compliance Monitoring Tool to address issues relating to criminal history checks of covered program staff.
- NYSONCS has provided criminal history check training to all of its subgrantees. Further, in July 2016, NYSONCS engaged an independent consultant to perform 18 site visits to high- and medium-risk programs during PY 2015-2016. This consultant has more than two decades of AmeriCorps experience. As part of each site visit, the consultant administered the revised Compliance Tool and carefully reviewed the sufficiency of the NSCHC procedures. The consultant conducted these reviews in December 2016, and programs are currently responding to any issues noted.

HCZ

HCZ agreed with Finding 2.a. and provided the following responses:

- HCZ corrected its policy to state that it screens grant-funded staff members through the NSOPW website, and that it will only file the final NSOPW document once it has completed its search of all states.
- Administrative staff will indicate “no match found” when the NSOPW search identifies names that are identical to those of HCZ staff members but that are not related to HCZ staff, as confirmed by the staff members’ government identification. Employees will not be allowed to begin work until the NSOPW document indicates that HCZ has performed checks for all states.
- HCZ will fingerprint all grant-funded staff members on the AmeriCorps grant using the New York City Department of Education’s PETS. The New York City Department of Education uses PETS to clear personnel working or serving in New York City schools. PETS uses fingerprinting checks to report on New York state-level criminal history information and nationwide FBI checks performed.
- All members and staff billed to the AmeriCorps grant will sign and date a criminal history check authorization form. Administrative staff will verify the member or staff’s identity using government-issued picture identification such as a state identification or passport. The administrative staff will then document that they have verified the member or staff’s identity before submitting a Statewide Central Register Database Check to OCFS, as required by the New York City Department of Health and OCFS regulations.

TSCWNY

TSCWNY agreed with the first and second bullets of Finding 2.c. but disagreed with the third bullet. It provided the following responses:

- As of September 2016, TSCWNY does not accept any member criminal history results from its host sites; instead, it now directly administers all three required criminal history checks.

- As of January 2017, TSCWNY has implemented a policy requiring programs to conduct a criminal history background check in the state in which the member is a legal resident (as evidenced by the member's driver's license), even if the member attended college in New York State or applied to the TSCWNY program while living in New York State.
- All staff members who lacked documentation verifying their identity against photo identification were employees of the agency before the agency was required to provide NSCHC identification verification and documentation of authorization for release of information.
- TSCWNY has implemented a policy requiring the Office Manager to verify staff identities by examining government-issued identification, such as a driver's license.

NYC Service

NYC Service agreed with all three bullets of Finding 2.d. and provided the following responses:

- NYC Service stated that, although it did not perform criminal history checks with respect to these specific sources, all Mayor's Office employees undergo extensive background checks before beginning employment. These background checks include criminal records searches, police checks, Department of Investigation checks, and online and phone vetting.
- NYC Service uses a checklist for onboarding and performing checks of NYC Civic Corps members prior to their program term. During PY 2016-2017, NYC Service also implemented an internal audit system that requires NYC Civic Corps coordinators to review each member file and scan the files into the electronic filing system.

Blue Engine

Blue Engine disagreed with the auditors' assertions that it had inadequately documented its verification of staff members' identities and that it had only provided Go Pass criminal background check results for the three grant-funded staff members discussed in Finding 2.b. However, Blue Engine agreed with the three bullets in Finding 2.b. We have summarized Blue Engine's response below.

- Blue Engine stated that it was not aware that it was required to document written authorization to conduct NSCHCs for staff members. Staff members initiate the criminal history check process by visiting the New York City Department of Education to be fingerprinted. Blue Engine believed that the staff members' visits to the Department of Education served as sufficient authorization for the NSCHC. Blue Engine stated that it will obtain written authorization from staff members before conducting NSCHCs in PY 2017-2018.
- Blue Engine verified each employee's identity against government-issued photo identification, and it maintains documentation of the verification process, which it is

able to provide through a secure portal upon request. Blue Engine stated that the auditors did not request copies of the driver's licenses during fieldwork.

- Blue Engine did not become aware that it was required to perform NSOPW searches for grant-funded staff until it hired its first AmeriCorps Program Director in January 2014. The Program Director was aware of this requirement and immediately ensured that Blue Engine began conducting the NSOPW searches. As of October 2016, Blue Engine has begun performing NSOPW searches for all Corps members and staff members listed on the AmeriCorps grant before these individuals begin performing under their contracts.
- Blue Engine was not aware that it was required to perform a nationwide NSOPW search; it had previously only focused on results for New York State and the member's state of residence. As of October 2016, Blue Engine has begun ensuring that the NSOPW searches show results from all 50 states. It also ensures that it performs all NSOPW searches using the member or staff member's formal name.
- Blue Engine was not aware that staff criminal history checks should include the date of the check. As of October 2016, Blue Engine has begun initialing and dating its verification of receipt of NSCHC results for staff members listed on the AmeriCorps match grant.
- Blue Engine stated that, during the AUP fieldwork, it used the Department of Education's PETS rather than Go Pass when providing state criminal history checks for the three staff members referenced in the finding. It requested that the auditors update the finding accordingly. In addition, Blue Engine stated that it has updated its state criminal history check process.

Accountants' Comments: The corrective actions implemented by NYSONCS, OCFS, HCZ, NYC Service, TSCWNY, and Blue Engine are in response to the recommendations. We provide detailed comments on the NYSONCS and subgrantee responses below.

- We do not agree with NYSONCS and OCFS's response that NYSONCS monitored subgrantees' compliance with NSCHC requirements. NYSONCS' monitoring reports indicated that it tested NSCHC requirements for members and that it ensured that NYC Service corrected staff NSCHC files in response to the Corporation's 2014 IPERA review. However, NYSONCS was unable to provide evidence indicating that its monitoring visits conducted under either the former or the current Executive Director included verifying that subgrantees conducted NSCHCs for staff. During our testing, we reviewed NYSONCS' site visit monitoring reports and tools from 2013, 2014, and 2015, including the reports and tools for the four subgrantees in question; however, none of these documents indicated that NYSONCS had obtained and verified the NSCHCs for grant-funded staff. In addition, each of procedures that NYSONCS listed as evidence of its monitoring process was implemented after the completion of this AUP review and was in response to the results of Corporation monitoring procedures or the AUP review findings.
- We do not agree with TSCWNY's comment that the staff members who lacked documentation verifying their identities against photo identification had been hired before the government began requiring identification verification. TSCWNY

conducted the NSOPWs for these employees in October 2012; however, the regulation requiring programs to verify employees and members' identity using a government-issued photo identification was first published in the August 24, 2007, edition of the Federal Register, which published the final rule for NSCHCs. Although the Corporation did not add the verification requirement to its NSCHC Frequently Asked Questions document until November 30, 2012, the Frequently Asked Questions document merely clarified an existing requirement; it did not add a new requirement.

- Blue Engine stated that it maintained copies of the grant-funded staff members' driver's licenses, that these copies were available for review upon request, and that the auditors did not request this information during their fieldwork. Blue Engine is correct in its assertion that we did not request copies of the driver's licenses. Rather, we requested documentation verifying that Blue Engine was conducting NSCHCs for grant-funded staff, which Blue Engine was unable to provide. Sufficient evidence of NSCHCs would include written authorization to conduct the check, documentation that Blue Engine verified the staff member's identity, and documentation that Blue Engine conducted the NSCHCs.
 - We had originally identified four improper state criminal history checks; however, after reviewing Blue Engine's response and the workpapers, we agreed that one of the identified state criminal history checks was proper. We therefore adjusted the number of improper state criminal history checks from four to three. However, Blue Engine's statement that it provided New York City Department of Education PETS checks for the remaining three staff members is not correct. Blue Engine only provided Go Pass criminal history check results for these three staff members. As noted in the finding, the Corporation has only authorized the use of Go Pass check results for members; staff members must undergo PETS criminal history checks.

Finding 3. HCZ did not comply with AmeriCorps requirements for living allowances.

HCZ charged member living allowances to the wrong program years, claimed allowances before and after members' service terms, and claimed allowances for individuals that did not appear on either the Corporation's or HCZ's member rosters.

- a. We questioned \$75,269 of Federal living allowance costs and \$65,740 of match living allowance costs that HCZ claimed in the wrong program year. HCZ claimed living allowance costs for PY 2012-2013 members in PY 2013-2014, living allowance costs for PY 2013-2014 members in PY 2012-2013, and living allowance costs for PY 2014-2015 members in PY 2013-2014.

PY	Federal Costs	Match Costs
2012-2013	\$22,075	\$21,162
2013-2014	<u>53,194</u>	<u>44,578</u>
Total	<u>\$75,269</u>	<u>\$65,740</u>

- b. We questioned \$39,456 of Federal living allowance costs and \$30,171 of match living allowance costs that HCZ claimed before and after the members' service terms.

PY	Federal Costs	Match Costs
2012-2013	\$8,605	\$6,541
2013-2014	30,631	23,462
2014-2015	<u>220</u>	<u>168</u>
Total	<u>\$39,456</u>	<u>\$30,171</u>

- c. We questioned \$2,151 of Federal living allowance costs and \$1,724 of match living allowances that HCZ claimed for individuals that were not enrolled in the AmeriCorps program.

PY	Federal Costs	Match Costs
2013-2014	\$831	\$719
2014-2015	<u>1,320</u>	<u>1,005</u>
Total	<u>\$2,151</u>	<u>\$1,724</u>

According to the 2012, 2013, and 2014 AmeriCorps State and National Grant Provisions, Section IV, *AmeriCorps Special Provisions*, Subsection G.1., *Living Allowances, Other In-Service Benefits, and Taxes*, grantees should pay the living allowance in regular increments and must cease when a member concludes a term of service.

HCZ representatives stated that HCZ has developed and implemented a more stringent process for accounting for members on each contract, as well as for ensuring that members are not paid and reported on the grant after they have exited the program. The representatives further stated that different personnel had administered each year in the AUP period, and that HCZ's accounting system was outdated. In addition, the representatives stated that HCZ's previous policy had been to ensure that it used up funds on a prior contract before moving the member living allowance costs to the next award, especially if the member was a returning member.

Recommendations: We recommend that the Corporation:

- 3a. Ensure that NYSONCS strengthens its subgrantee financial monitoring policies and procedures, to include procedures for ensuring that all of its subgrantees comply with AmeriCorps requirements for living allowances.
- 3b. Verify that HCZ has implemented a more stringent process for accounting for members on each contract, as well as for ensuring that it does not pay and report members on the grant after they have exited the program, and that it only claims living allowance for individuals who have been enrolled as members in the program.

- 3c. Review subgrantee site visit monitoring reports and completed subgrantee-monitoring tools to verify whether NYSONCS has properly implemented its monitoring procedures for member living allowances.
- 3d. Calculate and recover the appropriate amount of disallowed costs and related administrative costs based on costs questioned and require that NYSONCS adjust its FFR for the disallowed costs.
- 3e. Monitor NYSONCS and subgrantee matching requirements on these awards; at the end of the grant, determine whether NYSONCS and its subgrantees met the match requirements.

NYSONCS and Subgrantee Responses: NYSONCS and OCFS agreed with the finding. HCZ provided conflicting responses to Finding 3.a. The first part of HCZ's response stated that HCZ disagreed with the finding; however, HCZ later stated that it agreed with the finding. HCZ agreed with Findings 3.b., and 3.c. We have summarized their responses below. Please see the appendices for the grantee and subgrantees' full responses.

NYSONCS

NYSONCS and OCFS stated that they agree with Finding 3 and have already taken numerous steps to address the auditors' concerns regarding HCZ. NYSONCS and OCFS have begun a complete review of backup documentation for reimbursement claims, as requested by the Corporation. NYSONCS and OCFS have also developed a corrective action plan and have implemented or are in the process of implementing the following actions:

1. Performing ongoing enhanced oversight of HCZ to ensure that members serve within the appropriate grant year and contract period. NYSONCS has trained HCZ staff in this area, as well as in other areas requested by the Corporation.
2. Requiring HCZ to implement a system in which the HCZ Finance Department must check the member roster before issuing living allowance checks to members and must confirm the start and exit dates for members during each pay period.
3. Implementing a reporting system between HCZ AmeriCorps program staff and the HCZ Finance Department to ensure that HCZ confirms the start and end dates for every member to verify that the members are compensated during the correct program year.
4. Requiring HCZ to verify member timesheets against active member rosters before submitting the timesheets to the HCZ Finance Department for payroll. The HCZ Finance Department will conduct an additional check to ensure that the payroll matches the member roster.

Items 2 through 4 are in process and will be completed by June 2017.

HCZ

HCZ provided the following comments and corrective actions.

- PYs 2012-2013 and 2013-2014 ended on November 30 of each year; however, HCZ did not submit its final claim to NYSONCS until December 31. HCZ noted that NYSONCS allowed HCZ to bill member hours in the wrong program year, and the OCFS Program Manager did not notify HCZ that its billing practice was unallowable. Despite this incorrect billing, HCZ did not claim the full amount of federal funds under the AmeriCorps grant in either program year. As such, even if HCZ had charged member living allowance costs correctly, funding would remain on the grant.
- HCZ acknowledged that it claimed living allowances for members before and after the members' service terms ended and for individuals not currently enrolled in the AmeriCorps program. HCZ stated that it had charged members to the grant in the wrong year in instances in which the members were entering a second term and continued serving after the end of the previous program year. Additional discrepancies were due to clerical errors made by the AmeriCorps program staff and the HCZ Finance Department. Program staff provided the Finance Department with timesheets that listed each member's service hours for that pay period; however, the staff did not always correctly update the timesheets to match the active member roster. In some instances in which members exited between pay periods or did not complete the exit process, the Finance Department was not aware of the member's current enrollment status and incorrectly charged member living allowances before or after the member's service term. These members were issued a living allowance check for hours that they actually served; however, HCZ claimed those hours on the wrong program year. HCZ believed that these claims were justified and allowable, as the affected members served the hours for which they were compensated. HCZ also stated that the NYSONCS Program Officer did not notify HCZ that it was not allowed to claim members after the end of the contract year until PY 2016-2017.

As a corrective action, HCZ instituted a reporting system between AmeriCorps program staff and the Finance Department to confirm the start and end dates of every member to ensure that they are compensated during the correct program year.

In March 2016, HCZ implemented another corrective action to ensure that the Finance Department only issued living allowance checks for active members. The members' host sites must confirm the active member rosters before they receive the payroll check preview. Program Directors conduct a second check and cross-reference the confirmed active member roster against the payroll preview to ensure that the payroll matches the active member roster and make any necessary changes. HCZ stated that it will begin requiring the Program Directors to forward the active member roster to the Finance Department for a third and final check.

Accountants' Comments: NYSONCS and HCZ's corrective actions are in response to the recommendations. We provide detailed comments on HCZ's responses below.

- HCZ repeatedly blamed NYSONCS for not informing HCZ that it was not allowed to bill member hours in the wrong year or after the contract year had ended. Although NYSONCS is responsible for monitoring its sub-awards, HCZ is responsible for understanding the requirements related to the allocability of federal funds, as it

agreed to comply with these requirements when it became a recipient of federal awards.

- HCZ's explanation regarding the circumstances under which it claimed member allowances for individuals not enrolled as AmeriCorps members did not indicate why the claimed individuals did not appear on either the member roster provided by the Corporation or the member roster provided by HCZ. The Corporation should address this issue during audit resolution.

Finding 4. NYSONCS and three subgrantees did not ensure that claimed Federal and match costs were allowable, adequately supported, and compliant with applicable regulations.

NYSONCS and three subgrantees claimed unallowable Federal and match costs.

- a. We questioned \$2,938,379 of match costs that NYSONCS claimed on Award No. 06AFHNY001, \$1,032,344 of match costs that NYSONCS claimed on Award No. 12ACHNY001, and \$5,954 of match costs that NYSONCS claimed on Award No. 13VGHNY001.
 - For the period from April 1 through September 30, 2013, NYSONCS claimed the same \$3,911,063 in match costs on both Award No. 06AFHNY001 and Award No. 12ACHNY001. The costs were only allocable to Award No. 12ACHNY001, as they were match costs reported by NYSONCS' Competitive grant subgrantees.
 - For the period from April 1 through September 30, 2014, NYSONCS claimed \$453,490 in unallocable match costs on Award No. 12ACHNY001. These costs were actually allocable to Award No. 06AFHNY001, as they were match costs reported by NYSONCS' Formula grant subgrantees. Because the costs were allocable to Award No. 06AFHNY001, we added them to the questioned match costs for Award No. 06AFHNY001 and reduced the amount of questioned match costs for Award No. 06AFHNY001 by \$453,490.
 - For the period from October 1, 2014, through March 31, 2015, NYSONCS claimed \$519,194 in unallocable match costs on Award No. 12ACHNY001. The costs were actually allocable to Award No. 06AFHNY001, as they were match costs reported by NYSONCS' Formula grant subgrantees. Because the costs were allocable to Award No. 06AFHNY001, we added them to the questioned match costs for Award No. 06AFHNY001 and reduced the amount of questioned match costs for Award No. 06AFHNY001 by \$519,194.
 - For the period from August 1, 2013, through February 28, 2014, NYSONCS erroneously reported \$59,660 of revenue reported by Blue Engine to NYSONCS as match expenditures on Award No. 12ACHNY001.
 - For the period from October 1 through December 31, 2014, NYSONCS erroneously claimed \$5,954 of match costs for Award No. 13VGHNY001. The NYC Service subgrantee incurred and requested reimbursement from NYSONCS for \$11,908 of expenditures for this period. NYSONCS' records

showed that it claimed total costs of \$17,502, including \$11,908 in Federal costs and \$5,954 in match costs. NYSONCS claimed the \$11,908 as Federal costs. The amount was comprised of two transactions: \$5,954 with a transaction date of December 31, 2014, and \$5,954 with a transaction date of February 5, 2015. However, NYSONCS' records showed that NYSONCS also claimed additional match costs of \$5,954 with a transaction date of February 5, 2015.

According to 2 CFR Part 225 (OMB Circular A-87), *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix A. Subsection C. *Basic Guidelines*, 3. *Allocable Costs*, a cost is allocable if it is in accordance with the benefits received and is incurred specifically for the award.

- b. We questioned \$301,563 of match costs that NYSONCS claimed on Award No. 13VGHNY001, but that had been incurred specifically for Award No. 10VGHNY001 and that the subgrantee had reported as such on its reimbursement requests and in its Single Audits. NYSONCS believed that costs funded with New York State funds were interchangeable and could be used as match costs on either grant; however, the costs were not interchangeable because the costs were incurred specifically for Award No. 10VGHNY001 and because the two grants had different purposes. According to the grant application, the purpose of Award No. 13VGHNY001 was to “focus solely on the recruitment/ coordination of disaster-focused volunteer agencies and skilled disaster volunteers.” The purpose of Award No. 10VGHNY001 was to “focus on the strengthening of a statewide volunteer management infrastructure, and the recruitment coordination of non-disaster volunteers who serve in the areas of education, healthy futures, veterans and military families, capacity building, and environmental stewardship.”

According to 2 CFR Part 225 (OMB Circular A-87), *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix A. Subsection C. *Basic Guidelines*, 3. *Allocable Costs*, a cost is allocable if it is in accordance with the benefits received and is incurred specifically for the award.

- c. We questioned \$109,031 of Federal costs after determining that NYSONCS would not meet its 50 percent match requirement for the grant after deducting the \$5,954 of questioned match costs from Note 4.a., \$301,563 of questioned match costs from Note 4.b., \$25,038 of questioned Federal costs from Note 5.d., and \$30,637 of questioned match costs from Note 5.d.

Description	Amount
Claimed Match Costs	\$582,667
Questioned Match Costs	(338,154)
Allowable Match Costs	<u>\$244,513</u>
Claimed Federal Costs	\$437,538
Questioned Federal Costs	(25,038)
Allowable Federal Costs	<u>\$412,500</u>
Allowable Federal Costs	\$412,500
Allowable Match Costs	<u>244,513</u>
Net Allowable Costs	\$657,013
Federal Share Requirement	50%
Allowable Federal Costs	<u>328,507</u>
Claimed Federal Costs	\$437,538
Allowable Federal Costs	<u>328,507</u>
Questioned Federal Costs	<u>\$109,031</u>

- d. We questioned \$7,000 of prompt payment interest costs that NYSONCS claimed as match costs on Award No. 13CAHNY0001. An OCFS official stated that the costs were late fees that OCFS incurred when processing subgrantee reimbursement requests; however, costs resulting from a grantee's failure to comply with State laws are unallowable.

According to 2 CFR Part 225 (OMB Circular A-87), *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix B, 16. *Fines and penalties*, costs resulting from a grantee's failure to comply with Federal, state, tribal, local, or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific terms and conditions of the Federal award, or with prior written approval of the Federal awarding agency. NYSONCS did not provide a response as to why it believed the costs were allowable.

- e. Blue Engine claimed \$44,219 in PY 2013-2014 match costs and \$300 in PY 2014-2015 match costs for costs that it incurred outside of the grant period and that were unallocable to Award No. 12ACHNY001.
- Blue Engine claimed \$35,957 in match salary and benefit costs that it incurred in July 2013; however, the grant period and PY 2013-2014 did not begin until August 1, 2013. Blue Engine representatives stated that the costs were for five Site Directors, an Operations Associate, the Senior Director of Performance Management/Innovation, and the Director of Strategy and Operations. Blue Engine began training members in August and therefore spent July preparing for member training. Blue Engine did not obtain NYSONCS' approval to incur the pre-award costs.
 - Blue Engine claimed \$7,462 in match costs for a consultant that performed work from May 4 to August 1, 2013; however, the grant period and PY 2013-2014 did not begin until August 1, 2013. Blue Engine representatives stated

that the consultant performed evaluations to assist in preparing for and making programmatic decisions for PY 2013-2014. Blue Engine did not obtain NYSONCS' approval to incur the pre-award costs.

- Blue Engine claimed \$800 in match costs for fingerprinting seven individuals who participated as PY 2013-2014 AmeriCorps BETA members. These costs were not allocable to Award No. 12ACHNY001, however, as the members were under another AmeriCorps award that Blue Engine received from the Catholic Volunteer Network.
- Blue Engine claimed \$300 in match costs for a training class that a PY 2012-2013 member attended on June 22 and 23, 2013. Blue Engine representatives stated that Blue Engine claimed the costs on this grant because the vendor did not invoice Blue Engine until July 2014.

According to 2 CFR Part 230, *Cost Principles for Non-Profit Organizations*, Appendix A, Subsection A. *Basic Considerations*, 4. *Allocable Costs*, a cost is allocable if it is in accordance with the benefits received and is incurred specifically for the award.

We did not question these costs because Blue Engine had excess PY 2013-2014 match costs.

- f. We questioned \$24,916 of PY 2014-2015 other match costs claimed by Blue Engine. Blue Engine incurred the costs in July 2014; however, PY 2014-2015 did not begin until August 1, 2014. Blue Engine did not obtain NYSONCS' approval to incur the pre-award costs.

According to 2 CFR Part 230, *Cost Principles for Non-Profit Organizations*, Appendix A, Subsection A. *Basic Considerations*, 4. *Allocable Costs*, a cost is allocable if it is in accordance with the benefits received and is incurred specifically for the award.

- g. We questioned \$4,275 of Federal costs, \$140,306 of PY 2012-2013 match costs, and \$22,543 of PY 2013-2014 match costs that HCZ claimed on Award No. 12ACHNY001.
- HCZ did not provide supporting documentation for \$4,275 in Federal other direct costs that it claimed in PY 2013-2014. HCZ initially provided a list of cost transactions; however, it subsequently stated that the list was incorrect and that HCZ had not claimed the costs. HCZ did not identify the cost transactions that it did claim or provide any other supporting documentation for the costs.
 - HCZ claimed \$140,306 in match costs incurred outside of the grant period for Award No. 12ACHNY001. HCZ claimed fees that it paid to the City of New York to rent local public schools to operate its summer and afterschool program; however, it incurred these costs in June, July, and August 2012, and the grant period and PY 2012-2013 did not begin until September 1, 2012. HCZ did not obtain NYSONCS' approval to incur the pre-award costs.

- HCZ claimed \$17,991 in PY 2013-2014 match costs to purchase 6,698 t-shirts for a peace march. The t-shirts were provided to all march participants, not just the AmeriCorps members and staff. HCZ representatives stated that the peace march was an integral part of its program; however, the peace march was not associated with the grant, as HCZ did not discuss the march in its grant application or budget.
- HCZ claimed \$4,552 in PY 2013-2014 match costs to purchase books. HCZ provided a copy of a check to demonstrate that it had paid for the books; however, it was unable to locate the invoice or documentation showing how the books were used for the grant.

According to 2 CFR Part 230, *Cost Principles for Non-Profit Organizations*, Appendix A, Subsection A. *Basic Considerations*, 4. *Allocable Costs*, a cost is allocable if it is in accordance with the benefits received and is incurred specifically for the award. Further, according to 2 CFR Part 230, *Cost Principles for Non-Profit Organizations*, Appendix A, Subsection A. *Basic Considerations*, 2. *Factors affecting allowability of costs*, an award cost must be adequately documented to be allowable.

- h. We questioned \$3,465 and \$2,513 in excess Federal administrative costs that TSCWNY claimed on Award No. 06AFHNY001 and Award No. 13AFHNY0001, respectively.
- In PY 2012-2013 (Award No. 06AFHNY001), TSCWNY claimed \$1,457,894 in Federal costs and \$80,150 in administrative costs (5.21 percent of total Federal and administrative costs); however, it was only allowed to claim \$76,685 in administrative costs on this award (5 percent of the total Federal and administrative costs).
 - In PY 2013-2014 (Award No. 13AFHNY001), TSCWNY claimed \$136,923 in Federal costs and \$9,715 in administrative costs (6.62 percent of total Federal and administrative costs); however, it was only allowed to claim \$7,202 in administrative costs on this award (5 percent of the total Federal and administrative costs).

TSCWNY representatives stated that TSCWNY did not specifically track administrative costs to ensure that it did not claim excess administrative costs. According to 45 CFR § 2540.110(a)(1), *Limitation on use of Corporation funds for administrative costs*, no more than 5 percent of grant funds may be used to pay for administrative costs.

- i. We questioned \$5,165 of Federal costs and \$272 of related administrative costs, for a total of \$5,437, because the costs were unreasonable. TSCWNY did not allocate costs incurred for its AmeriCorps grants based on the relative benefits received by each award. It inappropriately allocated costs for purchases made at the end of the program year and for purchases that it charged to one grant but that benefited multiple grants. Specifically, TSCWNY inappropriately allocated:
- \$5,165 in Federal costs and \$1,166 of match costs incurred for six computers, briefcases, and wireless mice purchased on November 24, 2014. TSCWNY representatives stated that, due to a winter storm in mid-November

2014, Buffalo had instituted a driving ban and TSCWNY had determined that its office was unsafe to work. TSCWNY purchased the computers to enable staff to work from home to run the program and complete the closeout of the grant. According to OMB Circular A-122 (2 CFR Part 230), *Cost Principles for Non-Profit Organizations*, Appendix A, Subsection A. *Basic Considerations*, 3. *Reasonable Costs*, a cost is allowable if it is necessary for the award.

- \$2,220 in match costs incurred for four desktop computers purchased on November 27, 2013, three days before the end of the grant period. TSCWNY allocated this amount solely to Award No.06AFHNY001, even though the grant period ended on November 30, 2013, and Award No. 12ACHNY001 was also active. TSCWNY stated that it had purchased the computers to replace old and defective computers. It had allocated the computers to its AmeriCorps Builds Lives through Education (ABLE) program to continue its work.
- \$9,500 in match costs for a team-building event. TSCWNY allocated this amount solely to Award No. 12ACHNY001; however, it subsequently determined that \$6,711 of the costs were not allocable to the award. TSCWNY representatives stated that the misallocation was due to an administrative error.
- \$5,684 in match costs incurred to cover the full cost of furniture that TSCWNY purchased for its conference room on November 13, 2014. TSCWNY allocated this amount solely to PY 2013-2014 (Award No. 12ACHNY001), even though the grant period ended on November 30, 2014. TSCWNY should have allocated a portion of the costs to PY 2014-2015 (Award No.12ACHNY001), which began on September 1, 2014; to Award No. 13AFHNY001, which ended on December 31, 2014; and to the other users of the conference room. TSCWNY representatives stated that TSCWNY charged the cost to the grant because the ABLE program used the conference room to conduct exit interviews with ABLE members.
- \$8,671 in match costs incurred to cover the full cost of furniture that TSCWNY purchased for its training room on November 13, 2014. TSCWNY allocated this amount solely to PY 2013-2014 (Award No. 12ACHNY001), even though the grant period ended on November 30, 2014. TSCWNY should have allocated a portion of the costs to PY 2014-2015 (Award No.12ACHNY001), which began on September 1, 2014; to Award No. 13AFHNY001, which ended on December 31, 2014; and to the other users of the training room. TSCWNY representatives stated that TSCWNY charged the costs to the grant because the ABLE program used the training room to conduct training, member enrollments, and member evaluations.

We did not question the \$20,530 of match costs because TSCWNY had excess match costs.

- j. In PYs 2012-2013, 2013-2014, and 2014-2015, TSCWNY claimed match costs that were not adequately documented, could not be verified using supporting records,

and did not have adequate documentation showing how TSCWNY derived the values of personnel services and materials donated.

At the beginning of each program year, TSCWNY requires each AmeriCorps member host site to fill out an in-kind match form identifying the amount of in-kind match costs that the site donates for each AmeriCorps member each year. The in-kind match costs are divided into four categories: (1) member/service space, (2) equipment for AmeriCorps members to use while in service, (3) member supervision and oversight, and (4) training. TSCWNY converts the annual amounts reported by the site into a monthly cost per AmeriCorps member, which it then uses to calculate the monthly in-kind donation total for one AmeriCorps member at the site. At the end of each month, TSCWNY multiplies the calculated monthly in-kind cost by the number of members initially assigned to each site and reports in-kind match costs on the general ledger at the same amount each month during the program year.

TSCWNY representatives stated that they reviewed the in-kind match forms submitted by the sites; however, we noted that the amounts on several forms did not appear to be reasonable or accurate. For example:

- In PY 2012-2013, one host site claimed that each AmeriCorps member used 900 square feet of space during the year, at the cost of \$35 per square foot. TSCWNY was unable to provide any supporting documentation to show that it verified that members used 900 square feet of space or that the cost of \$35 per square foot was reasonable.
- In PY 2012-2013, one host site claimed that the current salary and benefit cost of the supervisors and other staff members who oversaw each AmeriCorps member was \$25,000 per member. The host site stated that the salary and benefit costs of the supervisors totaled \$500,000 and that each supervisor and staff member spent 5 percent of their time supervising the members. TSCWNY was unable to provide any supporting documentation to show that it verified the amount of salary and benefit costs, or that the 5 percent time-allocation percentage was reasonable or accurate.

TSCWNY calculated a monthly total for in-kind costs donated from each host site for each member and multiplied that amount by the total number of members initially assigned to the host site, rather than by the actual number of members serving at the site each month. This calculation resulted in TSCWNY both over- and under-reporting in-kind donation amounts. For example:

- In October 2012, TSCWNY reported in-kind donations for space provided to AmeriCorps members at a host site by multiplying the site's monthly in-kind donation amount by 11 AmeriCorps members. When we reviewed the member roster, we noted that 13 AmeriCorps members actually served at the host site. As a result, TSCWNY understated the in-kind donation by \$292 in October 2012; the amount would also be understated in any subsequent months in which TSCWNY used that calculation.
- In January 2013, TSCWNY reported in-kind donations for space provided to AmeriCorps members at a host site by multiplying the site's monthly in-kind

donation amount by five AmeriCorps members. When we reviewed the member roster, we noted that only four AmeriCorps members actually served at the host site charter school. As a result, TSCWNY overstated the in-kind donation by \$2,625 in January 2013; the amount would also be overstated in any subsequent months in which TSCWNY used the calculation.

According to 45 CFR, *Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, § 2543.23, *Cost sharing or matching*, all costs and third-party in-kind contributions that count toward satisfying a cost-sharing or matching requirement must be verifiable from grantee and subgrantee or cost-type contractor records. These records must show how the grantee or subgrantee derived the value placed on third-party contributions. To the extent feasible, volunteer services must be supported by the same methods that the organization uses to support the allocability of regular personnel costs.

We did not question any match costs because TSCWNY had excess match costs.

Recommendations: We recommend that the Corporation:

- 4a. Provide NYSONCS with additional guidance and instruction regarding the documentation requirements in Federal cost principles, administrative requirements, and CFR regulations.
- 4b. Verify that NYSONCS instructed its subgrantees regarding the documentation requirements in Federal cost principles, administrative requirements, and CFR regulations.
- 4c. Verify that NYSONCS conducts financial monitoring of subgrantee Federal and match costs and that it ensures the costs are:
 - Adequately documented.
 - Charged to the correct project.
 - Allocable to the Corporation's grant awards, including documentation of the allocation methodology.
 - Incurred during the grant period.
 - Included in the approved or amended budgets.
 - Allowable in accordance with applicable cost principles.
 - Verifiable from recipient records.
 - Not included as contributions for any other Federally assisted program.
 - Not paid by the Federal government under another award, except where authorized by Federal statute.

- 4d. Calculate and recover the appropriate amount of disallowed costs and related administrative costs based on costs questioned, and require NYSONCS to adjust its FFR for the disallowed costs.
- 4e. Monitor NYSONCS and subgrantee matching requirements on these awards; at the end of the grant, determine whether NYSONCS and its subgrantees met the match requirements.

NYSONCS and Subgrantee Responses: NYSONCS did not agree with Findings 4.a. and 4.b. It did not comment on Findings 4.c. and 4.d. Blue Engine agreed with Findings 4.e. and 4.f. HCZ partially disagreed with Finding 4.g. TSCWNY agreed with Finding 4.h. but did not agree with Finding 4.i. We have summarized their responses below. Please see the appendices for the grantee and subgrantees' full responses.

NYSONCS

- NYSONCS and OCFS disagreed with Finding 4.a. and took issue with the draft report's omission of corrective actions that NYSONCS and OCFS had already implemented related to the match costs questioned in the report.

NYSONCS attributed the match cost errors to a query error in the OCFS Bureau of Contract Management's Contract Management System (CMS), which OCFS used to print reports showing match costs that subgrantees reported on invoices they submitted to OCFS. NYSONCS and OCFS stated that they corrected all of the match cost errors prior to the exit conference in October 2016 and emphasized this fact at the exit conference. Specifically, in May 2016, NYSONCS stated that it corrected the match costs for Award No. 12ACHNY001 when it submitted the FFR for October 1 through December 31, 2015, on March 30, 2016. NYSONCS stated that it corrected the match costs for Award No. 06AFHNY001 in December 2015.

NYSONCS and OCFS also stated that they took immediate steps in November 2015 to improve the internal process for conducting FFR queries. NYSONCS updated the CMS query parameters and tested a new query for accuracy. NYSONCS also updated its FFR procedures to include an additional step in the calculation of match costs. This step involves filtering the query results and checking the accuracy of the grant project identification number.

NYSONCS and OCFS stated that, although the auditors were aware of these corrective actions, they omitted the corrections from the draft report and sensationalized the reporting errors to support an argument for disallowing costs.

- NYSONCS and OCFS believed that the report should have credited NYSONCS and OCFS for providing overmatch on many of the grants in the AUP period. They also believed that such overmatch should mitigate the impact of the error related to match costs on the federal funds used for these grants.
- NYSONCS and OCFS disagreed with Finding 4.b.'s questioning of \$301,563 in match costs that NYSONCS had claimed on Award No. 13VGHNY001 but had incurred specifically for Award No. 10VGHNY001. Based on the auditors' assertion that the awards had substantially different purposes, OCFS and NYSONCS

transferred the costs back to Award No. 10VGHNY001. However, NYSONCS and OCFS believe that the purpose of the two awards was substantially similar, for the following reasons:

- Applicants were not eligible to apply for the new grant unless they had previously been awarded a VGF grant. NYSONCS and OCFS therefore believed that the two awards were sufficiently similar in scope and purpose and that costs incurred specifically for Award No. 10VGHNY001 also benefited Award No. 13VGHNY001.
- The purpose of Award No. 10VGHNY001 was to fund ten regional volunteer centers (RVCs), one in each of the economic regions of the State of New York. The purpose of the RVCs was to recruit, train, and deploy volunteers within the respective region. No specific subject matter expertise was required for this grant. The purpose of Award No. 13VGHNY001 was to fund each of the previously identified RVCs, in a lesser amount, to recruit, train, and deploy volunteers related to disaster prevention and response.
- The two awards were part of one larger effort to recruit volunteers for service throughout the State of New York, with Award No. 13VGHNY001 expanding the effort to recruit volunteers with subject matter expertise in disaster prevention and response to train the volunteers recruited under Award No. 10VGHNY001. NYSONCS and OCFS therefore believed that the two grants were significantly linked, with Award No. 13VGHNY001 serving as a complement and continuation of Award No. 10VGHNY001, and that the Corporation should treat them as such.
- The use of New York State taxpayer funds, as appropriated by the New York State Legislature to the Commission with no restrictions other than to fund volunteer efforts, should be allowed as match on Award No. 13VGHNY001.

NYSONCS and OCFS noted that if the Corporation does not agree with their assertion that the two awards are sufficiently similar in purpose to be considered linked, Award No.13VGHNY001 has \$103,457 of additional match available. NYSONCS and OCFS also stated that once the Corporation arrives at a determination, they may revise their FFRs for both grants, as well as for the Commission Support grant.

Blue Engine

- Blue Engine agreed with Findings 4.e. and 4.f. and stated that, as of August 2015, it began ensuring that it does not allocate match costs until after the contract start date. Blue Engine also noted that it understands that if it has members from a different AmeriCorps award, it cannot allocate their expenses as match costs to its grant from NYSONCS.

HCZ

- HCZ agreed with Finding 4.g.'s \$140,306 of questioned PY 2012-2013 match costs but did not agree with the \$4,275 of questioned PY 2013-2014 Federal costs or the \$22,543 of total questioned PY 2013-2014 match costs (composed of two claims of \$17,991 and \$4,552, respectively).

- HCZ stated that the \$140,306 of match costs related to PY 2011-2012; however, HCZ did not capture the costs in time to claim them during PY 2011-2012 and therefore claimed them for PY 2012-2013 instead. HCZ stated that it may have discussed how to claim these costs with the NYSONCS Program Officer; however, it was unable to provide any documentation of the conversation.
- The auditors selected a test sample that included three transactions of \$2,146, \$1,906, and \$223, respectively. HCZ stated that the auditors should not have selected the \$2,146 cost transaction, as HCZ informed the auditors that it had not claimed this cost on the grant. As support, HCZ provided a copy of its general ledger for PY 2013-2014 that included the two Federal cost transactions of \$1,906 and \$223, for a total of \$2,129. HCZ stated that the general ledger showed that the \$1,906 charge related to the cost of required security clearances for AmeriCorps members and staff and the \$223 charge related to staff travel costs, both of which are allowable expenses.
- HCZ stated that the Peace March is an annual event hosted by the HCZ Peacemakers Program, and that NYSONCS was aware of its purpose and function with regard to the AmeriCorps program. HCZ believed that the \$17,991 of match costs related to t-shirts for the Peace March was allocable because OCFS had not objected when HCZ claimed the costs in prior years. HCZ also noted that it did not charge the grant for the full cost of the shirts, or \$25,653; it only charged the grant \$17,991, or the cost to purchase sufficient shirts for Peacemakers members and staff participating in the event. As of PY 2015-2016, HCZ is no longer claiming this cost on its AmeriCorps grant.
- HCZ provided a copy of its general ledger as supporting documentation for the questioned PY 2013-2014 match costs of \$4,552. HCZ indicated that the costs related to the purchase of books to be used as part of the Peacemakers program's literacy activities. HCZ stated that it had provided the auditors with this general ledger during the AUP period.

TSCWNY

- TSCWNY agreed with Finding 4.h., which questioned \$3,465 and \$2,513 in Federal administrative costs.
- TSCWNY did not agree with Finding 4.i. TSCWNY stated that it was unable to work in its offices because a November 2014 snowstorm had rendered the roof unstable and the building was shut down by a building inspector. The snowstorm was ultimately declared a Federal disaster. TSCWNY decided to purchase laptops and use remote access to ensure that work would continue and that TSCWNY would be able to pay members and perform grant closeout responsibilities on time. TSCWNY believed that it complied with the OMB Circular A-122 definition of reasonable costs due to the extreme circumstances under which it incurred the costs.
- TSCWNY did not agree with Finding 4.j. TSCWNY uses an in-kind form from NYSONCS; each host site fills out the form and signs it, and TSCWNY staff then review the form for accuracy. TSCWNY currently adjusts the in-kind numbers based

on the number of members serving, and its member host sites are required to provide backup documentation for the numbers on the signed in-kind form upon request. TSCWNY stated that the auditors did not request additional backup beyond the spreadsheet and in-kind forms during the audit.

Accountants' Comments: We provide detailed comments on the NYSONCS and subgrantee responses below. During the audit resolution phase, the Corporation should review and verify all corrective actions that NYSONCS and its subgrantees completed after the end of the AUP period.

NYSONCS

- We questioned the unallowable match costs that NYSONCS claimed on Award Nos. 06AFHNY001 and 12ACHNY001 due to the unallowable nature of costs claimed during the AUP period. We explained to NYSONCS and OCFS on several occasions that we were required to include the unallowable costs in the audit report because NYSONCS and OCFS claimed the costs during the AUP period.
- NYSONCS and OCFS stated that they adjusted the FFRs for Award Nos. 06AFHNY0001 and 12ACHNY001 and implemented changes to the procedures for preparing the FFRs, including updating CMS query parameters and testing them for accuracy. However, we were unable to verify these changes, as NYSONCS did not provide copies of the adjusted FFRs or the supporting accounting records for either grant to support the corrected adjustment. NYSONCS also did not provide any evidence that its updated CMS query parameters were working as intended.
- The fact that NYSONCS provided excess match on many grants does not mitigate its lack of controls to ensure that it accurately reports allowable match costs on its grants. Due to the overstatement on Award No. 06AFHNY001, 28 percent of the match costs that NYSONCS claimed during the AUP period were unallowable. In addition, although NYSONCS' records showed that it provided excess match on Award No. 13VGHNY001, more than half of the match costs claimed were unallowable.
- Our assertion that Award No. 10VGHNY001 and Award No. 13VGHNY001 had substantially different purposes and were not sufficiently similar was based on a conversation with the Corporation's Program Officer, who stated that the Corporation allowed the two grants to operate concurrently because they had separate purposes. NYSONCS should have contacted its Corporation Program and Grants Officers to confirm its assumption regarding the two grants' similar scope and to obtain approval before claiming the same match costs against both grants; however, it did not do so.
- Based on NYSONCS' claimed corrective actions, the Corporation should perform a detailed review of the additional match costs that NYSONCS identified for Award No. 13VGHNY001. As part of its review, the Corporation should ensure that all grant-funded staff had proper and timely NSCHCs, all personnel costs were supported by timesheets, and all other costs claimed were adequately supported and allocable to the award.

HCZ

HCZ's response concerning the \$140,000 of questioned match costs in Finding 4.g. was in response to the recommendations. We do not agree with HCZ's response regarding the \$4,275 of questioned Federal costs and the \$4,552 of questioned match costs, for the reasons stated below.

- As part of our other direct cost testing, we obtained a listing of other direct costs from the HCZ Grants Accountant, selected three Federal cost transactions totaling \$4,275, and requested that HCZ provide supporting documentation for the costs. This sample included supplies costs of \$2,146, other supplies costs of \$1,906, and travel costs of \$223. After we completed our on-site fieldwork, HCZ's Assistant Controller informed us that the listing of other direct cost transactions was incorrect and that HCZ had not claimed the majority of the costs on the AmeriCorps grant. HCZ provided us with multiple versions of its general ledger, with continuous discrepancies in reconciling the claimed federal costs. HCZ ultimately provided a corrected list of other direct cost transactions on March 2, 2016. Although HCZ noted that the original transactions selected were incorrect, the revised listing only supported the sampled travel costs of \$223 and the sampled other supplies costs of \$1,906. HCZ did not identify corrections for the remaining transaction of \$2,146. We are therefore still questioning the \$2,146 transaction. In addition, because we received multiple versions of HCZ's general ledger that did not agree with regard to the \$223 and \$1,906 transactions, we are still questioning these costs. We therefore still question the entire \$4,275.
 - On March 2, 2016, HCZ's Assistant Controller provided an Excel file containing HCZ's corrected other direct cost samples for PYs 2013-2014. According to this file, the \$223 sample included three transactions, two of which had posting dates of June 30, 2014. We obtained the FY 2014 Federal cost general ledger from HCZ's Assistant Controller on May 10, 2016, and attempted to locate the costs, but were unable to do so. We are therefore still questioning the entire \$223.
 - HCZ's response included an Excel spreadsheet supporting the \$1,906 of Federal costs. HCZ referred to this spreadsheet as its general ledger and stated that it provided this general ledger to us during fieldwork; however, it did not do so. During fieldwork, HCZ provided us with two different versions of this spreadsheet; we did not receive the current version of the spreadsheet until NYSONCS provided it to us with HCZ's response to the audit report. HCZ provided the first version of the spreadsheet in November 2015; according to this version, the \$1,906 transaction consisted of supplies costs, the same type of costs that we selected as part of the other direct cost samples and that HCZ later stated it did not claim on the grant. HCZ provided the second version of the Excel document in January 2016, while we were on site at HCZ. This version of the Excel document changed \$1,906 of Federal costs to security clearance costs; HCZ did not provide any explanation for this change when it provided us with the report. If this spreadsheet were truly HCZ's general ledger, we would expect it to show the original transaction of \$1,906 in supplies costs, an adjusting transaction to reverse the costs from the ledger, and a new transaction to record the security clearance costs. Finally, at no point in our follow-up emails with

HCZ's Grants Accountant and Assistant Controller did they identify these costs as replacement costs for the \$1,906 of sampled Federal costs. We are therefore still questioning the \$1,906 of costs.

- HCZ did not provide a response concerning the remaining \$2,146 of Federal costs. HCZ stated that it did not claim the original cost transactions that we sampled; however, it did not identify the cost transactions that it did claim. We are therefore continuing to question the \$2,146 of costs.
- HCZ did not provide documentation that it had notified NYSONCS of the Peace March. As discussed in the finding above, HCZ did not discuss the march in its grant application or budget. The \$17,991 charged to the grant does not represent the cost to purchase a sufficient amount of shirts for the Peacemakers members and staff participating in the event. The invoice provided by HCZ showed that HCZ purchased 6,698 shirts at a rounded cost of \$4 per shirt. The \$17,991 charged to the grant was the approximate cost for 4,498 shirts, which means each of the 93 PY 2013-2014 AmeriCorps members and the 26 staff members budgeted to work on the AmeriCorps grant would have received 38 shirts.
- HCZ provided a general ledger as support for the \$4,552 in match costs and stated that it provided this ledger to the auditor during the course of the audit. However, this is not correct. The general ledger that we received from HCZ's Assistant Controller indicated that HCZ had incurred the \$4,552 for HCZ's Peacemakers program, not as match costs for the AmeriCorps grant. As discussed in the finding, HCZ provided a copy of a check to demonstrate that it had paid for the books; however, it was unable to locate the invoice or any documentation demonstrating how the books benefited the grant. We therefore still question the match costs of \$4,552.

Finding 5. NYSONCS and subgrantees' timekeeping systems did not comply with Federal and State requirements.

Employees at NYSONCS and the Blue Engine, NYC Service, and HCZ subgrantees completed timesheets that recorded daily hours worked and leave taken; however, these timesheets did not account for all activities on which the employees worked. In addition, NYSONCS claimed salary and benefit costs for an OCFS employee who did not work on NYSONCS activities, and TSCWNY's Executive Director did not complete timesheets. The conditions described in notes a. and b. below are similar to a finding in the prior OIG audit of NYSONCS (Report No. 06-14), dated November 25, 2005.

- a. We questioned \$45,258 of Federal costs and \$90,143 of match costs that NYSONCS claimed on Award No.13CAHNY001. NYSONCS claimed salary and benefit costs for an OCFS Bureau of Contract Management (BCM) employee who did not work on NYSONCS activities. The Corporation's Grants Officer identified this incorrect labor charge while conducting a site visit at NYSONCS in June 2014. NYSONCS representatives stated that the Corporation's Grants Officer instructed NYSONCS to correct its records going forward from June 2014. NYSONCS therefore only removed \$5,000 in Federal costs and \$5,000 in match costs for the period from April 23 through June 18, 2014, and did not adjust its records to remove the unallowable costs that it claimed for the employee from January 2013 to May

2014. According to 2 CFR Part 225 (OMB Circular A-87), *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix A. Subsection C. *Basic Guidelines*, 3. *Allocable Costs*, a cost is allocable if it is incurred specifically for the award.

- b. We questioned \$6,809 of Federal costs and \$2,447 of match costs that NYSONCS claimed on Award No.13CAHNY001 because NYSONCS and OCFS employees' timesheets only accounted for daily hours worked and leave taken; they did not identify the activities on which the employees worked.

NYSONCS claimed 100 percent of the salary and benefit cost for the NYSONCS program staff who administered the AmeriCorps and VGF grants; beginning in August 2014, NYSONCS also claimed salary costs for the three OCFS-BCM employees that worked part-time on Corporation awards, as well as for an accountant with the OCFS Finance Bureau. NYSONCS allocated 20 percent of salary and benefit costs for the three OCFS-BCM employees to Award No.13CAHNY001, allocating 10 percent to Federal costs and 10 percent to match costs. NYSONCS allocated 100 percent of the salary and benefit costs for the accountant to Award No.13CAHNY001, allocating 50 percent to Federal costs and 50 percent to match costs. Neither the NYSONCS and OCFS-BCM employees nor the OCFS accountant completed timesheets showing the activities on which they worked.

Before August 2014, the Contract Management Specialist tracked the hours that he and the two OCFS-BCM employees spent working on NYSONCS activities. Approximately every six months, the Contract Management Specialist emailed a summary of the hours worked related to NYSONCS activities to an accountant in the OCFS Finance Bureau. This process stopped in July 2014. After this time, none of the employees completed timesheets that included a detailed description of their activities, and the Contract Management Specialist no longer tracked the hours that he and the two OCFS-BCM employees spent working on NYSONCS activities. As a result, we were unable to obtain documentation supporting hours spent on NYSONCS activities. We therefore conducted interviews with the four employees. One employee verified that she spent all of her time working on NYSONCS activities; however, the other three employees were unable to verify their allocation percentages. One of the employees estimated that the time he spent on the grant varied, but he spent an average of 10 percent of his time supporting NYSONCS activities, instead of the 20 percent that NYSONCS allocated to the grant. The other two employees were unable to provide estimates of their time.

According to 2 CFR Part 225 (OMB Circular A-87), *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix B, *Selected Items of Cost*, Paragraph 8, *Compensation for personal services*:

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(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...unless a statistical sampling system...or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,*
- (b) A Federal award and a non-Federal award,*
- (c) An indirect cost activity and a direct cost activity,*
- (d) Two or more indirect activities which are allocated using different allocation bases, or*
- (e) An unallowable activity*

(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. (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

- (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;*
- (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.*

...

7) Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

- c. In PY 2013-2014, Blue Engine claimed match costs related to salary and benefit costs for four full-time site directors and three less-than-full-time operations staff members. In PY 2013-2014, Blue Engine also claimed match costs related to salary and benefit costs for six full-time site directors, the full-time AmeriCorps Program

Director, and a less-than-full-time finance assistant. None of these staff members completed timesheets as required.

OMB Circular A-122 (2 CFR Part 230), *Cost Principles for Non-Profit Organizations*, Attachment B, *Selected Items of Cost*, Paragraph 8.m., *Support of salaries and wages*, states:

1. *Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports.*
2. *Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards... Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:*
 - a. *The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.*
 - b. *Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.*
 - c. *The reports must be signed by the individual employee, or by a responsible supervisory official having firsthand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.*
 - d. *The reports must be prepared at least monthly and must coincide with one or more pay periods.*
4. *Salaries and wages of employees used in meeting cost sharing or matching requirements on awards must be supported in the same manner as salaries and wages claimed for reimbursement from awarding agencies.*

The OCFS Grantee Provider Manual is a guide that provides overall instructions on the development of the subcontract agreement for not-for-profit grantees and describes the process for receiving payments under the grant agreement. The policies and procedures apply to all grant agreements administered by OCFS. Section III.A, *Accounting Requirements*, states:

Contractors must:

Maintain accurate time records for all employees paid under the contract. Acceptable time records must note the period covered and have full signatures of both the employee and a supervisory official having firsthand knowledge of the activities performed by the employee. Timesheets for employees of nonprofit and governmental agencies whose salaries are charged to more than one program must reflect an after-the-fact distribution of the total hours worked by each employee by program and must account for the total activity for which each employee is compensated. The methodology of distribution must be documented and followed consistently. Budget estimates or other distribution percentages determined prior to the actual work being performed do not qualify as support for charges to these programs. Grantees operating federally funded programs will find additional information in Office of Management and Budget Circulars A-21 (Educational Institutions), A-87 (State, Local, and Indian Tribal Governments) and A-122 (Nonprofit Organizations).

Blue Engine representatives stated:

We learned that we needed to use timesheets for staff on the grant during PY13-14. As stated above, we began implementing a system to do so during that program year. However, we have now become aware of the fact that this system was not being used properly for staff on the grant to track their time. This issue has been rectified for our current program year and ALL staff that are on the grant are now completing timesheets on a regular basis.

We did not question any PY 2013-2014 match costs for this issue because Blue Engine had excess match costs; it had identified the site directors and AmeriCorps Program Director in its budgets as full-time workers whose time was fully charged to the award; and the percentage of the finance assistant's time charged to the award did not exceed the budgeted amount and appeared reasonable.

- d. We questioned \$38,129 of Federal salary and benefit costs and \$43,279 of match salary and benefit costs claimed by NYC Service on Award Nos. 10VGHNY001 and 13VGHNY001. We questioned these costs because the NYC Service and Mayor's Fund employees' timesheets only accounted for daily hours worked and leave taken; they did not require employees to provide detailed information regarding activities performed using activity-level project codes. The questioned labor costs impact the following grants:
- NYSONCS claimed \$13,091 of the questioned Federal costs and \$4,613 of the questioned match costs on Award No. 10VGHNY001.
 - NYSONCS claimed \$25,038 of the questioned Federal costs and \$38,666 of the questioned match costs on Award No. 13VGHNY001. A total of \$8,029 of the \$38,666 of questioned match costs was allocable to Award No. 10VGHNY001; however, NYSONCS claimed these costs on Award No. 13VGHNY001. These costs are included in the \$301,563 of questioned

match costs for Award No. 13VGHNY001, as discussed above. As a result, we are questioning \$30,637 of match costs here.

As shown below, NYC Service incurred unallowable salary and benefit costs for the Partnership Manager, Portfolio Manager, and Program Manager positions because it did not require that employees maintain timesheets or personnel activity reports showing the employees' actual effort. The following discussion details the results of the lack of timesheets showing actual effort:

- NYC Service filled the Partnership Manager position with an employee of the Mayor's Fund, its partner, and fiscal agent. NYC Service allocated approximately 66 percent of the Partnership Manager's salary and benefit costs to the award; however, it did not maintain timesheets or personnel activity reports showing the employee's actual effort. We conducted an interview with the employee to obtain an understanding of how the Partnership Manager accounted for her effort and to obtain an estimate of the actual amount of effort that the employee expended on the VGF award. During the interview, the Partnership Manager stated that she was not aware that she was performing duties for, or that her salary costs were being allocated to, a particular grant. She stated that her job with the Mayor's Fund had always been to support NYC Service and volunteer initiatives.

Because the Partnership Manager was not aware that she was working on a Federal grant, we questioned all salary and benefit costs that NYSONCS claimed for the employee. Although the employee began working on the grant in September 2011, NYSONCS only claimed a small portion of the costs that NYC Service reported on the expenditure reports that it submitted to NYSONCS; NYSONCS only claimed personnel costs for this employee from April through August 2013 and January through June 2014.

- NYC Service filled the Portfolio Manager and Program Manager positions with two of its own employees. Although the two employees began working on Award No. 10VGHNY001 in September 2012, NYSONCS did not initially claim any costs for the two employees on the grant; it only claimed costs for the Partnership Manager. NYSONCS did not claim costs for the two employees until it claimed the costs that NYC Service reported on its October 1, 2013, through December 31, 2014, reimbursement requests for Award No. 13VGHNY001. For the period from October 1, 2013, through September 30, 2014, spreadsheets summarizing hours worked by the two employees showed that one employee spent 30 percent of her time working on Award No. 13VGHNY001 and 70 percent of her time working on Award No. 10VGHNY001, while the second employee spent 55 percent of her time working on Award No. 13VGHNY001, 35 percent of her time working on Award No. 10VGHNY001, and the remaining time working on City of New York activities.

NYC Service did not maintain timesheets that accounted for all activities on which the employees worked; we therefore conducted interviews with the employees to obtain an understanding of how they accounted for their effort and to obtain an estimate of the actual amount of effort the employees expended on the VGF awards. One employee indicated that she worked on

both grants but was unable to provide an estimate of the amount of effort she spent on each grant. The second employee stated that she worked on both grants, but never at the same time, which contradicted the information in NYC's spreadsheets. Because we were unable to determine the actual amount of effort each employee expended on the grants, we questioned all claimed salary and benefit costs for the employees.

OCFS Grantee Provider Manual Section III.A, *Accounting Requirements*, states:

Contractors must:

Maintain accurate time records for all employees paid under the contract. Acceptable time records must note the period covered and have full signatures of both the employee and a supervisory official having firsthand knowledge of the activities performed by the employee. Timesheets for employees of nonprofit and governmental agencies whose salaries are charged to more than one program must reflect an after-the-fact distribution of the total hours worked by each employee by program and must account for the total activity for which each employee is compensated. The methodology of distribution must be documented and followed consistently. Budget estimates or other distribution percentages determined prior to the actual work being performed do not qualify as support for charges to these programs. Grantees operating federally funded programs will find additional information in Office of Management and Budget Circulars A-21 (Educational Institutions), A-87 (State, Local, and Indian Tribal Governments) and A-122 (Nonprofit Organizations).

- e. We questioned \$395,980 in Federal costs and \$1,280,734 in match costs that HCZ claimed on Award No. 12AFHNY001, as follows:

PY	Federal Costs	Match Costs
2012-2013	\$148,220	\$526,575
2013-2014	<u>247,760</u>	<u>754,159</u>
Total	<u>\$395,980</u>	<u>\$1,280,734</u>

- HCZ employees completed timesheets that accounted for daily hours worked, leave taken, and the project code to which the costs would be charged; however, HCZ did not use the timesheets to allocate costs to the grant. Instead, it allocated costs to the grant based on the budget and the funds remaining in the budget. Because many of the HCZ positions in the PYs 2012-2013 and 2013-2014 AmeriCorps budgets allocated 100 percent of their effort to the Peacemakers program, HCZ believed that all of its costs were allocable to the AmeriCorps Peacemakers award; however, we noted that some of HCZ's employees appeared to work on more than one activity. HCZ's PY 2014-2015 AmeriCorps budget showed that the Program Director, Site Director, and Social Worker positions were no longer budgeted as allocating 100 percent of their effort to the Peacemakers program.

- In addition, HCZ's "Gov't Monthly Time and Effort for Contracted Grants" spreadsheet for September 2013 through November 2014 shows that HCZ's Peacemakers program was funded through both the AmeriCorps award and another Federal grant.

It is therefore reasonable to assume that the Program Director, Site Director, and Social Worker employees did not spend 100 percent of their effort working on the Program.

OMB Circular A-122 (2 CFR Part 230), *Cost Principles for Non-Profit Organizations*, Attachment B, *Selected Items of Cost*, Paragraph 8.m., *Support of salaries and wages*, states:

1. *Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports.*
2. *Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards... Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards...*
 - a. *The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.*
 - b. *Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.*
 - c. *The reports must be signed by the individual employee, or by a responsible supervisory official having firsthand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.*
 - d. *The reports must be prepared at least monthly and must coincide with one or more pay periods.*
4. *Salaries and wages of employees used in meeting cost sharing or matching requirements on awards must be supported in the same manner as salaries and wages claimed for reimbursement from awarding agencies.*

OCFS Contract Provider Manual Section III.A, *Accounting Requirements*, states:

Contractors must:

Maintain accurate time records for all employees paid under the contract. Acceptable time records must note the period covered and have full signatures of both the employee and a supervisory official having firsthand knowledge of the activities performed by the employee. Timesheets for employees of nonprofit and governmental agencies whose salaries are charged to more than one program must reflect an after-the-fact distribution of the total hours worked by each employee by program and must account for the total activity for which each employee is compensated. The methodology of distribution must be documented and followed consistently. Budget estimates or other distribution percentages determined prior to the actual work being performed do not qualify as support for charges to these programs. Grantees operating federally funded programs will find additional information in Office of Management and Budget Circulars A-21 (Educational Institutions), A-87 (State, Local, and Indian Tribal Governments) and A-122 (Nonprofit Organizations).

In April 2016, HCZ provided examples of two timesheets that it had created for future use in response to this condition: one for use by its program staff and one for use by its program directors. Although the timesheets include lines to account for all activities on which the employee worked, HCZ did not explain in its email response to us whether it would use the timesheets to allocate labor costs to AmeriCorps grants and program years.

- f. The TSCWNY Executive Director's timesheets lacked supervisory approvals. TSCWNY used these timesheets to allocate the Executive Director's personnel costs to Awards No. 10VGHNY001 and 13VGHNY001. A staff member or Board of Directors member with knowledge of the Executive Director's activities should approve the Executive Director's timesheets to ensure that all activities were properly recorded and accounted for. TSCWNY representatives stated that the Board of Directors gives the Executive Director complete autonomy and does not require approved timesheets for the Executive Director.

OCFS Grantee Provider Manual Section III.A, *Accounting Requirements*, states:

Contractors must:

Maintain accurate time records for all employees paid under the contract. Acceptable time records must note the period covered and have full signatures of both the employee and a supervisory official having firsthand knowledge of the activities performed by the employee.

Recommendations: We recommend that the Corporation:

- 5a. Provide additional guidance and instruction to NYSONCS on applicable CFR regulations related to timekeeping.

- 5b. Verify that NYSONCS has implemented timekeeping processes and procedures that are consistent with the timekeeping requirements discussed in the CFR regulations.
- 5c. Verify that NYSONCS maintains timesheets or time certifications that include accounting for total activities worked by employees.
- 5d. Verify that NYSONCS has instructed its subgrantees on applicable CFR regulations related to timekeeping.
- 5e. Verify that the NYSONCS subgrantee financial monitoring procedures and tools include procedures to confirm that:
- Subgrantees have implemented processes and procedures that are consistent with the timekeeping requirements discussed in the CFR regulations.
 - Subgrantees complete timesheets or time certifications that include accounting for total activities worked by employees.
 - All employees and supervisors date their signatures when signing timesheets and certifications.
 - The timesheets for all employees that work on Corporation grants are signed by an individual with first-hand knowledge of the employees' activities.
- 5f. Review subgrantee site visit monitoring reports, completed subgrantee-monitoring tools, and timesheets and certifications completed by subgrantee employees to verify whether NYSONCS has properly implemented its monitoring procedures for employee timekeeping.
- 5g. Work with NYSONCS to calculate questioned costs resulting from the lack of adequate timekeeping documentation.
- 5h. Calculate and recover the appropriate amount of disallowed costs and related administrative costs based on costs questioned, and require NYSONCS to adjust its FFR for the disallowed costs.
- 5i. Monitor NYSONCS and subgrantee matching requirements on these awards; at the end of the grant, determine whether NYSONCS and its subgrantees met the match requirements.
- 5j. Require that NYSONCS place HCZ on a manual hold for its existing grant drawdowns, with CNCS oversight, until HCZ has completed its corrective action.

NYSONCS and Subgrantee Responses: NYSONCS did not comment on Findings 5.a. and 5.b., although it provided a list of corrective actions implemented. Blue Engine agreed with Finding 5.c. and provided corrective actions. HCZ did not agree with Finding 5.d. but provided corrective actions. TSCWNY did not agree with Finding 5.f. We have summarized

NYSONCS and the subgrantees' responses below. Please see the appendices for the grantee and subgrantees' full responses.

NYSONCS

- NYSONCS did not comment on Findings 5.a. and 5.b., including the \$45,258 and \$6,809 of questioned Federal costs and the \$90,143 and \$2,447 of questioned match costs included in the findings. However, NYSONCS did provide corrective actions. Specifically, NYSONCS and OCFS stated that they have modified the timekeeping system in place for employees funded by Corporation grants and have submitted the new system to the Corporation for review. The new system allows all OCFS grant-funded employees to record their actual hours devoted to Commission grants and incorporates this allocation of hours into the actual cost allocations for the relevant employee's payroll.

Blue Engine

- Blue Engine agreed with Finding 5.c. and identified corrective actions. Blue Engine stated that it became aware that it needed to use timesheets for staff members on the match grant during PY 2013-2014; in response, it implemented a timesheet system called Apricot. Blue Engine did not have any current institutional knowledge about the breakdown in the process; however, it ascertained that staff had been using the system inconsistently. Blue Engine rectified this issue in August 2015, and all staff members claimed as match costs on the grant now complete timesheets on a regular basis.

NYC Service

- NYC Service did not agree with Finding 5.d. and did not comment on the \$38,129 of questioned Federal costs and \$43,279 of questioned match costs. NYC Service stated that all four individuals who participated on the VGF grants documented their hours using an internal Excel spreadsheet. NYC Service required the four employees to record their weekly hours for general and grant work and to provide this documentation to NYC Service each quarter before NYC Service submitted its quarterly expenditure report to the State. The expenditure report included backup documentation demonstrating personnel time spent on the grant. NYC Service stated that it had believed that this recording process was sufficient, as the State had approved the reports.

HCZ

- HCZ stated that it not have enough information to agree with or dispute Finding 5.e. or the \$395,980 of questioned Federal costs and \$1,280,734 of questioned match costs, as the auditors did not provide an itemized list of the staff salaries and benefits questioned; as such, HCZ was unable to directly respond to this claim. HCZ requested more detailed information before it could effectively respond to this finding.
- Based on its historical allocation of AmeriCorps staff, HCZ disagreed that it charged 100 percent of all grant-funded staff members' time to grant activities. For nine grant-funded staff members, HCZ only allocated portions of their salaries and

benefits to the grant. HCZ charged 100 percent of the other grant-funded staff members' time to the grant because these staff members only worked on the AmeriCorps grant. Although HCZ did not allocate a specific percentage of the staff members' time to the AmeriCorps program in its budget, HCZ stated that it did not charge their full compensation to the grant. HCZ tracked the staff members' hours using a standard timesheet and used a general ledger code in its Peacemakers program budget to log their compensation.

- HCZ noted that the finding referred to a “social worker” position. However, HCZ did not charge a social worker to the AmeriCorps grant; HCZ does not have a social worker position in its Peacemakers program and did not list this position on the personnel budget. As a result of this discrepancy, HCZ questioned whether the auditor was referring to the correct program budget.
- The total budget for the Peacemakers program exceeded the funding that HCZ received from AmeriCorps, and HCZ therefore manually charged program staff hours to diverse funding streams, including city and state grants. HCZ did not claim staff costs charged to another city, state, or Federal grant on its AmeriCorps grant. HCZ undergoes a financial audit every year that ensures that HCZ correctly allocates personnel costs across its diverse funding streams, and that it correctly bills HCZ staff to each grant.
- As a corrective action, in PY 2015-2016 HCZ notified all program and administrative staff that they must document their time and effort with regard to the AmeriCorps program using bi-weekly activity-based timesheets. The bi-weekly timesheets coincide with the payroll schedule and are stored in the staff members' files. HCZ shared its activity-based timesheets with an NYSONCS Program Officer, who determined that the timesheets were acceptable for tracking time and effort for grant-funded employees.

TSCWNY

- TSCWNY did not agree with Finding 5.f. The Executive Director is TSCWNY's highest-ranking employee and does not have a daily supervisor. The Board of Directors consists of volunteers who meet bi-monthly; they would not have firsthand knowledge of the activities that the Executive Director performs or how the Executive Director allocates their time and are therefore unable to provide supervisory approval.

Accountants' Comments: The corrective actions and changes described by NYSONCS, Blue Engine, and HCZ are in response to the recommendations. We provide detailed comments on the NYSONCS and subgrantee responses below. During the audit resolution phase, the Corporation should review and verify all corrective actions that NYSONCS and its subgrantees completed after the end of the AUP period.

NYC Service

- One employee that worked on the VGF grants also worked at the Mayor's Fund, a non-profit entity. The other three employees that worked on the VGF grants also worked at the New York City Mayor's Office, a local government entity. As such, the

employees were subject to different timesheet requirements. However, as discussed in the finding, NYSONCS did not maintain timesheets, and the employees were unable to independently verify the amount of time they spent working on the grants. NYC Service indicated that it submits quarterly Excel spreadsheets with timesheet information; however, its response does not address how the program verifies that the hours on the worksheet accurately reflect the time spent working on the AmeriCorps program. The Corporation should ensure that NYC Service implements appropriate timekeeping controls to track, review, and record the actual time that employees spend working on the AmeriCorps grants on a biweekly basis.

HCZ

- We questioned all Federal and match salary and benefit costs that HCZ claimed during the AUP period. The detailed information that HCZ requested can be found in its PYs 2012-2013, 2013-2014, and 2014-2015 billing spreadsheets. Tabs within the spreadsheet show the salary and benefit costs that HCZ claimed on the grant for each employee. This information is also available in the Excel spreadsheets that HCZ attached to its response and that HCZ is referring to as its general ledger.
- HCZ indicated that for nine grant-funded staff members, HCZ only allocated portions of their salaries and benefits to the grant. HCZ charged 100 percent of the other grant-funded staff members' time to the grant because these staff members only worked on the AmeriCorps grant. However, HCZ's PY 2012-2013 and 2013-2014 budgets showed 24 and 26 positions, respectively, that charged 100 percent of their time to the grant, and its PY 2014-2015 budget showed that 20 of 24 positions charged 100 percent of their time to the grant. Further, HCZ's "Gov't Monthly Time and Effort for Contracted Grants" spreadsheet for September 2013 through November 2014 showed that 21 of 25 positions charged 100 percent of their time to the grant.
- The social worker position was included in the Corporation-approved budget narratives for PY 2013-2014 (ID 13AC146400) and PY 2014-2015 (ID 14AC156438).
- Without using activity-based timesheets to allocate personnel costs, HCZ cannot ensure that it did not claim staff costs charged to another city, state, or Federal grant on its AmeriCorps grant.

TSCWNY

- As discussed in the finding, a staff member with knowledge of the Executive Director's activities should approve the Executive Director's timesheets to ensure that the Executive Director is properly recording and accounting for all activities. This staff member need not be a Board of Directors member. An independent approver is a requirement of OMB Circular A-122 (2 CFR Part 230) and the OCFS Grantee Provider Manual.

Finding 6. Two subgrantees did not account for Federal and match costs in accordance with State and Federal requirements.

HCZ and NYC Service's financial management systems did not adequately account for Federal and match costs.

- a. HCZ's accounting records did not support \$580,766 in PY 2012-2013 match costs, \$4,394 in PY 2013-2014 Federal costs, and \$22,597 in PY 2013-2014 match costs. We therefore questioned these costs.
 - The \$580,766 in PY 2012-2013 match costs includes \$336,882 in salary and benefit costs for grant-funded staff. These costs are included in the \$526,675 of match costs questioned in Exhibit B, Finding 5.e. We are therefore only questioning \$243,884 in this finding.
 - The \$4,394 in PY 2013-2014 Federal costs includes \$3,669 in salary and benefit costs for grant-funded staff. These costs are included in the \$247,760 of Federal costs questioned in Exhibit B, Finding 5.e. We are therefore only questioning \$725 in this finding.
 - The \$22,597 in PY 2013-2014 match costs included \$15,698 in salary and benefit costs for grant-funded staff. These costs are included in the \$754,159 of match costs questioned in Exhibit B, Finding 5.e. We are therefore only questioning \$6,899 in this finding.

During PYs 2012-2013, 2013-2014, and 2014-2015, HCZ used two different automated accounting systems and spreadsheets to account for Federal and match costs for its AmeriCorps program. HCZ described its billing process as follows. It initially recorded all costs to an unfunded general ledger code; its Grants Accountant then prepared monthly or quarterly billings for the AmeriCorps program. This process required the Grants Accountant to email the AmeriCorps Program Director each month to confirm the names of the HCZ employees that worked on the grant during the month, as well the names of the AmeriCorps members that served that month. The Grants Accountant then worked with HCZ's AmeriCorps program staff to identify other direct costs that should be charged to the AmeriCorps grant. Once these costs were identified, an HCZ staff member filled out the billing spreadsheet with the amount of the employee staff salary and benefit costs, member living allowance and benefit costs, and other direct costs incurred during the period. The first tab of the billing spreadsheet summarized program operating costs, member living allowance and benefit costs, and administrative costs by quarter for the entire program year. These costs linked to tabs for each quarter, as well as a tab summarizing other direct costs. HCZ's Grants Accountant then prepared a journal voucher, usually quarterly, to manually move a batch of costs identified for the AmeriCorps program from the unfunded code to HCZ's codes for AmeriCorps Federal and match costs.

During the planning phase for the subgrantee, we requested that HCZ provide transaction-level accounting records for Federal and match costs for specific periods from PYs 2012-2013, 2013-2014, and 2014-2015. The periods requested included

PY 2012-2013 costs for quarters 3, 4, and 5;¹² PY 2013-2014 costs for quarters 1 through 5, and PY 2014-2015 costs for quarter 1. HCZ did not provide all of the requested accounting reports, nor did it provide any of the requested reconciliations to demonstrate how costs from the accounting reports reconciled to the costs summarized in the spreadsheets. Because HCZ did not provide reconciliations, we used the accounting reports provided by HCZ to complete reconciliations for the three program years. We found that HCZ only provided accounting records to support the following amounts:

- \$747,317 of the \$1,328,083 in claimed PY 2012-2013 match costs.
- \$1,330,098 of the \$1,334,492 in claimed PY 2013-2014 Federal costs.
- \$1,911,774 of the \$1,934,371 in claimed PY 2013-2014 match costs.

While preparing the reconciliations, we identified numerous deficiencies in HCZ's financial management system. Specifically:

- The spreadsheets summarizing Federal and match other direct cost transactions that HCZ claimed in PYs 2012-2013 and 2013-2014 were incorrect, included cost transactions that we were unable to locate in HCZ's general ledger accounting reports, included unallowable costs, and included transactions that HCZ also charged to its account code for another Federal grant (see Exhibit B, Finding 4).
- HCZ charged living allowances to the wrong program years, claimed living allowances before and after members' service terms, and claimed living allowances for individuals that did not appear on either the Corporation's or HCZ's member rosters (see Exhibit B, Finding 3).
- HCZ comingled living allowance and member benefit costs with staff salary and benefit costs in the general ledger.
- HCZ allocated staff salary and benefit costs to the grant based on the budget and funds remaining in the budget (see Exhibit B, Finding 5).

According to 45 CFR Part 2543, *Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Subpart C, *Post Award Requirements*, § 2543.21, *Standards for financial management systems*, Subsection (b), recipient financial management systems must provide for accurate, current, and complete disclosure of financial results of each Federal award or program.

OCFS Grantee Provider Manual Section III.A, *Accounting Requirements*, states:

Contractors must:

- a. Have a record keeping system that maintains a separate identify for each contract.*

¹² HCZ's program years started in August and ended in November of the following year. HCZ submitted reimbursement requests for each of the five quarters in PYs 2012-2013 and 2013-2014.

- b. *Maintain records of all funds received under the contract, including a description of the source and amounts.*
- c. *Maintain a list of all funds disbursed under the contract, including payee name and amount.*
- d. *Records must adequately identify the use of funds for contract activities. Accounting records and other fiscal records must be supported by documentation including, but not limited to, canceled checks, bank statements, credit card and debit card statements, invoices, a payroll register, timesheets, purchase and travel receipts, and show a clear "audit trail" for all funds received and disbursed.*

Without an adequate financial management system, subgrantees cannot provide accurate, current, and complete disclosure of the program's financial results or ensure that the claimed Federal and match costs are allowable and that the subgrantee has not claimed them on another Federal grant.

- b. The Mayor's Fund served as NYC Service's fiscal agent, which included accounting for NYC Service's VGF and AmeriCorps fixed grants that passed through OCFS. The Mayor's Fund was responsible for accounting for cash received and grant disbursements. NYC Service was responsible for meeting grant requirements and obligations, developing budgets, and submitting quarterly financial reports.

We identified several deficiencies in the accounting for Federal and match costs that the Mayor's Fund performed for NYC Service's VGF grant, as follows:

- We identified \$1,430 in costs related to seven transactions from grant years 2011-2012, 2012-2013, and 2013-2014 that we were unable to locate in the general ledger.
- NYC Service submitted claims to NYSONCS for the reimbursement of project expenses for the quarters of April 1 through June 30, 2014, and July 1 through September 30, 2014. NYSONCS sent two reimbursement checks for \$11,521 and \$10,169 to the New York City Comptroller's Office; however, these checks were not forwarded to the Mayor's Fund. Because the Mayor's Fund did not receive the checks, it did not account for the NYC Service project expenses in its general ledger during the grant period. NYC Service did not discover that the two checks were missing until it received our request for a reconciliation between the quarterly expense reimbursement claims submitted to NYSONCS and its general ledger. NYC Service stated that once the Mayor's Fund received the checks, it would reimburse NYC Service for the expenses.
- NYC Service submitted expense reimbursement claims to NYSONCS for training expenses incurred in April 2013, June 2013, August 2013, and January 2014; however, the Mayor's Fund did not record the expenses pertaining to these invoices in its general ledger for the VGF grant.

- NYC Service comingled VGF and non-VGF expenses for the Mayor's Fund employee who worked on the VGF grants, as well as for a payment made to one vendor.
- NYC Service spreadsheets used to summarize the State and grantee share of salary and benefit expenses contained errors and did not support claimed costs.

According to 45 CFR Part 2541, *Uniform Administrative Requirements For Grants and Cooperative Agreements to State and Local Governments*, Subpart C, *Post Award Requirements*, § 2541.200, *Standards for financial management systems*, Subsection (b), recipient financial management systems must provide for accurate, current, and complete disclosure of financial results of each Federal award or program.

OCFS Contract Provider Manual Section III.A, *Accounting Requirements*, states:

Contractors must:

- Have a record keeping system that maintains a separate identity for each contract.*
- Maintain records of all funds received under the contract, including a description of the source and amounts.*
- Maintain a list of all funds disbursed under the contract, including payee name and amount.*
- Records must adequately identify the use of funds for contract activities. Accounting records and other fiscal records must be supported by documentation including, but not limited to, canceled checks, bank statements, credit card and debit card statements, invoices, a payroll register, timesheets, purchase and travel receipts, and show a clear "audit trail" for all funds received and disbursed.*

Without an adequate financial management system, subgrantees cannot provide accurate, current, and complete disclosure of the program's financial results or ensure that the claimed Federal and match costs are allowable and that the subgrantee has not claimed them on another Federal grant.

Recommendations: We recommend that the Corporation:

- 6a. Provide additional guidance and instruction to NYSONCS regarding applicable CFR regulations and State requirements related to financial management systems.
- 6b. Verify that NYSONCS instructed its subgrantees on applicable CFR regulations and State requirements related to financial management systems.

- 6c. Verify that the subgrantee financial monitoring procedures and tools include procedures to ensure that:
- Financial management systems include standard accounting practices, sufficient internal controls, a clear audit trail, and written cost allocation procedures, and are capable of distinguishing whether expenditures are or are not attributable to the grant.
 - Subgrantees reconcile Federal and match costs reported on reimbursement requests submitted to NYSONCS to those reported in the supporting accounting records.
- 6d. Review subgrantee site visit monitoring reports, completed subgrantee-monitoring tools, and subgrantee reconciliations to verify that all of NYSONCS' subgrantees have implemented controls over Federal and match costs.

NYSONCS and Subgrantee Responses: NYSONCS did not comment on the finding or recommendations. HCZ disagreed with Finding 6.a., while NYC Service agreed with Finding 6.b. The subgrantees provided the following comments:

HCZ

- HCZ certified that the accounting records it provided to the auditor from its financial management system reconciled with the claims submitted each program year.
- HCZ stated that the HCZ Finance Department provided the auditor with accounting records in a format that would be helpful in identifying transaction-level costs; however, the auditor did not understand how the costs were coded and therefore deemed them to be unsupported. HCZ also stated that it repeatedly contacted the auditor by email and offered to set up in-person meetings to review the records and help locate the questioned costs; however, the auditor did not respond to these emails or follow up with questions to try to resolve the issue.
- HCZ claimed that its financial management system, FundWare, accurately captured federal and match cost transactions. FundWare is not designed to record transaction-level accounting and match costs; however, HCZ provided reconciliations tying the expense reimbursements and match reports to the expenses submitted to OCFS. HCZ recorded all of its expenses for the AmeriCorps program in FundWare, then manually moved allowable costs to the grant code.
- HCZ provided the auditors with a general ledger containing detailed accounting records for each program year, as well as the selected quarters, to help the auditors understand how HCZ recorded the expenses. All of the transactions listed in the general ledger reconciled to the reports submitted to OCFS.
- Transactions charged to the contract with the New York City Department of Youth and Community Development (DYCD) were part of the match costs. The contract supplements the match costs for member living allowances.

NYC Service

- NYC Service stated that NYC Service and the Mayor's Fund have strengthened their financial procedures and internal controls in response to this finding. NYC Service has updated its accounting procedures to ensure that its general ledger clearly delineates Federal and non-Federal spending. It also noted that the Mayor's Fund has updated its general ledger to include all income and expenses for the VGF grants, and that the Mayor's Fund is coordinating with OCFS to ensure that cash receipts from the State are sent directly to the Mayor's Fund.

Accountants' Comments: We provide detailed comments on HCZ's response below. During the audit resolution phase, the Corporation should review and verify all corrective actions that NYSONCS and its subgrantees completed after the end of the AUP period.

- The version of the accounting records that HCZ provided with its response did not match the version that HCZ provided to the auditors during the audit fieldwork. In addition, HCZ's response omitted the fact that it provided the auditors with multiple versions of its accounting records during fieldwork. Specifically, HCZ provided the auditors with three different versions of its general ledger, three different versions of the Excel spreadsheet that it is currently referring to as its general ledger, and four different versions of the claimed Federal and match other direct costs on the AmeriCorps grant. These differing versions had multiple reconciliation discrepancies, prompting further concerns regarding the adequacy of HCZ's financial management system.
- HCZ did not provide the auditors with reconciliations of its accounting records during the AUP fieldwork. In October 2015, we emailed HCZ a list of requested documents, including transaction-level accounting records for HCZ's Federal and match costs and a reconciliation of the amounts reported on HCZ's billing spreadsheets for PYs 2012-2013, 2013-2014, and 2014-2015. In November 2015, HCZ provided the accounting records but not the reconciliation. In January 2016, HCZ provided a spreadsheet with two tabs, one for PY 2012-2013 Federal costs and one for PY 2013-2014 Federal costs. Each tab contained transactions that were formatted to reconcile to HCZ's invoices during the program years. However, we found discrepancies between these spreadsheets and the accounting records provided in November. In May 2016, HCZ's Assistant Controller provided a new version of the accounting reports but did not provide a reconciliation.
- HCZ's assertion that the accounting records it provided to the auditors from its financial management system reconcile with the claims submitted each program year is incorrect. During fieldwork, HCZ did not provide the auditors with the Excel files that it is now referring to as its PYs 2012-2013 and 2013-2014 general ledgers. In addition, these files differ from the general ledgers that HCZ's Assistant Controller provided in May 2016. Because the accounting records do not reconcile with the claims submitted, we are still questioning the \$580,766 in PY 2012-2013 match costs, \$4,394 in PY 2013-2014 Federal costs, and \$22,597 in PY 2013-2014 match costs.

The Excel files that HCZ is now referring to as its general ledger contain spreadsheets that have been formatted to resemble general ledgers from an

automated accounting system. HCZ's Grants Accountant provided prior versions of these Excel spreadsheets in November 2015 and January 2016 to assist us in understanding HCZ's claims; however, HCZ did not provide documentation to demonstrate how these spreadsheets reconciled to its ledgers. We also identified differences between the new spreadsheets and the spreadsheets that HCZ had previously provided and noted that the reports were missing adjusting entries that are typically present in a general ledger. Examples of the differences between the new spreadsheets and the previous spreadsheets include the following:

- As noted, HCZ's Grants Accountant provided prior versions of the Excel spreadsheets in November 2015 and January 2016, respectively. The spreadsheets for PY 2012-2013 had two tabs: one for Federal costs and one for match costs. However, the new spreadsheet has six tabs for each of the three quarters included in the PY 2012-2013 AUP period: three for Federal costs and three for match costs.
- The prior versions of the Excel spreadsheets lacked AmeriCorps member and staff names. HCZ added this information to the newest version of the spreadsheets, clearly evidencing that the newest version of the spreadsheet is not the same as the one that HCZ provided during the audit fieldwork.
- The prior versions of the Excel spreadsheets showed third-quarter Federal staff Federal Insurance Contributions Act (FICA) costs as \$2,925. The new Excel spreadsheet shows FICA costs as \$2,919. The \$6 difference is due to two separate transactions for worker's compensation that HCZ added to the new Excel spreadsheet. These transactions totaled \$73 and \$(67), respectively.
- The prior versions of the Excel spreadsheets included three transactions for PY 2012-2013 member FICA costs. The new spreadsheet includes 306 transactions for these costs.
- The prior versions of the Excel spreadsheets included fourth-quarter PY 2013-2014 uniform match costs of \$25,653. These costs posted on June 30, 2014, and related to the Peace March t-shirts questioned in Finding 4.g. The new spreadsheet includes a \$7,663 negative adjustment to these uniform match costs, posted on June 30, 2014. This adjustment appeared in the January 2016 version of HCZ's general ledger; however, the January 2016 general ledger did not include a posting date for the adjustment. When we inquired with HCZ's Grants Accountant as to why this adjustment and several others lacked posting dates in the January 2016 general ledger, the Grants Accountant did not respond.
- The prior versions of the Excel spreadsheets included three transactions for third-quarter grantee travel costs. The first transaction totaled \$240, while the second and third transactions totaled \$1,664 each, for a grand total of \$3,577. The new spreadsheet included six transactions for the third-quarter grantee travel costs. If this spreadsheet were truly HCZ's general ledger, we would expect it to contain the original three transactions, three adjusting transactions to reverse the costs from the ledger, and the six new transactions.

During the audit resolution phase, the Corporation should verify that the Excel spreadsheets that HCZ is currently referring to as its general ledger are actually produced by HCZ's financial management system. The Corporation should also obtain explanations from HCZ for the discrepancies listed above.

Finding 7. Subgrantees did not accurately record all member timesheet hours; did not have procedures to verify the accuracy of timesheets; and, in some instances, had timesheets that did not support member eligibility for education awards.

- a. We questioned an education award of \$5,550 for one PY 2013-2014 HCZ member because the member did not certify their timesheets in November and December 2014. We also noted that the member's supervisors did not sign the member's January 2015 timesheet. We deducted the uncertified member hours from the total hours certified in the My AmeriCorps Portal (Portal) for the member and determined that the remaining hours did not support the member's eligibility for an education award. HCZ lacked procedures to ensure that members and supervisors certified timesheets after members completed their service hours and signed all timesheets.

PY	Timesheet Hours			Hours Required	Ed. Award Amount
	Total	Unsigned	Adjusted		
2013-2014	1,721	155	1,566	1,700	\$5,550

According to *2013 AmeriCorps State and National Grant Provisions*, Section IV, *AmeriCorps Special Provisions*, Subsection C.5., *Timekeeping*, time-and-attendance records must be signed and dated both by the member and by an individual who supervises the member.

- b. One sampled PY 2012-2013 TSCWNY member, four sampled PY 2013-2014 TSCWNY members, and one sampled PY 2014-2015 TSCWNY member certified their timesheets before serving all of the hours recorded. TSCWNY's electronic timekeeping system permitted members to certify their timesheets in advance, and TSCWNY did not have any procedures in place to ensure that members and supervisors did not certify their timesheets until after the members completed their service hours and signed all timesheets. We deducted the uncertified hours from the total hours certified in the Portal for the members. The adjusted hours for one of these six members did not support their eligibility for an education award. We therefore questioned the PY 2012-2013 TSCWNY member's education award.

PY	Timesheet Hours			Hours Required	Ed. Award Amount
	Total	Unsigned	Adjusted		
2012-2013	1,700	256	1,444	1,700	\$5,550

According to *2012 AmeriCorps State and National Grant Provisions*, Section IV, *AmeriCorps Special Provisions*, Subsection C.5., *Timekeeping*, time-and-attendance records must be signed and dated both by the member and by an individual who supervises the member.

NYSONCS' *AmeriCorps Timesheet Requirements* states, "Timesheets cannot be signed in advance of service being completed."

- c. Timesheet hours for HCZ members were not always accurately recorded in the Portal. The timesheets for 1 sampled PY 2013-2014 member, 11 sampled PY 2013-2014 members, and 3 sampled PY 2014-2015 members did not agree with the hours certified in the Portal. Because the timesheets for three of the sampled members did not support the members' eligibility for an education award, we reviewed the timecards supporting the timesheets.¹³ We found that, while the timesheets did not support the minimum hours required for an education award, the members' timecards did support the required hours.

Due to the discrepancy noted between the timesheet hours and the timecard hours, we reviewed the timecards for six sampled PY 2013-2014 members who were within 40 hours of the 1,700-hour service term required for an education award to determine if the timecards supported the hours recorded on the timesheets and certified in the Portal. We found that only one of the six members' timecards supported the member's eligibility for education awards.

Overall, our review of the timecards identified numerous errors in the timesheets and timecards, such as:

- Members did not always clock out.
- Timecards were not always legible.
- Members did not always record lunch on the timecards and timesheets.
- Some members' timesheets were handwritten and only showed in/out times.
- Members did not transfer their own hours to their timesheets; either the supervisor or an administrative staff member at the school transferred the hours instead.
- The timesheets were prepared in a Microsoft Word document and contained mathematical errors.

AmeriCorps requirements address timesheet policies but not specific timesheet procedures; however, it is good business practice to check the accuracy of hours recorded on timesheets. Without procedures in place to verify the accuracy of timesheets, members could receive education awards to which they are not entitled.

We did not question the education awards for the three members whose timesheet hours were fewer than the hours recorded in the Portal because their timecards supported that they served the minimum hours required to be eligible for an education award. We would generally consider member timesheets to be a more reliable source of information than are the member timecards, as the timesheets are certified by both the members and their supervisors, while the timecards are not certified by either the member or the member's supervisor; however, because the members both completed the timecards and signed the timesheets, we determined that either document was sufficient to support the hours worked. We therefore also did not question the education awards for the six members whose timecard hours

¹³ Members use timecards to document their arrival and departure times. The timecards serve as the basis for the hours recorded on the timesheets.

were fewer than the hours recorded in the Portal because their timesheets supported that they served the minimum hours required to be eligible for an education award.

Recommendations: We recommend that the Corporation:

- 7a. Verify that NYSONCS provides its subgrantees with guidance and instruction regarding procedures for member timekeeping.
- 7b. Verify that NYSONCS' program-monitoring procedures include procedures to confirm that:
 - Hours certified in the Portal for members at all of its subgrantee sites are supported by timesheets.
 - Member timesheets at all of its subgrantee sites are signed by members and supervisors, but only after the members complete their service.
- 7c. Ensure that the TSCWNY subgrantee contacts its America Learns vendor and requests that the vendor modify the member timesheet module of its AmeriCorps Impact Suite to prevent members from certifying their timesheets in advance.
- 7d. Review NYSONCS' subgrantee site visit monitoring reports and completed subgrantee-monitoring tools to verify that NYSONCS has properly implemented monitoring procedures for member timesheets.
- 7e. Disallow and, if already used, recover education awards made to members who did not serve the minimum required service hours.

NYSONCS and Subgrantee Responses: NYSONCS did not comment on the findings or recommendations. HCZ agreed with Findings 7.a. and 7.c., while TSCWNY did not agree with the questioned education award in Finding 7.b. We have summarized HCZ and TSCWNY's responses below. Please see the appendices for the subgrantees' full responses.

- HCZ acknowledged that members must certify every service hour to receive the AmeriCorps education award at the end of their service term and implemented a new timekeeping process to support accurate calculations of member hours. HCZ stated that under this new process, members and their supervisors will sign timesheets that document any hours not captured on the member timecard. The administrative team will review member timesheets and calculations on a monthly basis to ensure accurate reporting.
- During PY 2012-2013, TSCWNY required members to turn in their completed timesheets by 4:00 P.M. on Friday, to enable TSCWNY to perform payroll processing. As a result of this policy, members did not properly account for weekend planning hours. Program staff also did not inform members that they were not allowed to turn in timesheets before the end of the pay period. Program staff did request that supervisors certify member hours reported, but the supervisor for the member in question did not certify 40 of the member's hours. However, TSCWNY believed that the member served the 40 hours. TSCWNY has since revised its policy regarding the due date for the submission of signed member timesheets. It

now requires members to turn in their completed timesheets by 4:00 P.M. on Monday, to enable members to report weekend planning hours.

Accountants' Comments: The corrective actions described by HCZ and TSCWNY are in response to the recommendations. However, we are still questioning the education awards for HCZ and TSCWNY members whose hours were not certified. During the audit resolution phase, the Corporation should review and verify all corrective actions that NYSONCS and its subgrantees completed after the end of the AUP period.

Finding 8. One subgrantee could not account for daily supervision of members who served offsite and who served excessive hours at the end of their service terms.

We questioned \$23,679 in education awards and \$1,643 in accrued interest for six TSCWNY members. The timesheets for one member in PY 2013-2014 and five members in PY 2014-2015 lacked descriptions to account for service hours worked while the service site was closed. These periods included time worked on weekends, after scheduled working hours, offsite/from home, and on holidays. We also identified missing descriptions for increases in the number of daily service hours, particularly at the end of the member's service term. For example:

- One sampled PY 2013-2014 member served an average of 8 hours per day from December 2013 through November 2014, with an average start time of 9:00 AM and an average end time of 5:00 PM. However, in December 2014, during the member's last two weeks of service, the member served an average of 10 hours per day, with an average start time of 9:00 AM and average end time of 8:45 PM. Additionally, during the last week of the member's service term, the member served three 12-hour days, including two days where the member noted on her timesheet that her days were slow. While the timesheets included general descriptions of the work performed, there was not any explanation for the increase in hours.
- The position description for one sampled PY 2014-2015 member stated that the member's hours were Monday through Friday from 10:00 AM to 6:00 PM; however, the member spent 107 of her 1,701 service hours performing offsite planning work on weekends and Christmas Eve. The member's host site was closed on each of these days.
- The position description for one sampled PY 2014-2015 member stated that the member's hours were Monday through Friday from 8:00 AM to 5:00 PM; however, the member spent 67.5 of her 900 service hours performing offsite planning work on weekends and after hours, when the member's host site was closed. On May 26, 2015, the member's supervisor questioned 17 hours of offsite planning that the member performed during the period. On July 17, 2015, the member revised her timesheet; however, the electronic timesheet did not show how the hours were adjusted.
- The position description for one sampled PY 2014-2015 member stated that the member's hours were Monday through Friday from 3:00 PM to 6:00 PM; however, the member spent 29 of her 300 service hours performing offsite planning work on weekends and after hours, when the member's site was closed.

- The position description for one sampled PY 2014-2015 member stated that the member's hours were Monday through Friday from 7:45 AM to 3:45 PM; however, the member spent 227 of her 1,701 service hours performing offsite planning work on weekends and holidays, such as New Year's Eve, New Year's Day, and the day after Thanksgiving, when the member's site was closed.
- The position description for one sampled PY 2014-2015 member stated that the member's hours were Monday through Friday from 9:00 AM to 5:00 PM, however, the member spent 163 of her 903 service hours performing offsite planning work on weekends and on Memorial Day, when the member's site was closed.

TSCWNY's program applications and position descriptions did not include either the offsite service that the members performed on weekends and holidays or the increased service hours at the end of the member service terms.

TSCWNY's policies state, "Supervisors must provide supervision for each participant on a daily basis. Participants may serve some of their hours off-site, however supervisors are responsible for verifying that participants are performing allowable activities during the approved service time..."

According to 45 CFR § 2520.25, *What direct service activities may AmeriCorps members perform?*, allowable service activities include activities that advance program goals; provide a specific identifiable, measurable service or improvement that otherwise would not be provided; and are included in or consistent with the Corporation-approved grant application.

TSWCNY supervisors are responsible for providing daily supervision, monitoring member hours and activities, and ensuring that members do not violate grant guidance or perform prohibited activities. We have no evidence that daily supervision took place for the members who served offsite, particularly for members who served when their site was closed, and for those who worked excessive hours at the end of their service terms. Without any detailed information regarding their service activities, we question whether allowable service activities occurred. It is insufficient to simply have TSCWNY supervisors document their approval of member activities by signing member timesheets without documenting the member service activities.

We questioned the difference between the 12-hour days served by the one PY 2013-2014 member during the last week of service and the 8-hour daily average served by the member in the prior months. We also questioned the service hours for the PY 2014-2015 members who lacked descriptions for services performed on the weekend, after scheduled working hours, offsite, and on holidays. We then deducted the questioned member hours from the total hours certified for each member in the My AmeriCorps Portal (Portal) and determined that the remaining hours did not support the member's eligibility for an education award.

PY	Timesheet Hours			Hours Required	Questioned Education Awards	
	Total	Questioned	Adjusted		PY 2013-2014	PY 2014-2015
2013-2014	1,700.0	12.0	1,688.0	1,700.0	\$5,550	\$0
2014-2015	1,701.0	107.0	1,594.0	1,700.0	0	5,645
2014-2015	900.0	67.5	832.5	900.0	0	2,822
2014-2015	300.0	29.0	271.0	300.0	0	1,195
2014-2015	1,701.0	226.5	1,474.5	1,700.0	0	5,645
2014-2015	903.0	163.0	740.0	900.0	<u>0</u>	<u>2,822</u>
Total					<u>\$5,550</u>	<u>\$18,129</u>

Recommendations: We recommend that the Corporation:

- 8a. Provide NYSONCS and all Corporation grantees guidance on creating policies to address offsite member activities and increases in member service hours at the end of the member's service term. The policies should address controls for member activities, including:
- Obtaining approvals from grantee and subgrantee program officials before members begin performing service offsite or at home.
 - Recording service hours on member timesheets for offsite service performed at night, on weekends, on holidays, and on other days when the member's service site is closed.
 - Documenting service activities performed by the members, either by including descriptions on the member's timesheet regarding service activities performed or by maintaining daily activity logs describing the duties performed.
- 8b. As a part of the Corporation's grantee monitoring review, review the grantees' policies addressing offsite member activities and increases in member service hours at the end of the member's service term.
- 8c. Verify that NYSONCS provided the subgrantees with guidance and instruction regarding:
- Increases in member service hours at the end of the member service term.
 - Member service activities performed offsite at night, on weekends, on holidays, and on other days when the member host site is closed.
- 8d. Verify that NYSONCS' program monitoring includes procedures for ensuring that:
- Members at subgrantee sites document service activities performed by either recording them in the comments section of the electronic timesheet or by maintaining daily activity logs describing the duties performed.

- Programs have written policies that describe the circumstances in which offsite service hours performed at night, on weekends, and holidays will be necessary, and the program's method of verifying that the members served the hours.
- 8e. Review NYSONCS' subgrantee site visit monitoring reports and completed subgrantee-monitoring tools to verify that NYSONCS has properly implemented its monitoring procedures to review irregular or unusual increases in member service hours at the end of the member service term and for offsite member service activities.
- 8f. Disallow and, if already used, recover education and accrued interest awards made to the member who did not serve the minimum required service hours.

NYSONCS and Subgrantee Responses: NYSONCS did not comment on the finding. TSCWNY disagreed with the requirement to document member service activities and the related questioned education awards. We have summarized TSCWNY's response below. Please see the appendices for the full response.

- TSCWNY stated that it is not required to document member service activities; as a result, it did not maintain detailed information regarding activities on the member timesheets. However, TSCWNY has implemented the following policy changes with regard to member timesheets as a result of the audit finding:
 - TSCWNY now requires members to include a detailed description of any offsite service in the activities section of their timesheet. This description will enable supervisors to compare the timesheet to the work completed.
 - Supervisors must pre-approve offsite planning hours, and these hours must be deemed reasonable within the confines of the member's position description. "Reading" or "research" are not acceptable offsite activities unless they are approved by the host site supervisor in advance.
 - Host site supervisors must provide TSCWNY program staff with an outline of expectations related to offsite hours, including how many hours members will be allowed to record for the tasks. Members may not perform more than 10 percent of their service hours as offsite planning.
 - Host site supervisors will only approve offsite planning hours if the member provides proof that they incurred the hours. This includes, but is not limited to, the member successfully implementing an intervention without materials such as student handouts, or demonstrating increased proficiency in a subject taught by the lead teacher.
 - Host site supervisors will not approve offsite planning hours if the hours were not pre-approved and the member cannot demonstrate proof that they incurred the hours. Unapproved hours will not be counted towards the member's minimum hour requirements.

- TSCWNY stated that it disagreed with the questioned education awards, as follows:
 - The first member incurred increased service hours at the end of her service term due to a severe winter storm that caused the host site to close. After the storm, the host site extended its operating hours to enable staff to address time-sensitive cases and to provide clients with disaster relief information. The member's site supervisor was present during the extended hours and approved the member's timesheets.
 - The second member served at a site that required members to perform offsite planning, as the school building was not open after business hours. The member's hours were reasonable and reflected the service provided. In addition, many members and host sites do not celebrate certain holidays; TSCWNY therefore does not restrict members from performing offsite planning on holidays.
 - The third member's timesheets did not include descriptions for activities performed during offsite planning hours; however, TSCWNY was not required to obtain this information at the time. The member's supervisor did question some of the offsite planning hours, and the member adjusted the hours accordingly. TSCWNY believed that this occurrence demonstrated that the supervisor was reviewing the members' timesheets and holding members accountable for their planning time.
 - The fourth member only incurred nine hours of offsite planning, which TSCWNY believed to be reasonable.
 - The fifth member was placed at a host site that provided members with opportunities to participate in extra school projects. Members must perform the planning for these projects offsite because the school is not open at night or on weekends. The supervisor approved all of the member's hours, and TSCWNY did not see a reason to question the hours. The member incurred some offsite planning hours on holidays; however, TSCWNY stated that this is not unheard of for members serving at this specific school. As noted above, many members and host sites do not celebrate certain holidays, and TSCWNY therefore does not restrict members from performing offsite planning on holidays.

TSCWNY determined that the member performed 132 offsite planning hours. Based on TSCWNY's knowledge of the site, it believed that this number of hours was reasonable and necessary.

Accountants' Comments: The corrective actions described by TSCWNY are in response to the recommendations. During the audit resolution phase, the Corporation should review and verify all corrective actions that NYSONCS and its subgrantees completed after the end of the AUP period.

We disagree with TSCWNY's calculation of offsite planning hours for two members. As discussed above, we calculated 163 and 29 offsite planning hours for the two members. Because TSCWNY did not provide its calculations, we were unable to identify the source of the discrepancy. However, regardless of whether the offsite planning hours are calculated

using TSCWNY’s methodology or the auditors’ methodology, neither member would meet the eligibility threshold for education awards after deducting the offsite planning hours from the total timesheet hours.

As part of its audit resolution, the Corporation should verify that TSCWNY implemented its policy changes related to member timesheet activities.

Finding 9. Subgrantees did not comply with AmeriCorps requirements for member performance evaluations or ensure that members and supervisors signed member forms and service agreements.

None of the four subgrantees complied with AmeriCorps requirements for member performance evaluations, and HCZ and NYC Service did not ensure that members and supervisors signed member enrollment forms and service agreements. We selected a sample of 14 Blue Engine members, 25 HCZ members, 25 NYC Service members, and 25 TSCWNY members and noted the following issues:

- a. Blue Engine and NYC Service were unable to demonstrate that some sampled members received end-of-term performance evaluations. In addition, end-of-term evaluations performed for members at all four subgrantees did not indicate if the members had completed the required number of service hours to be eligible for education awards. Finally, three subgrantees conducted end-of-term evaluations for members before the members completed their service terms. Below we provide a summary of the number of noncompliance instances by subgrantee for the 14 sampled Blue Engine members, 25 sampled HCZ members, 25 sampled NYC Service members, and 25 sampled TSCWNY members.

Description	Blue Engine	HCZ	NYC Service	TSCWNY
PY 2012-2013				
End-of-term evaluation missing required hours	0	4	4	2
End-of-term evaluation conducted before end of member service term	0	3	4	0
PY 2013-2014				
End-of-term evaluation missing	3	0	3	0
End-of-term evaluation missing required hours	0	11	11	8
End-of-term evaluation conducted before end of member service term	3	12	11	0
PY 2014-2015				
End-of-term evaluation missing	0	0	2	0
End-of-term evaluation missing required hours	1	3	0	3
End-of-term evaluation conducted before end of member service term	6	3	5	0
Total				
End-of-term evaluation missing	3	0	5	0
End-of-term evaluation missing required hours	1	18	15	13
End-of-term evaluation conducted before end of member service term	9	18	20	0

According to 45 CFR § 2522.220, Subsection (d), *Participant evaluation*, a participant is not eligible for a second or additional term of service and/or for an AmeriCorps education award without a successful rating on their end-of-term evaluation.

Blue Engine and NYC Service representatives were unable to explain why they did not include evaluations in the files for the five members. In addition, the four subgrantees lacked procedures to ensure that all end-of-term evaluations included the final number of hours completed by each member. End-of-term evaluations are required for all members, as they are necessary to ensure that members are eligible for additional service terms and education awards and that the grantee has met the grant objectives.

- b. Three PY 2013-2014 Blue Engine members, three PY 2013-2014 NYC Service members, and two PY 2014-2015 NYC Service members did not undergo end-of-term evaluations. The five NYC Service members and one of the Blue Engine members did not return for a subsequent term; however, two of the Blue Engine members returned as members in PY 2014-2015. We questioned Federal and match member costs and the education awards for the two Blue Engine members because the members were not eligible for a second term of service without a satisfactory end-of-term evaluation for the prior year.

Questioned Federal Member Costs	Questioned Match Member Costs	Questioned Education Award
<u>\$17,422</u>	<u>\$34,715</u>	<u>\$11,290</u>

- c. We identified Blue Engine, HCZ, and NYC Service end-of-term evaluations, member forms, and member contracts that did not contain signatures; member contracts and forms that contained pre-printed signatures and dates; and member contracts signed after members began service. In addition, HCZ was unable to locate one member contract. The table below shows the number of instances in each area of noncompliance for the 14 sampled Blue Engine members, 25 sampled HCZ members, and 25 sampled NYC Service members:

	Blue Engine	HCZ	NYC Service
End-of-term evaluation member signature missing	1	3	0
End-of-term evaluation supervisor signature missing	0	1	0
Pre-printed supervisor signature on member contract	0	0	4
Enrollment form not signed by supervisor	0	0	1
Enrollment forms signed by supervisor nine months after members were enrolled	0	0	14
PY 2013-2014 member contracts not signed by supervisor	0	2	0
Members signed contracts after starting their service terms	0	2	0
Member contracts had wrong education award and living allowance amounts	0	2	0
Member contract missing	0	1	0

It is good business practice to ensure that members and supervisors sign and date end-of-term evaluations and that the grantee completes the evaluations before the members exit the program. This maintains accountability and ensures that evaluations are consistent with member and management intentions.

According to *2014 AmeriCorps State and National Grant Provisions*, Section IV, *AmeriCorps Special Provisions*, Section D.2, *Member Service Agreements*, programs must require that each member signs a member service agreement.

Recommendations: We recommend that the Corporation:

- 9a. Verify that NYSONCS provided the subgrantees with guidance and instruction regarding the requirements for end-of-term evaluations.
- 9b. Verify that NYSONCS' program-monitoring procedures for end-of-term evaluations include procedures for ensuring that the evaluations:
 - Are completed, with all subgrantee sites retaining documentation of the evaluation for all members.
 - Are signed and dated by all members.
 - Are signed and dated by all supervisors.
 - Include an assessment of whether the member has completed the required number of hours to be eligible for an education award.
- 9c. Review NYSONCS' subgrantee site visit reports, completed subgrantee-monitoring tools, and subgrantee end-of-term evaluations to verify that NYSONCS has properly implemented its procedures for member evaluations.

- 9d. Calculate and recover the appropriate amount of disallowed costs and disallowed education awards based on our questioned costs, and require NYSONCS to adjust its FFRs for the disallowed costs.

NYSONCS and Subgrantee Responses: NYSONCS did not comment on Findings 9.a., 9.b., and 9.c. HCZ, TSCWNY, and NYC Service agreed with the finding. Blue Engine agreed with Finding 9.a. with regard to member evaluations conducted before the end of the member service term; however, it did not agree with Findings 9.b. and 9.c. We have summarized the subgrantees' responses below. Please see the appendices for the subgrantees' full responses.

Blue Engine

- Blue Engine stated that it provided all three end-of-term performance evaluations to NYSONCS on October 5, 2016, and therefore requested the removal of the finding and all associated questioned costs.
- Blue Engine was not aware that it was not allowed to complete end-of-term evaluations until after members completed their service terms. Blue Engine stated that it conducted member evaluations the month before the members completed their service to ensure that it was able to provide appropriate time and attention to each meeting, given the large number of members and the amount of time each evaluation required. In 2016, Blue Engine began including an addendum for each end-of-term evaluation; this addendum confirms the total hours served after the member's final date of service.
- Blue Engine stated that the end-of-term evaluation for one PY 2014-2015 member did not include the member's total hours or the member's signature because the member was exited for compelling personal circumstances. Blue Engine provided the auditors with email documentation of the situation during fieldwork. Blue Engine therefore requests that the auditors remove the finding.

TSCWNY

- Due to time constraints, many supervisors filled out the end-of-term evaluations before the members' official last day of service. TSCWNY reviewed the final number of hours reported on the exit forms and believed that the hours were appropriate. TSCWNY has implemented a new policy requiring its program staff to input the final number of hours on both the end-of-term evaluation and the exit form.

HCZ

- HCZ agreed with Findings 9.a., 9.b., and 9.c. It has begun requiring AmeriCorps supervisors to review member end-of-term evaluations as part of the exit process to ensure that the evaluation forms document the member hours. The supervisors must also schedule an exit interview to ensure that the member signs the evaluation before exiting the program. In addition, HCZ has implemented a process to require all members to sign contracts during the orientation session held before the member begins service. HCZ will also require members starting service in the middle of the

program year to attend an orientation session before their first day of service. The administrative team will review all member contracts to ensure that the contract lists the correct start date and living allowance amounts and has been signed by the member and their supervisor.

NYC Service

- NYC Service's AmeriCorps program revised the exit interview form for members that exit the program early. The form now contains additional information, including the end-of-term evaluation elements required by the AmeriCorps terms and conditions.
- NYC Service has not revised its procedures for end-of-term assessments for members who complete their term of service. NYC Service stated that it would still perform these members' end-of-term assessments prior to the members' final exit date, as NYC Service believed that it would be difficult to collect end-of-term assessments if it required host sites and members to conduct the assessments after the member completed their term of service. Once the members have completed their service, NYC Service will insert an addendum to the end-of-term assessment that addresses the end-of-term evaluation elements required by the AmeriCorps terms and conditions. NYC Service will also revise the end-of-term assessment form to include the final number of member service hours, as reported in NYC Service's electronic timekeeping system.
- NYC Service will comply with the recommendation to ensure that members and supervisors sign and date end-of-term evaluations and that the members and supervisors complete the evaluations before the members exit the program.

Accountants' Comments: The corrective actions described by the subgrantees are in response to the recommendations. During the audit resolution phase, the Corporation should review and verify all corrective actions that NYSONCS and its subgrantees completed after the end of the AUP period.

NYSONCS did not provide Blue Engine's member evaluations as part of its response. In addition, an end-of-term evaluation is required for all members, including members exited for compelling personal circumstances. We therefore still question all member costs and education awards described above.

Finding 10. NYSONCS incorrectly administered its Education Award Program (EAP) grant as a cost-reimbursable grant and provided advance payments without regard to whether a subgrantee had an immediate need for the funds.

- a. NYSONCS did not administer Award No. 12ESHNY001 in accordance with the grant terms and conditions. According to the approved program application and award documents, the grant award was an AmeriCorps EAP grant, whereby the subgrantee received a fixed fee for each eligible member it enrolled and was entitled to \$8,041 if it enrolled 50 members; however, NYSONCS' documentation indicated that NYSONCS treated the award as a cost-reimbursable grant. As a result, the subgrantee only claimed reimbursement for \$7,208 of actual expenditures, rather than for the full award amount of \$8,041.

NYSONCS representatives stated:

OCFS paid the subgrantee the amount claimed by the subgrantee and ultimately returned the unclaimed funds to the Corporation. OCFS is aware of neither a legal nor a contractual obligation to advise a subgrantee if the subgrantee has failed to claim all of the funds potentially available to the subgrantee.

When NYSONCS accepted the grant award from the Corporation, it agreed to comply with the grant terms and conditions, including ensuring the correct amount of drawdowns. *Notice of Grant Award, Amendment No. 2 for Award No. 12ESHNY001*, section *Award Description* states that the award is a fixed-amount grant for \$760 per member service year. It also states that it awarded 10.58 member service years for 50 minimum-time members and that the total award amount was \$8,041.

According to *2014 AmeriCorps State and National Grant Provisions*, Section IV, *AmeriCorps Special Provisions*, Section K, *Fixed Amount Awards*:

For Education Award programs (EAP), the fixed federal assistance amount of the grant is based on the approved and awarded number of full-time (MSYs) members specified in the award...For EAPs, the final amount of grant funds that the grantee may retain is dependent upon the grantee's notifying CNCS's National Service Trust of the members that it has enrolled.

- b. NYSONCS subgrantee contracts included terms that allowed subgrantees to claim advances that were not based on actual or immediate cash needs. This is not in compliance with CFR requirements for advances.

TSCWNY received advance payments from OCFS on Award No. 06AFHNY001 (PY 2012-2013), Award No. 12ACHNY001 (PY 2013-2014), and Award No. 13AFHNY001 (PY 2013-2014). TSCWNY did not request the advances based on actual or immediate cash needs; instead, TSCWNY requested the advances because its subgrantee agreement with OCFS included terms that allowed subgrantees to request an advance of up to 25 percent of total award funding upon grant award. Furthermore, NYSONCS did not monitor advances given to subgrantees to ensure that minimal time passed between the subgrantees' receipt and expenditure of the advances. NYSONCS provided TSCWNY with an advance payment on Award Nos. 06AFHNY001, 12ACHNY001, and 13AFHNY001 and reduced subsequent reimbursement requests that TSCWNY submitted to NYSONCS for actual incurred costs by one-third of the advance amount until total NYSONCS payments equaled total expenditures. As a result, payments by NYSONCS did not equal TSCWNY expenditures until the fourth quarter of the program year. Specifically:

- Payments made by NYSONCS for Award No. 06AFHNY001 for PY 2012-2013 exceeded actual expenditures incurred and did not equal TSCWNY expenditures until the fourth quarter of PY 2012-2013.
- Payments made by NYSONCS for Award No. 12ACHNY001 for PY 2013-2014 exceeded actual expenditures incurred and did not equal TSCWNY expenditures until the fourth quarter of PY 2013-2014.

- Payments made by NYSONCS for Award No. 13AFHNY001 for PY 2013-2014 exceeded actual expenditures incurred and did not equal TSCWNY expenditures until the fourth quarter of PY 2013-2014.

In addition, TSCWNY did not deposit the advance funding provided by NYSONCS in an interest-bearing account, as required; instead, it placed the funding received in its general pool for recovering costs.

According to 2 CFR Part 215, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Subpart C, *Post Award Requirements*, § 215.22, *Payment*, Section (b), advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. The non-Federal entity must make timely payment to contractors in accordance with the contract provisions.

According to 2 CFR Part 215, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Subpart C, *Post Award Requirements*, § 215.22, *Payment*, Section (k):

The non-Federal entity must maintain advance payments of Federal awards in interest bearing accounts, unless the following apply: (i) the non-Federal entity receives less than \$120,000 in Federal awards per year, (ii) the best reasonably available interest-bearing account would not be expected to earn interest in excess of \$250 per year on Federal cash balances, or (iii) the depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.

TSCWNY was not aware of the Federal requirements for advances and relied on the funding policies provided in its contract with NYSONCS for guidance regarding its ability to receive advance funding. As a result, it did not have policies in place to ensure that cash advances were appropriately requested in accordance with CFR requirements.

Recommendations: We recommend that the Corporation:

- 10a. Provide additional guidance and instruction to NYSONCS regarding the Corporation's requirements for fixed awards.
- 10b. Verify that NYSONCS instructed its subgrantees on the Corporation's requirements for fixed awards.
- 10c. Request that NYSONCS clarify the payment reporting terms and conditions, which are attached as an appendix to subgrantee contracts, to emphasize to

subgrantees that advances on Corporation awards should only be for actual or immediate cash needs.

- 10d. Provide additional guidance and instruction to NYSONCS regarding Federal requirements for advances.
- 10e. Verify that NYSONCS instructed its subgrantees regarding Federal requirements for advances.
- 10f. Verify that NYSONCS conducts financial monitoring of subgrantees and ensures that:
 - Advances are for actual or immediate cash needs.
 - Advances are placed in interest-bearing accounts, unless the subgrantee meets the exemptions identified in the CFR regulation.

NYSONCS and Subgrantee Responses: NYSONCS agreed with Finding 10.b. but did not comment on Finding 10.a. TSCWNY did not comment on the finding. We have summarized NYSONCS and OCFS's response to Finding 10.b. below. Please see the appendices for NYSONCS and OCFS's full response.

- NYSONCS and OCFS agreed with the Finding 10.b. and stated that they have begun implementing corrective actions to ensure that subgrantees remain within the bounds of Federal regulations and policies when claiming advances on grants. OCFS and NYSONCS will modify the language included in their subgrantee contracts and will develop guidance on the appropriateness of advances for subgrantees.

Accountants' Comments: NYSONCS' response and changes concerning subgrantee advances were responsive to the recommendations. During the audit resolution phase, the Corporation should review and verify all corrective actions that NYSONCS and its subgrantees completed after the end of the AUP period.

BACKGROUND

The Corporation

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

The Corporation's service initiatives include National Senior Service Corps, AmeriCorps, and the Social Innovation Fund. AmeriCorps, the largest of the initiatives, is funded through grants to States and territories with State NYSONCSs, grants to States and territories without State NYSONCSs, and National Direct funding grants to organizations. Grantees recruit and select volunteers, who must meet certain qualifications to earn a living allowance and/or education awards.

NYSONCS

NYSONCS is located in Albany, NY and is a division of OCFS. It receives multiple grant awards from the Corporation, including but not limited to the awards listed in the AUP scope section above. AmeriCorps grants are annual awards that are passed-through NYSONCS to its eligible subgrantees, which recruit members to perform service. The members earn living allowances and may become eligible for education awards and repayment of accrued student loan interest upon completion of a term of service.

Blue Engine

Blue Engine uses AmeriCorps funding to operate the Blue Engine Teaching Assistant (BETA) program. BETAs perform a year of AmeriCorps service at six New York City public high schools in low-income communities, partnering with teachers and providing individualized tutoring instruction to students in the classroom.

Harlem Children's Zone

HCZ uses AmeriCorps funding to operate the Peacemakers program, a neighborhood-based network of programs and services that create positive opportunities and outcomes for more than 25,000 children and adults who live in a 97-block area of Central Harlem. AmeriCorps members support three key programs within the HCZ Project to improve the academic outcomes of Central Harlem children and youth. Members in the first program serve at seven New York City public elementary schools; members in the second program support the school readiness of 237 three- and four-year-olds at the subgrantee's Harlem Gems pre-kindergarten programs; and members in the third program support 200 Central Harlem high school youth and help them graduate high school on time and gain acceptance into college.

New York City Mayor's Office

NYC Service received two AmeriCorps fixed subgrants and two NYSONCS VGF subgrants. It uses this funding to operate the New York City Civic Corps program, which places AmeriCorps members with local nonprofits and government agencies to develop

sustainable-impact volunteer programs. The New York City Civic Corps program teams assist with a combination of capacity-building and direct service activities. The program aims to achieve three overarching goals: help New Yorkers connect to service opportunities more easily, target volunteers to address New York City's greatest needs, and promote service as a core part of what it means to be a citizen of New York. The New York City Civic Corps dispatches its members to local organizations for ten months, where they serve as "force multipliers" and infrastructure builders assisting in the development of sustainable-impact volunteer programs.

The Mayor's Fund serves as NYC Service's fiscal agent and tracks NYC Service's grant revenue and expenditures for the AmeriCorps and NYSONCS VGF subgrants. The Mayor's Fund is a nonprofit organization that serves as the primary vehicle for New York City's business, foundational, and philanthropic communities to engage city government, contribute to public programs, and enhance the city's ability to serve its residents. Its current areas of focus include mental health, youth workforce development, and immigration and citizenship.

The Service Collaborative of Western New York

TSCWNY was formed in May 2011. Prior to this date, it operated under an administrative agreement between the West Seneca Youth Bureau and the Western New York AmeriCorps. TSCWNY uses AmeriCorps funding to operate the ABLE program, Opportunity Corps, and Economic Corps program. The ABLE program mobilizes individuals in national service to revise and strengthen educational environments; expand opportunities for youth; and transform students, classrooms, and communities. The ABLE program serves educational providers across Western New York through one-on-one and small-group tutoring, after-school programming, educational programming and coordination, and volunteer recruitment. The Opportunity Corps and Economic Development Corps programs are designed to provide financial literacy training to economically disadvantaged adult citizens in Buffalo and five counties in the Western New York region. TSCWNY has also used Corporation funds to administer two VGF grant awards.

EXIT CONFERENCE

We discussed the contents of this report with NYSONCS, the four subgrantees, and Corporation representatives at an exit conference on October 11, 2016. The final report includes summaries of the comments from NYSONCS, the subgrantees, and the Corporation. We have included the comments verbatim as Appendices A through F. The Corporation intends to continue working closely with NYSONCS representatives to ensure that the corrective actions adequately address all audit findings and recommendations. The Corporation should respond to all findings and recommendations in its management decision during the audit resolution phase.



Commission on National and Community Service

ANDREW M. CUOMO
Governor

LINDA J. COHEN
Executive Director



April 28, 2017

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

Re: Draft Report on the *Agreed-Upon-Procedures for the Corporation Grants Awarded to the New York State Office of National and Community Service*

Dear Mr. Axenfeld:

This letter constitutes the Office of Children and Family Services (OCFS) and the New York State Commission for National and Community Service's (Commission) response to the draft report issued by the United States Office of the Inspector General (OIG) for the Corporation for National and Community Service (Corporation) audit entitled *Agreed-Upon-Procedures for the Corporation Grants Awarded to the New York State Office of National and Community Service* (Draft Report).

The stated purpose of this audit was to determine whether the Commission and four of its sub-grantees – who are a diverse group of community based organizations - properly used and accounted for federal grants. However, the ultimate findings - as advanced by a third party firm, Cotton & Company LLP (the auditor) - are seriously flawed. Specifically, the audit findings reflect a fundamental misunderstanding of the structure and purpose of the program and the process for monitoring performance and accountability.

Despite these flaws, the Corporation relied upon the Draft Report to issue a Manual Hold on all of the Commission's grants, dated March 8, 2017. This action was unwarranted and unnecessary. Moreover, the Commission has already fulfilled all of the milestones to date requested by the Corporation necessary to lift the Manual Hold and will fulfill the remaining milestones on or before the due dates specified by the

Corporation. Accordingly, the Commission requests that the Corporation immediately lift this sanction.

Further, OIG recommended the most extreme penalty for the New York State Commission: a curtailment of the Commission's ability to apply for and administer competitive AmeriCorps grants and other Corporation grants. The Commission urges the Corporation not to follow this drastic course of action because the audit did not find, and the OIG did not report, any evidence of malfeasance, fraud, prohibited or unallowable activities or other serious abuses. All of the findings in the Report relate to process; none, even if true will have any adverse impact on the AmeriCorps members or the beneficiaries of their service. The recommendations of the OIG in prior instances of similar findings pertaining to other states are more appropriate in tone and scope than the recommendations contained in this Report.

Overview of Concerns

The Draft Report is inaccurate in several respects. Most egregiously, contrary to the assertions made in the Draft Report, the Commission's oversight of the basic grant management practices of its sub-grantees was, is and continues to be, satisfactory. Second, the Commission's oversight of new audit reports for sub-grantees meets all regulatory requirements.

Third, the Draft Report fails to include key factual information. This failure, whether intentional or not, makes the Draft Report unduly prejudicial to the State of New York. For example, during the audit period, a new executive director was brought on at the Commission. The auditor failed to document the significant operational changes that followed this leadership change, and more specifically, failed to recognize that the changes implemented by the new executive director strengthened the Commission's oversight actions and addressed a number of the stated concerns in the Draft Report.

Specifically, OCFS and the Commission note that:

- OCFS and the Commission have taken steps, even during the pendency of this audit, to strengthen the integrity, oversight and monitoring provided by the Commission over sub-grantees;
- The Commission conducted regular site visits of the sub-grantees to review and determine compliance with operative AmeriCorps regulations including requirements for criminal history screening. Where deficiencies were found, the Commission sent written notification to the sub-grantee requiring it to take specific corrective action;
- OCFS and the Commission provided all data requested by the auditor; and

- OCFS and the Commission invite additional conversations with the Corporation regarding when advances to programs may be deemed appropriate to enable sub-grantees to carry out their programs. Neither OCFS nor the Commission had been notified of this concern during the 2014 site visit or prior to the exit conference.

Finally, OCFS and the Commission have significant concerns with the process used to develop the Draft Report. Specifically, the methodology utilized for the audit is unorthodox and questionable at best and makes it impossible to respond fully. Principally, the Draft Report is largely based on documents that have not been adequately disclosed to the Commission – the subject of the audit. In fact, despite numerous requests to the auditor and OIG, neither the Commission nor OCFS has received a complete copy of key documents regarding criminal history screening of staff upon which the auditor relies as a basis for its findings. If that information was key to its findings and the auditor wanted the agency to take appropriate steps to address any alleged deficiencies or concerns, one would assume that it would provide the subject of the audit with information to achieve that goal.

Additionally, during the nearly two years since the Commission received notice of the audit, including the period prior to the issuance of the Draft Report, the auditor made minimal, if any, effort to involve the key players at the State and at sub-grantee organizations. These key players, such as the Executive Director of the Commission and senior Commission program staff, would have both the knowledge of the program function and the responsibility to oversee corrective action of any issues identified. The auditor's decision to exclude these persons resulted in the auditor having an incomplete view of the program, including, but not limited to, oversight of its sub-grantees, and conversely the program was left with an incomplete understanding of the audit as well.

Specific Responses:

A. Oversight and monitoring of sub-grantees

OCFS and the Commission disagree with Draft Report finding #1. The gravamen of Finding #1 is that OCFS and the Commission's review of audit reports for sub-grantees is incomplete and insufficient. This is incorrect.

There is no controlling authority for the OIG's assertion that the Commission had an obligation to review every audit report of sub-grantees. None of the citations in the Report for this finding support the assertion that that the Commission is bound to review all or even a majority of single audit reports for sub-grantees. In 2013, as noted by the Report,

OCFS and the Commission reviewed twelve out of twenty-seven single audit reports of sub-grantees; and in 2014, OCFS and the Commission reviewed fourteen out of twenty-seven single audit reports of sub-grantees.

The Commission and OCFS were commended for the strong internal controls in place during the audit period. For example, during on-site visits conducted by the Corporation in June of 2014, which included the period under review, the Corporation commended the Commission for its strong financial management system. Among the strengths identified in 2014 by the Corporation were: The Commission's "strong financial system in place" to manage AmeriCorps and VGF grants; "the process for preparing financial reports which involves several levels of review to ensure accuracy"; and the "strong financial/contracts team in place to support the Commission". (Attachment A.) The strengths identified by the Corporation were relied upon by the Commission in its ongoing work and yet were wholly omitted from the Draft Report. Specifically, the Draft Report did not reference:

1. Implementation of a new audit review process, which took effect February 2016. The OCFS Audit and Quality Control (AQC) unit now requests and reviews single audit reports from any not-for-profit (NFP) organization that receives federal funds through OCFS of over \$100,000.00 in any state fiscal year, or, in the alternative, requires the NFP to sign a certification if it is not required by federal regulation or Uniform Guidance to file such single audit report. This newly implemented audit review process includes sub-grantees of the Commission. AQC will confirm with the Commission that all AmeriCorps and VGF contracts are included in its review, thereby including those contracts in its pool for single audit monitoring.
2. Monitoring and oversight of sub-grantees regarding issues identified by the auditor during the pendency of the audit. This elevated monitoring and oversight was accomplished through training of sub-grantees and via administration of the revised New York State AmeriCorps Compliance Monitoring Tool (Compliance Tool) and Financial Compliance Desk Monitoring Tool (Financial Tool). (Attachments B and C, respectively).
3. The review and updating of the Financial Tool was done through the engagement of an independent consultant and in accordance with federal regulations. The Financial Tool is administered by Commission program staff and an independent consultant, and is also provided to sub-grantees by the Commission when financial compliance guidance is requested by them.
4. Administered desk reviews of twenty-three (23) AmeriCorps programs utilizing the Financial Tool through the engagement of an independent consultant.
5. Reviewed and updated the Compliance Tool Modules involving National Service Criminal History Checks (NSCHC), review of timesheets, review of signature on timesheets, and end-of-term evaluations, among others. The most recent revision was May 2016.

6. Engaged an independent consultant in August 2016 who provided critical financial and grants management training to all 2016-2017 AmeriCorps sub-grantees and Commission program staff.
7. Engaged an independent consultant, with over two decades of AmeriCorps experience, to perform eighteen (18) site visits to high and medium-risk programs during the 2015-2016 program year.
8. Inclusion of timekeeping requirements in the Commission's Financial Management Training, as well as the Commission's annual New Director Training (Attachment D).
9. In 2017 relocated and embedded a Grade 18 Senior Auditor position within the OCFS Audit and Quality Control Unit (AQC) to conduct audits on behalf of the Commission as well as auditing internal control functions. The Grade 18 Senior Auditor will devote 100% of his or her time to auditing the Commission's national service grants; the position's responsibilities will also include training and monitoring of sub-grantees.

B. Criminal history checks by sub-grantees

The Commission and OCFS disagree with Finding #2. OCFS and the Commission reject the notion that the Commission failed to monitor sub-grantees' compliance with the requirements for the National Service Criminal History Check (NSCHC) during the period under review. Program staff for the Commission conducted site visits of the sub-grantees to review and determine compliance with operative AmeriCorps regulations regarding NSCHCs. When the OIG notified the Commission that four sub-grantees were conducting incomplete criminal history checks for grant-funded staff and members, the Commission promptly took action. Each deficiency was noted in a follow-up letter sent by the Commission to the sub-grantee and each deficiency carried a specific corrective action.

Following the June, 2014 on-site visit by the Corporation, the Commission conducted statewide reviews of sub-grantees and staff in June of 2014 and during the mandated moratorium amnesty period of October-November of 2014. The Commission then mandated corrective action by sub-grantees where deficiencies in compliance with NSCHCs were noted.

In May of 2016, the Commission updated the New York State AmeriCorps Compliance Monitoring Tool to specifically address issues relating to criminal history checks of covered program staff.

The Commission has provided training to all of its sub-grantees on criminal history checks. Further, in July of 2016, the Commission engaged an independent consultant, with over two decades of AmeriCorps experience, to perform eighteen (18) site visits to high and medium-risk programs during the 2015-2016 program year. Part of each site visit was the administering of the revised Compliance Tool and careful review of the

sufficiency of the criminal history check procedures at each of its sub-grantees. The independent consultant conducted these reviews in December 2016 and programs are currently responding to any issues noted.

C. Harlem Children's Zone, Inc. (HCZ)

The Commission and OCFS agree with Finding #3 and have already taken numerous steps to address the concerns with HCZ. A full review of HCZ criminal history checks, and a complete review of backup documentation for reimbursement claims, are both underway at the Commission and at OCFS, as requested by the Corporation. In addition to the development of a corrective action plan, OCFS and the Commission have already implemented the following actions:

1. Ongoing enhanced oversight by the Commission over HCZ to ensure that members serve within the appropriate grant year and contract period. The Commission has concluded training of HCZ staff on this topic, as well as in other areas requested by the Corporation.
2. Implementation of a system by HCZ requiring its finance department to check the member roster before issuing living allowance checks to members, and to confirm the start and exit date of members during each pay period.
3. Implementation of a reporting system between HCZ AmeriCorps program staff and the HCZ Finance Department to confirm the start and end date of every member to ensure that they are compensated during the correct program year.
4. Checking member timesheets against active member rosters prior to submitting timesheets to payroll. The HCZ Finance Department will conduct an additional check to ensure the payroll matches the member roster. Items 2-4 are in process and will be completed by June of 2017.

D. Match on federal grants

The Commission and OCFS disagree with Finding #4. OCFS and the Commission take issue with the Draft Report's omission of corrective actions already implemented by OCFS and the Commission regarding matches of the federal grant. OCFS and the Commission corrected errors brought to our attention by the auditor during the pendency of the audit, yet such corrections were never mentioned in the Draft Report. OCFS and the Commission corrected all match cost errors prior to the exit conference in October 2016 (See finding #4). Moreover, the Commission and OCFS took immediate steps to improve the internal process for conducting Federal Financial Reports (FFRs) queries.

1. Corrections prior to conclusion of the audit.

The auditor had full and clear notice that corrective actions were in place. On October 11, 2016 representatives from OCFS and the Commission attended the audit exit

conference along with the auditor, OIG and the Corporation. At that time, representatives from OCFS' Bureau of Financial Operations (BFO), explained to the auditor, the OIG and the Corporation that the reporting mistakes discovered by the auditor for Award Nos. 06AFHNY001 and 12ACHNY001 were already corrected, and that the FFRs were adjusted to reflect the correct amount of match for each grant.

This was not the first time the auditor had been informed of the corrections. In fact, in an email correspondence from the auditor dated August 22, 2016, the auditor acknowledges the correction and states that the Draft Report would include acknowledgement of such:

“In this instance, I would note in the report that adjustment was made and that a change was made to query that was run to produce the report which was used as support for match costs.” (Attachment E)

Despite actual knowledge of these corrections, the Draft Report omitted the corrective actions and sensationalized the reporting errors to support an argument for disallowing costs.

In response to the same stated concerns, the Commission and OCFS initiated system improvements for the Contract Management System (CMS)'s ability to run match queries. These actions were taken in November 2015. Soon thereafter, OCFS Bureau of Financial Operations (BFO) added to their own procedures so as to filter query results and verify grant project identification numbers. Similarly, these important procedural changes were not credited in the Draft Report.

2. Overmatch.

In addition, and despite actual notification of corrections that were made, the auditor failed to credit the Commission and OCFS for providing overmatch on many of the grants under audit. (Finding 4a). Such overmatch should mitigate the impact of the error made regarding match costs on the federal funds utilized for these grants. In multiple Awards, the State of New York either reported funds from its AmeriCorps programs beyond what the grants required in matching funds; or reported more in actual match funds appropriated by the Legislature beyond what the VGF grants required. While this might be an error in calculations, it is not an error that negatively impacts either the Corporation, the OIG or the programs receiving grants.

Specifically, with respect to the reporting of match for AmeriCorps Award No. 06AFHNY001 (06A/01), the State of New York was notified of an error with the match in October 2015. OCFS submitted a revised FFR in December 2015. The details show that with the correction of the reporting error the State of New York still overmatched the grant by \$21,243,461.

Specifically, with respect to the reporting of match for AmeriCorps Award No. 12ACHNY001(12A/01) for the reporting period ending September 30, 2014, the State of New York was not notified of an error in the match until August 2015, long after the reporting period had concluded. As such, the correction to the FFR was made in March 2016. The details show that once the FFR was adjusted, the State of New York overmatched this grant by \$8,126,958.

Specifically, with respect to the reporting of match for AmeriCorps Award No. 12A/01 for the reporting period ending March 31, 2015, the State of New York was notified of an error in the reporting of match for this award in July/August 2015. Similar to the example above, the next possible date to make a correction was March 2016. The appropriate correction was made at that time. Again, the details show that with the FFR adjustment the State of New York overmatched this grant by \$8,126,958.

Specifically, with respect to the reporting of the total match for VGF Award No. 13VGHNY001 (13V/01) for the period ending December 31, 2014 the total match amount for the grant was correct. The match reported for the FFR for the grant 13V/01 included a \$142,929.39 adjustment to the general ledger which contained the questioned cost.

3. Sufficiently Similar Purposes for Awards 13VGHNY001 and 10VGHNY001

OCFS and the Commission disagree with the finding that Award No. 13VGHNY001 (13V/01) and Award No. 10VGHNY001 (10V/01) had substantially different purposes so that costs incurred under 10V/01 could not be claimed for match under 13V/01. Based on the auditor's assertion that the Award purposes were not sufficiently similar, OCFS and the Commission transferred costs back to the 10V/01 grant. (See finding #4b.) However, as we explain in greater detail below, the purpose of the Awards is substantially the same. In fact, one was not eligible to apply for grants under 13V/01 unless already receiving grants under 10V/01. As such, the costs were appropriately allocated to 13V/01, because Award No. 10V/01 and Award No. 13V/01 were sufficiently similar in scope and purpose so that the costs incurred specifically for Award No. 10V/01 presented a benefit received under Award No. 13V/01.

The purpose of Award No. 10V/01 was to fund ten regional volunteer centers (RVCs), one in each of the economic regions of the State of New York. The purpose of the RVCs was to recruit, train and deploy volunteers within the respective region. No specific subject matter or expertise was required for this grant; it was a general recruitment effort. Award No. 10V/01 ran for three years, beginning in 2011.

The purpose of Award No. 13V/01 was to fund, in a lesser amount, each of the previously identified RVCs to specifically recruit, train and deploy volunteers in

disaster prevention and response. Award No. 13V/01 ran for one year only. In 2014, the two grants ran simultaneously. In 2015, the Corporation granted the Commission a no-cost extension of Award No. 13V/01. The two grants were part of one larger effort to recruit volunteers for service throughout the State of New York. The latter grant expanded the effort to recruit volunteers specifically to train those volunteers in disaster prevention and response. Therefore, the two grants were significantly linked and should be treated by the Corporation as such. Award No. 13V/01 was a complement and continuation of Award No. 10V/01. The use of New York State taxpayer funds, as appropriated by the New York State Legislature to the Commission with no restrictions other than to fund volunteer efforts, should be allowed as match on Award No. 13V/01.

If the Corporation does not agree with OCFS and the Commission that Award No. 10V/01 and Award No. 13V/01 are sufficiently similar in purpose to be considered a continuation of one grant into the other, then OCFS and the Commission would submit that there is additional match available for Award No. 13V/01 in the amount of \$103,457. If this match is allowed by the Corporation for Award No. 13V/01, the match owed by the State of New York for this award should be reduced to \$115,439.33. Similarly, then, the Final FFR report for the Administrative grant 13CAHNY001 will need to be revised to remove the salaries and fringe benefits for the Volunteer Program Manager for the amount of \$21,930.

OCFS and the Commission would also urge the Corporation to take into consideration that Award No. 10V/01 could potentially be overmatched by \$343,041.12, and would urge the Corporation to credit the State of New York for such overmatch. If OCFS and the Commission are not allowed to report the \$218,896.03 of State dollars spent on Award No. 10V/01 as match for Award No. 13V/01, then we will revise the FFR to show the overmatch on Award No. 10V/01 of \$343,041.12.

In accordance with the November 19, 2015 direction of the federal representative from the Corporation, OCFS will wait for the completion of the audit before taking any further action to revise the FFRs for Award No. 10V/01 and Award No. 13V/01.

E. Timekeeping Systems

OCFS and the Commission, in response to Finding #5, have modified the timekeeping system in place for Commission and OCFS employees funded by Corporation grants. The new system, which has been submitted to the Corporation for review, allows all OCFS grant-funded employees to record their actual hours devoted to Commission

grants, and for that recording to be reflected in the actual cost allocations for the relevant employee's payroll.

F. Advance payments to sub-grantees

OCFS and the Commission agree with Finding #10, and have already taken steps to ensure that these important programs be allowed to claim advances on grants within the bounds of the federal regulations and policies. OCFS and the Commission are modifying the contractual language, and developing guidance on when advances to programs may be deemed appropriate to enable sub-grantees to carry out their programs.

Conclusion

As reflected above, the Commission and OCFS have in place significant processes and procedures and will be adding others to enhance the monitoring of programs. In addition, the actions taken by the Corporation relied on a draft audit report that was incomplete and did not fairly reflect the facts.

In light of the significantly adverse impact to the programs and clients served by these programs, the Commission respectfully requests to meet with the Corporation to discuss the audit and the steps that can be taken to ensure timely and appropriate funding continues.

For responses to Findings #6 through #9, please refer to the individual responses of the subgrantees, hereby incorporated as Attachment F.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Linda J. Cohen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Linda J. Cohen
Executive Director

Corporation for National and Community Service

NationalService.gov



Appendix B

To: Stuart Axenfeld, Assistant Inspector General for Audit, Office of Inspector General

From: Dana Bourne, Chief Grants Officer, Office of Grants Management *Dana Bourne*

Date: MAR 28 2017

Subject: Response to OIG Draft of Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to New York State Office of National and Community Service

Thank you for the opportunity to review the Draft Report of the Agreed-Upon Procedures for Corporation for National and Community Service (CNCS) Grants Awarded to New York State Office of National and Community Service.

To minimize what appears to be systematic risks identified by the OIG in the draft report, CNCS has taken immediate action to place the New York State Office of National and Community Service on hold pending completion of specific milestones to include but not limited to: placing a hold on all funds to Harlem's Children's Zone, requiring the grantee to immediately submit to CNCS documentation that demonstrates that National Service Criminal History Checks have been completed on all staff and members in question. CNCS is also requiring the grantee to immediately implement a timekeeping method which allocates time between awards, update their monitoring plans and tools to ensure effective oversight of subgrantees, and to develop a comprehensive staffing and workload plan that ensures that NYSONCS has the staffing, training, and ability to manage and oversee the financial and programmatic aspects of CNCS awards.

CNCS will continue to work closely with New York Commission representatives to ensure the corrective actions adequately address all audit findings and recommendations. CNCS will respond in full to OIG recommendations in their management decision.

Cc: Jeff Page, Chief Operating Officer
Jennifer Bastress Tahmasebi, Acting Director, AmeriCorps
Angela Williams, Acting General Counsel
Lori Giblin, Chief Risk Officer



**OIG Audit of NYS Commission on National and Community Service
 Blue Engine Responses**

Blue Engine

Blue Engine uses AmeriCorps funding to operate the Blue Engine Teaching Assistant (BETA) program. BETAs perform a year of AmeriCorps service at six New York City public high schools in low-income communities, partnering with teachers and providing individualized tutoring instruction to students in the classroom.

EXECUTIVE SUMMARY TABLE: MAJOR FINDINGS

The table below shows the components of the \$90,145 in questioned Federal and match costs and Education Awards.

Blue Engine Finding	Federal	Match	Total
Incomplete or missing criminal history checks (Finding #2)		\$1,802	\$1,802
Unsupported or unallowable costs (Finding #4)		\$24,916	\$24,916
Staff labor costs allocated without timesheets (Finding #5)			
Incomplete or missing evaluations (Finding #9)	\$28,712	\$34,715	\$63,427
TOTAL QUESTIONED (Federal, Match, and Education Award)	\$28,712	\$61,433	\$90,145

Finding 2. Subgrantee did not perform NSCHS searches for grant-funded staff and members.

Criminal history checks are required for all AmeriCorps members and for grant-funded staff to ensure that dangerous predators do not exploit individuals served by CNCS programs. Failure to complete the statutorily mandated checks could endanger the safety of communities.

Description	Blue Engine	Blue Engine Response
Total Sampled Members	14	N/A
Written authorization to conduct NSCHC not documented	14	Blue Engine was unaware that we needed written authorization to conduct NSCHC checks for staff members listed on the AmeriCorps match grant. Staff members initiate the criminal history check process by going to the New York City Department of Education (DOE) to be fingerprinted in person. We believed their visit to the DOE was sufficient authorization for the NSCHC to be conducted. Now that we have learned this requirement, we ensure that we receive written authorization to conduct all NSCHC checks for staff (starting with the 2017-18 grant year).

<p>Lack of documentation verifying member's identity against photo identification</p>	<p>14</p>	<p>Blue Engine reported to the auditors: "Yes, Blue Engine verified the identity of the employees against a government issued photo identification. We have copies of all the IDs for those sampled employees and can submit them through a secure portal at your request. We don't want to email these documents given the sensitive information (including SS#s) contained in them."</p> <p>We never received a response from the auditors and were not asked to provide photo identification during the December 2015 audit field testing. Government issued photo identification can be provided upon request via a secure portal. We request this finding to be removed.</p>
<p>NSOPW searches missing</p>	<p>1</p>	<p>We did not realize that a nationwide search was required for the NSOPW search; we conducted the search for every individual for New York State and their state of residency. Even if the questioned match costs were not applicable, we would still meet our match requirement in PY 2014-15. As of October 2016, we have corrected this and now ensure that we check all 50 states for the NSOPW check. The completed NSOPW search was provided to the New York State Commission on 10/05/16 and is attached.</p>
<p>NSOPW searches late</p>	<p>14</p>	<p>During PY 2013-14 and 2014-15, Blue Engine conducted State Criminal History Checks for staff members on the AmeriCorps match grant through the New York City Department of Education's PETS system. We hired our first AmeriCorps Program Director in January 2014, who realized that we also needed to conduct NSOPW checks for staff members and did so immediately. As of October 2016, NSOPW checks for all Corps Members and staff members listed on the AmeriCorps grant are run prior to the first date on our contract.</p>
<p>NSOPW searches with incorrect names</p>	<p>1</p>	<p>As of October 2016, we now ensure that formal names are used when conducting NSOPW checks. This search was re-run using this person's formal name and across all 50 states, provided to the New York State Commission on 10/05/16, and is attached.</p>
<p>NSOPW searches not nationwide</p>	<p>2</p>	<p>We did not realize that a nationwide search was required for the NSOPW search; we conducted the search for every individual for New York State and their state of residency. As of October</p>

		2016, we now ensure that all 50 states pass the NSOPW check. Both searches were re-run across all 50 states, provided to the New York Commission on 10/05/16, and are attached.
State criminal history check not conducted	0	N/A
Improper state criminal history check	4	Blue Engine provided the State Criminal History Checks for the three staff members from the Department of Education's PETS system, not Go Pass, during the December 2015 auditor field testing. We request this finding to be updated. Additionally, as mentioned, we have updated our state criminal history check process.
Criminal history check not dated	14	We were unaware that staff criminal history checks needed to be dated. As of October 2016, Blue Engine now initials and dates the verification upon receiving the National Service Criminal History Checks (NSCHC) results for staff members listed on the AmeriCorps match grant.
State criminal history check initiated after employee started working on award	0	N/A
FBI check initiated after employee started working on award	0	N/A
FBI check not conducted	0	N/A
Lack of documentation that State criminal history check was conducted in the state of employee's legal residence	0	N/A
Lack of documentation verifying staff member is not a sex offender	0	N/A

b. **Blue Engine's** criminal history checks were defective in a number of respects, including lack of written consent from employees prior to undergoing NSCHCs; inadequate documentation of verification of staff members' identity; use of "Go Pass" results for three grant-funded staff members, although CNCS authorized the use of Go Pass solely for AmeriCorps members; absence of dates on Go Pass and State registry results, providing no evidence of whether the checks were timely performed; and failure to use the legal name of a staff member in conducting an NSOPW search and the omission of one state from the follow-up check conducted after auditors noted the inadequacy of the original search.¹

- Blue Engine did not date the State criminal history checks for three grant-funded staff members, despite obtaining the checks from the correct source. The Corporation's *Designated Statewide Criminal History Repositories and Alternatives* document states that eligible programs may rely on clearances issued by the New York City Department of Education's Personnel Eligibility Tracking System (PETS) for New York State and FBI checks; however, programs must retain a dated printout of the results.

- **Blue Engine Response: We were unaware that state criminal history checks for staff members listed on the AmeriCorps match grant needed to be dated. As of October 2016, Blue Engine now initials and dates the verification upon receiving the National Service Criminal History Checks (NSCHC) results for staff members listed on the AmeriCorps match grant. Even if the questioned match costs were not applicable, we would still meet our match requirement in PY 2013-14.**
- Blue Engine allowed staff to begin working on grant-funded activities prior to conducting NSOPW searches, in violation of 45 CFR 2540.204, *When must I conduct a State criminal registry check and a National Sex Offender Public Website check on an individual in a covered position?* In PY 2013-2014, Blue Engine began claiming personnel costs for its site directors and operations staff in July 2013 but did not complete the NSOPW searches until January 23, 2014. In PY 2014-2015, Blue Engine began claiming personnel costs for its site directors and operations staff on August 1, 2014, but did not complete the NSOPW searches until September 4, 2014.
- **Blue Engine Response: During PY 2013-14 and 2014-15, Blue Engine conducted State Criminal History Checks for staff members on the AmeriCorps match grant through the New York City Department of Education's PETS system. We hired our first AmeriCorps Program Director in January 2014, who realized that we also needed to conduct NSOPW checks for staff members and did so immediately. In PY 2014-2015, we thought it was acceptable to receive clearance on the NSOPW checks before staff members reported to school sites in September. As of October 2016, we now ensure that all staff pass NSOPW checks for all 50 states prior to the start date on our contract. Even if the questioned match costs were not applicable, we would still meet our match requirement in PY 2013-14.**

¹We did not question any costs because Blue Engine had excess match costs in PY 2013-2014.

Finding 4. Subgrantee did not ensure that claimed Federal and match costs were allowable, adequately supported, and compliant with applicable regulations.

- e. Blue Engine claimed \$44,219 in PY 2013-2014 match costs and \$300 in PY 2014-2015 match costs for costs that it incurred outside of the grant period and that were unallowable to Award No. 12ACHNY001.
- Blue Engine claimed \$35,957 in match salary and benefit costs that it incurred in July, 2013; however, the grant period and PY 2013-2014 did not begin until August 1, 2013. Blue Engine representatives stated that the costs were for five Site Directors, an Operations Associate, the Senior Director of Performance Management/Innovation, and the Director of Strategy and Operations. Blue Engine began training members in August and therefore spent July preparing for member training. Blue Engine did not obtain NYSONCS's approval to incur the pre-award costs.
 - **Blue Engine Response: We mistakenly incorporated these match costs onto our reporting since they applied towards the applicable program year. As of August 2015, all match costs have been allocated after the start date on our contract. Even if the questioned match costs were not applicable, we would still meet our match requirement in PY 2013-14.**

- Blue Engine claimed \$7,462 in match costs for a consultant that performed work from May 4 to August 1, 2013; however, the grant period and PY 2013-2014 did not begin until August 1, 2013. Blue Engine representatives stated that the consultant performed evaluations to assist in preparing for and making programmatic decisions for PY 2013-2014. Blue Engine did not obtain NYSONCS's approval to incur the pre-award costs.
 - **Blue Engine Response:** We mistakenly incorporated these match costs onto our reporting since they applied towards the applicable program year. As of August 2015, all match costs have been allocated after the start date on our contract. Even if the questioned match costs were not applicable, we would still meet our match requirement in PY 2013-14.
- Blue Engine claimed \$800 in match costs for fingerprinting seven individuals who participated as PY 2013-2014 AmeriCorps BETA members. These costs were not allocable to Award No. 12ACHNY001, however, as the members were under another AmeriCorps award that Blue Engine received from the Catholic Volunteer Network.
 - **Blue Engine Response:** We mistakenly incorporated these match costs onto our reporting since they applied towards the applicable program year. Additionally, though all of our Corps Members now participate under our own AmeriCorps award through the New York State Commission, we understand that if we were to have Corps Members through a different AmeriCorps award, we are not able allocate their expenses to our match grant. Even if the questioned match costs were not applicable, we would still meet our match requirement in PY 2013-14.
- Blue Engine claimed \$300 in match costs for a training class that a PY 2012-2013 member attended on June 22 and 23, 2013. Blue Engine representatives stated that Blue Engine claimed the costs on this grant because the vendor did not invoice Blue Engine until July 2014.
 - **Blue Engine Response:** We mistakenly incorporated these match costs onto our reporting. Even if the questioned match costs were not applicable, we would still meet our match requirement in PY 2013-14.

According to 2 CFR Part 230, *Cost Principles for Non-Profit Organizations*, Appendix A, Subsection A. *Basic Considerations*, 4. *Allocable Costs*, a cost is allocable if it is in accordance with the benefits received and is incurred specifically for the award.

We did not question these costs because Blue Engine had excess PY 2013-2014 match costs.

f. We questioned \$24,916 of PY 2014-2015 other personnel match costs claimed by Blue Engine. Blue Engine incurred the costs in July 2014; however, PY 2014-2015 did not begin until August 1, 2014. Blue Engine did not obtain NYSONCSs approval to incur the pre-award costs.

According to 2 CFR Part 230, *Cost Principles for Non-Profit Organizations*, Appendix A, Subsection A, *Basic Considerations*, 4. *Allocable Costs*, a cost is allocable if it is in accordance with the benefits received and is incurred specifically for the award.

- **Blue Engine Response:** We mistakenly incorporated these match costs onto our reporting since they applied towards the applicable program year. As of August 2015, all match costs have been allocated after the start date on our contract.

Finding 5. Subgrantee's timekeeping systems did not comply with Federal and State requirements.

c. In PY 2013-2014, Blue Engine claimed match costs related to salary and benefits costs for four full-time site directors and three less-than-full-time operations staff members. In PY 2014-2015, Blue Engine also claimed match costs related to salary and benefit costs for six full-time site directors, the full-time AmeriCorps Program Director, and a less-than-full-time finance assistant. None of these staff members completed timesheets as required.

OMB Circular A-122 (2CFR Part 230), *Cost Principles for Non-Profit Organizations*, Attachment B, *Selected Items of Cost*, Paragraph 8.m., *Support of salaries and wages*, states:

1. *Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports.*
2. *Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards... Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:*
 - a. *The reports must reflect an after-the-fact determination for the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.*
 - b. *Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.*
 - c. *The reports must be signed by the individual employee, or by a responsible supervisory official having firsthand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.*
 - d. *The reports must be prepared at least monthly and must coincide with one or more pay periods.*
3. *Salaries and wages of employees used in meeting cost sharing or matching requirements on awards must be supported in the same manner as salaries and wages claimed for reimbursement from awarding agencies.*

The OCFS Grantee Provider Manual is a guide that provides overall instructions on the development of the subcontract agreement for not-for-profit grantees and describes the process for receiving payments under the grant agreement. The policies and procedures apply to all grant agreements administered by OCFS. Section III.A, *Accounting Requirements*, states:

Contractors must:

Maintain accurate time records for all employees paid under the contract. Acceptable time records must note the period covered and have full signatures of both the employee and a supervisory official having firsthand knowledge of the activities performed by the employee. Timesheets for employees of nonprofit



and governmental agencies whose salaries are charged to more than one program must reflect an after-the-fact distribution of the total hours worked by each employee by program and must account for the total activity for which each employee is compensated. The methodology of distribution must be documented and followed consistently. Budget estimates or other distribution percentages determined prior to the actual work being performed do not qualify as support for charges to these programs. Grantees operating federally funded programs will find additional information in Office of Management and Budget Circulars A-21 (Educational Institutions), A-87 (State, Local, and Indian Tribal Governments) and A-122 (Nonprofit Organizations).

Blue Engine Representatives stated:

We learned that we needed to use timesheets for staff on the grant during PY 13-14, As stated above, we began implementing a system to do so during that program year. However, we have now become aware of the fact that this system was not being used properly for staff on the grant to track their time. This issue has been rectified for our current program year and ALL staff that are on the grant are now completing timesheets on a regular basis.

We did not question any PY 2013-2014 match costs for this issue because Blue Engine has excess match costs; it had identified the site directors and AmeriCorps Program Director in its budgets as full-time workers whose time was fully charged to the award; and the percentage of the finance assistant’s time charged to the award did not exceed the budgeted amount and appeared reasonable.

- **Blue Engine Response:** We learned that we needed to use timesheets for staff members on the match grant during PY 2013-14 and began using a system called Apricot for staff to complete timesheets. With no current institutional knowledge about the breakdown in the process, we have ascertained that the system was used inconsistently. As of August 2015, this issue has been rectified and all staff that are on the match grant are now completing timesheets on a regular basis.

Finding 9: Subgrantee did not comply with AmeriCorps requirements for member performance evaluations or ensure that members and supervisors signed member forms and service agreements.

Subgrantee did not comply with AmeriCorps requirements for member performance evaluations. We selected a sample of 14 Blue Engine members, and noted the following issues:

- a. Blue Engine was unable to demonstrate that some sampled members received end-of-term performance evaluations. In addition, end-of-term evaluations performed for members at Blue Engine did not indicate if the members had completed the required number of service hours to be eligible for education awards. Finally, subgrantee conducted end-of-term evaluations for members before the members completed their service terms. Below we provide a summary of the number of noncompliance instances: by subgrantee for the 14 sampled Blue Engine members.

Description	Blue Engine	Blue Engine Response
PY 2012-2013		

End-of-Term evaluation missing required hours	0	N/A
End-of-term evaluation conducted before end of member service term	0	N/A
PY 2013-2014		
End-of-term evaluation missing	3	Blue Engine performs End-of-Term Performance Evaluations for all of its Corps Members. We provided all three End-of-Term Performance Evaluations to the New York State Commission on 10/05/16. Therefore, the Federal living allowance costs, match living allowance costs, and education awards are all in compliance. We request this finding be removed.
End-of-term evaluation missing required hours	0	N/A
End-of-term evaluation conducted before end of member service term	3	Blue Engine was not aware of a policy mandating that End-of-Term evaluations must be completed after service was completed. Due to our large cohort of Corps Members and the End-of-Term evaluation process involving Site Directors meeting individually with their Corps Members, completing this process is very time-intensive. During PY 2013-14 and 2014-15, we completed End-of-Term evaluations throughout the month of June, the Corps Members' final month of service, in order to give each Corps Member the proper amount of time and attention during each meeting. We always took great care to ensure final hours served were accurate and approved through our timesheet system. Starting in 2016, we implemented a policy of completing an addendum to each End-of-Term evaluation to confirm total hours served after the Corps Member's final date of service.
PY 2014-2015		
End-of-term evaluation missing	0	N/A
End-of-term evaluation missing required hours	1	This Corps Member was exited early for compelling personal reasons. We provided email conversations documenting this exit during the December 2015 field testing. We request this finding to be removed.
End-of-term evaluation conducted before end of member service term	6	Blue Engine was not aware of a policy mandating that End-of-Term evaluations must be completed after service was completed. Due to our large cohort of Corps Members and the End-of-Term evaluation process involving Site Directors meeting individually with their Corps Members, completing this process is very time-intensive. During PY 2013-14 and 2014-15, we completed End-of-Term evaluations throughout

		<p>the month of June, the Corps Members' final month of service, in order to give each Corps Member the proper amount of time and attention during each meeting. We always took great care to ensure final hours served were accurate and approved through our timesheet system. Starting in 2016, we implemented a policy of completing an addendum to each End-of-Term evaluation to confirm total hours served after the Corps Member's final date of service.</p>
Total		
End-of-term evaluation missing	3	<p>Blue Engine provided all three End-of-Term Performance Evaluations to the New York State Commission on 10/05/16. Therefore, the Federal living allowance costs, match living allowance costs, and education awards are all in compliance. We request this finding to be removed.</p>
End-of-term evaluation missing required hours	1	<p>This Corps Member was exited early for compelling personal reasons. We provided email conversations documenting this exit during the December 2015 field testing. We request this finding to be removed.</p>
End-of-term evaluation conducted before end of member service term	9	<p>Blue Engine was not aware of a policy mandating that End-of-Term evaluations must be completed after service was completed. Due to our large cohort of Corps Members and the End-of-Term evaluation process involving Site Directors meeting individually with their Corps Members, completing this process is very time-intensive. During PY 2013-14 and 2014-15, we completed End-of-Term evaluations throughout the month of June, the Corps Members' final month of service, in order to give each Corps Member the proper amount of time and attention during each meeting. We always took great care to ensure final hours served were accurate and approved through our timesheet system. Starting in 2016, we implemented a policy of completing an addendum to each End-of-Term evaluation to confirm total hours served after the Corps Member's final date of service.</p>

According to 45 CFR 2522.220, Subsection (d), *Participant evaluation*, a participant is not eligible for a second or additional term of service and/or for an AmeriCorps education award without a successful rating on their end-of-term evaluation.

Blue Engine was unable to explain why they did not include evaluations in the files for the five members. In addition, the subgrantee lacked procedures to ensure that all end-of-term evaluations included the final number of hours completed by each member. End-of-term evaluations are required for all members, as they are necessary to ensure that members are eligible for additional service terms and education awards, and that the grantee has met the grant objectives.

B. Three PY 2013-2014 Blue Engine members did not undergo end-of-term evaluations. One of the Blue Engine members did not return for a subsequent term; however, two of the Blue Engine members returned as members in PY 2014-2015. We questioned Federal and match member costs and the education awards for



the two Blue Engine members because the members were not eligible for a second term of service without a satisfactory end-of-term evaluation for the prior year.

Questioned Federal Member Costs	Questioned Match Member Costs	Questioned Education Award
\$17,422	\$34,715	\$11,290

- Blue Engine Response:** Blue Engine provided all three End-of-Term Performance Evaluations to the New York State Commission on 10/05/16. Therefore, the Federal living allowance costs, match living allowance costs, and education awards are all in compliance. We request this finding to be removed.

C. We identified Blue Engine end-of-term evaluations that did not contain signatures. The table below shows the number of instances in each area of noncompliance for the 14 sampled Blue Engine members.

Detail	Blue Engine	Blue Engine Response
End-of-term evaluation member signature missing	1	This Corps Member was exited quickly due to compelling personal reasons, so she did not sign her End-of-Term evaluation. We now meticulously ensure that all Corps Members sign and date their End-of-Term evaluation upon exiting our program.
End-of-term evaluation supervisor signature missing	0	N/A
Pre-printed supervisor signature on member contract	0	N/A
Enrollment form not signed by supervisor	0	N/A
Enrollment forms signed by supervisor nine months after members were enrolled	0	N/A
PY 2013-2014 member contracts not signed by supervisor	0	N/A
Members signed contracts after starting their service terms	0	N/A
Member contracts had wrong education award and living allowance amounts	0	N/A



75 Broad Street, Ste 2900, New York, NY 10004
www.blueengine.org (646)517-1066

Member contract missing	0	N/A
-------------------------	---	-----

It is good business practice to ensure that members and supervisors sign and date end-of-term evaluations and that the grantee completes the evaluations before the members exit the program. This maintains accountability and ensures that evaluations are consistent with member and management intentions.

According to 2014 *AmeriCorps State and National Grant Provisions*, Section IV, *AmeriCorps Special Provisions*, Section D.2, *Member Service Agreements*, programs must require that each member sign a member service agreement.

Blue Engine Response: This Corps Member was exited quickly due to compelling personal reasons, so she did not sign her End-of-Term evaluation. We agree that it is good business practice to ensure that members sign and date End-of-Term evaluations upon exiting our program and meticulously check for this.

Signed,

Anne Edelman, Chief Operating Officer

3/23/17

Date



March 24, 2017

Office of Children and Family Services
52 Washington Street
Rensselaer, New York 12144

To Whom It May Concern:

Harlem Children's Zone has prepared a written response to the findings of the recent audit conducted by the CNCS Office of Inspector General. In the Executive Summary and detailed responses below, HCZ has identified the corrective actions taken by our internal departments and AmeriCorps staff to address any findings with which we agreed and provided explanations to address findings that are disputed.

HCZ remains committed to meeting all CNCS regulations and will work closely with OCFS to maintain good standing in our AmeriCorps contract.

Sincerely,

A handwritten signature in blue ink that reads "Anne Williams-Isom".

Anne Williams-Isom
Chief Executive Officer
Harlem Children's Zone

HCZ EXECUTIVE SUMMARY

As an AmeriCorps grantee for over 20 years, Harlem Children's Zone (HCZ) has provided invaluable professional and leadership development experiences for the thousands of AmeriCorps members who serve in our programs and critical supports for the thousands of Central Harlem children who benefit from their service. Each year, HCZ recruits over 100 young adults, many of whom are in need of guidance as they navigate the professional world, and provide them with training, mentorship, and financial support to help them serve their community while moving forward into adulthood. The AmeriCorps program is a core component of HCZ's academic support services for Central Harlem youth and we strive to ensure that our program is successful at improving outcomes for the youth that we serve. In order for the AmeriCorps program to be successful, HCZ invests heavily in recruiting dedicated members, hiring talented staff, and providing programming that aligns with the spirit of leadership, teamwork, responsibility, and community service.

In response to the findings of the external audit conducted for PY 2012-2013, PY 2013-2014, and PY 2014-2015, Harlem Children's Zone has prepared a detailed explanation for each finding in which we agree or disagree with the auditor's finding and describe our plan for corrective action. Overall, the auditor questioned a large number of the federal and match costs. HCZ's federal and match costs primarily covered member living allowances, staff salaries, and associated benefits, which the auditor questioned based on lack of activity based timesheets; however, these were legitimate expenses that HCZ incurred and they were essential to providing the programming outlined in our contract. The auditor found several discrepancies in members' files: missing signatures on contracts and evaluations, incomplete background checks, and inconsistent timekeeping on timesheets. The auditor also reviewed HCZ's personnel files for staff paid through the grant and found missing documentation for criminal history checks and clerical errors on background checks. HCZ's Human Resources Department worked directly with AmeriCorps members and staff to ensure that all required background checks and forms were completed prior to the beginning of their service or employment. Many of the audit findings are the result of members' failure to sign all of the paperwork provided to them by HCZ during the enrollment or exiting period. Oftentimes, members resigned or ended their service without returning to the host site to review and sign their final evaluation.

Additionally, the auditor questioned the federal and match costs in each program year. To complete the audit, HCZ provided transaction-level accounting records for Quarters 3-5 of PY 2012-2013, Quarters 1-5 of PY 2013-2014, and Quarter 1 of PY 2014-2015. At the time that the auditor requested these records, HCZ used an accounting system that did not record all of the AmeriCorps host sites' transactions in a single ledger. All expenses for the AmeriCorps program were recorded in HCZ's financial accounting system and allowable expenses that can be charged to the grant were then manually moved to the grant code. Therefore, HCZ's Finance Department manually moved the transactions from each site into a single general ledger and sent it to the auditor. After sending the initial ledger, the Finance Department realized that an incorrect version was submitted in part due to staff being unfamiliar with running reports on the previous accounting system. Immediately thereafter, they prepared a corrected report with transaction-level accounting records separated by object code and grant code, which was emailed to the auditor along with an explanation of this change. The Finance Department tried numerous times to confirm with the auditor that he received the updated ledger and would use this version to conduct the audit; however, their emails went unanswered for weeks. When the auditor finally responded, he continued to ask questions about the initial ledger and did not acknowledge that he would use the corrected version. As a result, many of the audit findings regarding transaction reconciliations are based on the auditor reviewing the incorrect general ledger report. The updated reconciliation that HCZ provided to the auditor tied into the submitted expense reimbursements and match reports submitted to

OCFS.

In response to the overall findings, HCZ respectfully disputes the total questioned federal and match costs. As summarized below, the auditor questioned a significant portion of the federal and match costs that HCZ incurred in operating the CNCS-supported Peacemakers program over the course of three years.

Summary of questioned costs:

- The auditor questioned \$1,040,627 or 38% of the \$2,764,263 federal costs that HCZ billed towards the CNCS federal awards in PYs 2012-2013, 2013-2014, and 2014-2015
- The auditor questioned \$2,509,543 or 63% of the \$3,990,328 match costs that HCZ billed towards the CNCS federal awards in PYs 2012-2013, 2013-2014, and 2014-2015

In each of the years audited, HCZ obligated all federal and matching funds to ensure that the AmeriCorps program operated successfully, as part of our commitment to providing the full programming described in our AmeriCorps contract. Moreover, HCZ's match costs consistently surpassed our federal expenditures, exceeding the federal grant by \$641,949 in PY 2012-2013 and by \$778,619 in PY 2013-2014. During that time, HCZ continued to be highly effective in maintaining a full roster of members, faithfully executing our contract to the best of our ability, and achieving our AmeriCorps target outcomes; however, HCZ acknowledges that there were programmatic and cost reporting areas where compliance with the AmeriCorps contract needed to be enhanced. To this end, HCZ has implemented numerous corrective actions to the points raised in the audit that will be implemented in the current and future years. In our responses to the findings below, we have outlined corrective actions/protocols that we have implemented to address these findings and ensure ongoing compliance with CNCS regulations for AmeriCorps programs. HCZ remains committed to meeting all CNCS expectations and will work closely with OCFS to maintain good standing in our AmeriCorps contract.

EXECUTIVE SUMMARY TABLE: MAJOR FINDINGS

The table below shows the components of the \$3.897 million in questioned Federal and match costs and Education Awards.

HCZ Finding	Federal	Match	Total
Incomplete or missing criminal history checks (Finding #2)	\$283,217	\$708,743	\$991,960
Errors charging or claiming living allowances (Finding #3)	\$116,876	\$97,635	\$214,511
Unsupported or unallowable costs (Finding #4)	\$4,275	\$162,849	\$167,124
Staff labor costs allocated without timesheets (Finding #5)	\$395,980	\$1,280,734	\$1,676,714
Inadequate financial management system (Finding #6)	\$725	\$259,582	\$260,307
Incomplete or missing timesheets (Finding #7)	\$5,550		\$5,550
Questioned Federal costs due to unmet match costs	\$234,004		\$234,004
TOTAL QUESTIONED (Federal, Match and Education Award)	\$1,040,627	\$2,509,543	\$3,550,170

HCZ RESPONSE TO EXECUTIVE SUMMARY TABLE

HCZ questions several of the costs outlined in the Executive Summary Table.

1. Foremost, the table header lists the Total Questioned Federal and Match Costs as \$3,897,000, however the costs outlined in the table amount to \$3,550,170. Based on this discrepancy, HCZ is unable to determine the actual total amount of costs being questioned and reconcile these costs with our accounting records. Moreover, the table does not indicate the total costs questioned by program year; therefore, we are unable to provide a detailed explanation for all of the questioned costs.
2. HCZ disputes the Questioned Federal Costs Due to Unmet Match Costs listed as \$234,004 in the Executive Summary Table. There is no explanation provided in the accompanying narrative that indicates how these costs were derived. In PYs 2012-2013, 2013-2014, and 2014-2015, HCZ provided over 80% of the Program Operating Costs, 50% of Member Costs, and 100% of Administrative/Indirect Costs, which exceeded the requirement for HCZ to provide a 50% match towards total program costs. HCZ respectfully requests an itemized list of the federal and match

costs that did not meet the 50% match requirement.

3. HCZ disputes the Total Questioned Match Costs listed in the Executive Summary Table. There is a difference of \$8,800 between the total match cost on the Executive Summary Table (listed as \$2,509,543) versus the total match costs questioned in the narrative, which amount to \$2,500,743. This variance is from findings 4 and 6. Finding 4 has a \$1 variance in the PY 2013-2014 match costs, which amount to \$22,542 (\$17,990 for Peace March t-shirts and \$4,552 for books). Finding 6 has a \$8,799 variance in the PY 2012-2013 and PY 2013-2014 match costs for staff salary and benefits costs (\$243,884 and \$6,899, respectively), which amount to \$250,783.
4. HCZ disputes the \$1,676,714 questioned federal and match costs for all staff salaries and benefits as a result of lacking activity-based timesheets. During the program years subject to audit, it was not brought to our attention by the OCFS Program Officer that HCZ must provide the percentage of the staff member's salary that was allocated towards the AmeriCorps grant. Moreover, the total amounts being questioned far exceed the average salary for the number of grant-funded employees that were charged to the AmeriCorps grant during these program years. Since there is no itemized list of questioned salaries provided with the findings, HCZ is unable to provide a specific response indicating which employees were charged at 100% to the grant during these program years.
5. Lastly, HCZ disputes the unsupported costs listed by the auditor in Findings 4 and 6. HCZ provided a General Ledger detail for PY 2012-2013, PY 2012-2013, and PY 2014-2015, which reported transaction-level federal and match costs for the AmeriCorps grant. This ledger is enclosed with our response and was provided to the auditor during the course of the audit.

Finding 2. Subgrantee did not perform NSCHC searches for grant-funded staff and members.

Subgrantee failed to perform complete, timely, and thoroughly documented NSCHC searches on grant-funded staff and members. Criminal history checks are required for all AmeriCorps members and for grant-funded staff to ensure that dangerous predators do not exploit individuals served by CNCS programs. Failure to complete the statutorily mandated checks could endanger the safety of communities.

	HCZ
Total Sampled Members	27
Written authorization to conduct NSCHC not documented	27
Lack of documentation verifying member's identity against photo identification	27
NSOPW searches missing	9
NSOPW searches late	0
NSOPW searches performed by non-NSOPW website	2
NSOPW searches with incorrect names	2
NSOPW searches not nationwide	2
State criminal history check not conducted	0
Improper State criminal history check	0
Criminal history check not dated	0
State criminal history check initiated after employee started working on award	0
FBI check initiated after employee started working on award	0
FBI check not conducted	2
Lack of documentation that State criminal history check was conducted in the state of employee's legal residence	25
Lack of documentation verifying staff member is not a sex offender	1

a. **HCZ** failed to conduct the required NSOPW and FBI background checks in accordance with the NSCHC. As a result, we questioned a total of \$283,217 in Federal costs and \$708,743 in match costs.

- HCZ did not conduct NSOPW searches on nine grant-funded staff members, causing us to question \$188,387 in Federal costs and \$366,156 in match costs.

PY	Federal Costs	Match Costs
2012-2013	\$43,391	\$127,091
2013-2014	144,996	239,065
Total	\$188,387	\$366,156

HCZ RESPONSE TO FINDING

HCZ agrees with this finding.

Corrective action: HCZ's corrected policy is that grant-funded staff members are screened through the NSOPW site and the final NSOPW document will only be filed once all states have been checked. Administrative staff will indicate "no match found" for names populated in the search that are identical to our staff names, but are not our staff (as confirmed by their government ID). Employees will not be allowed to start until NSOPW indicates all states have been checked.

- HCZ conducted sex offender searches for two grant-funded staff members using the “Family Watchdog” website but could not demonstrate that these searches met NSCHC requirements. Because the adequacy and completeness of the criminal history checks is undemonstrated and unassured, we questioned \$35,991 in Federal costs and \$65,456 in match costs.

PY	Federal Costs	Match Costs
2012-2013	\$0	\$65,456
2013-2014	<u>35,991</u>	<u>0</u>
Total	<u>\$35,991</u>	<u>\$65,456</u>

HCZ RESPONSE TO FINDING

HCZ agrees with this finding.

Corrective action: HCZ’s corrected policy is that all grant-funded staff members are screened through the NSOPW site. All grant-funded staff members on the AmeriCorps contract will also be fingerprinted using the NYC PETS system. PETS fingerprinting checks report on New York state-level criminal history information and nationwide FBI checks performed to clear personnel working or serving in New York City schools.

- HCZ misspelled the name of one grant-funded staff member when conducting the NSOPW search, making the results unreliable. We therefore questioned \$38,353 in match costs.

PY	Match Costs
2012-2013	\$15,164
2013-2014	<u>23,189</u>
Total	<u>\$38,353</u>

HCZ RESPONSE TO FINDING

HCZ agrees with this finding.

Corrective action: HCZ’s corrected policy is that all grant-funded staff members are screened through the NSOPW site and the final NSOPW document will only be filed once all states have been checked. Searches will include the employee’s name as listed on their government ID to ensure that searches are conducted for the correct names. Administrative staff will indicate “no match found” for names populated in the search that are identical to our staff names, but are not our staff (as confirmed by their government ID). Employees will not be allowed to start until NSOPW indicates all states have been checked.

- HCZ did not use the legal name of one grant-funded staff member when conducting the NSOPW search, making the results incomplete. We therefore questioned \$26,712 in Federal costs and \$44,879 in match costs.

PY	Federal Costs	Match Costs
2012-2013	\$26,712	\$0
2013-2014	0	44,879
Total	<u>\$26,712</u>	<u>\$44,879</u>

HCZ RESPONSE TO FINDING

HCZ agrees with this finding.

Corrective action: HCZ’s corrected policy is that all grant-funded staff members are screened through the NSOPW site and the final NSOPW document will only be filed once all states have been checked. Searches will include the employee’s name as listed on their government ID to ensure that searches are conducted for the correct names. Administrative staff will indicate “no match found” for names populated in the search that are identical to our staff names, but are not our staff (as confirmed by their government ID). Employees will not be allowed to start until NSOPW indicates all states have been checked.

- HCZ did not conduct a complete NSOPW search inclusive of all 50 states for two grant-funded members. The search omitted one state for one staff member and two states for a second staff member. According to the NSCHC Frequently Asked Questions, Paragraph 4.7, *What steps should I take if I discover that a state’s sex offender registry site is inoperative when I am conducting the NSOPW check?* programs are required to renew searches of the NSOPW until all the results include every jurisdiction. As a result, we questioned \$32,127 in Federal costs and \$118,306 in match costs claimed by HCZ.

PY	Federal Costs	Match Costs
2012-2013	\$32,127	\$43,460
2013-2014	0	74,846
Total	<u>\$32,127</u>	<u>\$118,306</u>

HCZ RESPONSE TO FINDING

HCZ agrees with this finding.

Corrective action: HCZ’s corrected policy is that all grant-funded staff members are screened through the NSOPW site and the final NSOPW document will only be filed once all states have been checked. HCZ will continue to conduct renewed searches as necessary until members have been cleared in all states.

- HCZ did not conduct FBI searches for two grant-funded staff members, as required by 45 CFR § 2540.203, *When must I conduct a State criminal registry check and a National Sex Offender Public Web site check on an individual in a covered position?* We therefore questioned \$75,593 in match costs.

PY	Match Costs
2012-2013	<u>\$75,593</u>

HCZ RESPONSE TO FINDING

HCZ agrees with this finding.

Corrective action: HCZ’s corrected policy is that all grant-funded staff members on the AmeriCorps contract will be fingerprinted using the NYC PETS system. PETS fingerprinting checks report on New York state-level criminal history information and nationwide FBI checks performed to clear personnel working or serving in New York City schools.

- HCZ was unable to provide documentation to demonstrate that it conducted State criminal history checks in the states in which staff members resided for 25 of the 27 sampled staff members. These checks are required by 45 CFR § 2540.203, *What search components of the National Service Criminal History Check must I satisfy to determine an individual’s eligibility to serve in a covered position?* HCZ obtained the services of the New York Department of Education and OCFS in conducting the State criminal registry checks for these staff members. We were unable to determine whether these entities conducted a State criminal history check in the state in which the employee resided because HCZ was unable to provide documentation that it verified the staff members’ identities against a government-issued photo identification. HCZ representatives stated that HCZ maintained this documentation; however, they did not explain why it did not provide the documentation to support compliance with the regulation.

HCZ RESPONSE TO FINDING

HCZ agrees with this finding.

In compliance with New York City Department of Health and NYS Office of Children and Family Services regulations for school-age child care programs, HCZ conducted state criminal history checks using the Statewide Central Register Database Check. This form was completed by the staff member and submitted to OCFS to conduct the criminal history check. Employees agreed to conducting this search by signing the Criminal History Check form, which were kept on file. HCZ did not provide documentation verifying that employees’ identities had been verified against government-issued photo identification; however, this is a standard practice as part of HCZ’s employment and background check process.

Corrective action: All employees billed to the contract will sign and date the Criminal History Check authorization form. Administrative staff will verify member/staff identity with a government-issued picture ID (State ID/passport) and document that they have verified the member’s identity prior to submitting the Statewide Central Register Database Check.

Finding 3. HCZ did not comply with AmeriCorps requirements for living allowances.

HCZ charged member living allowances to the wrong program years, claimed allowances before and after members' service terms, and claimed allowances for individuals that did not appear on either the Corporation's or HCZ's member rosters.

HCZ RESPONSE TO FINDING

HCZ disputes this finding.

During PY 2012-2013 and PY 2013-2014, the HCZ Finance Department submitted claims to OCFS up until December 31 of each year and was allowed to bill member hours in the wrong program year without notification that this was an unallowable practice from the OCFS Program Officer. This discrepancy was only brought to HCZ's attention by the Program Officer during PY 2015-2016. Despite charging members to the wrong program year, HCZ did not claim the full amount of federal funds in either program year for the AmeriCorps grant. Thus, if members had been charged correctly, the amounts of funds billed to CNCS would be under the total amount budgeted for the grant.

Corrective Action: HCZ has implemented a system requiring the Finance Department to check the member roster before issuing living allowance checks and confirm the start and exit date of members during each pay period.

a. We questioned \$75,269 of Federal living allowance costs and \$65,740 of match living allowance costs that HCZ claimed in the wrong program year. HCZ claimed living allowance costs for PY 2012-2013 members in PY 2013-2014, living allowance costs for PY 2013-2014 members in PY 2012-2013, and living allowance costs for PY 2014-2015 members in PY 2013-2014.

PY	Federal Costs	Match Costs
2012-2013	\$22,075	\$21,162
2013-2014	53,194	44,578
Total	<u>\$75,269</u>	<u>\$65,740</u>

HCZ RESPONSE TO FINDING

HCZ agrees with this finding.

HCZ acknowledges that member allowances were claimed before or after their service term ended or for members who were not active on the member roster. Members were incorrectly charged to the grant in the wrong year in instances where they were entering a second term and continued working after the previous program year ended on November 30th. Additionally, there were instances in which incorrect information was shared between the program sites and the HCZ Finance Department regarding members who should receive their living allowance on each payroll period, such as members exiting the program without notifying the Finance Department. As a result, members were issued a living allowance check for hours that they actually served between September and November, but those hours were claimed on the wrong program year. We believe that these claims are justified and allowable, as the affected members served the hours for which they were compensated.

Corrective Action: HCZ was only recently notified by the OCFS Program Officer during the 2016-2017 program year that members cannot be claimed after the end of the contract year. HCZ's corrected policy includes a reporting system between AmeriCorps program staff and the Finance Department to confirm the start and end date of every member to ensure that they are compensated during the correct program year.

b. We questioned \$39,456 of Federal living allowance costs and \$30,171 of match living allowance costs that HCZ claimed before and after the members' service terms.

PY	Federal Costs	Match Costs
2012-2013	\$8,605	\$6,541
2013-2014	30,631	23,462
2014-2015	220	168
Total	<u>\$39,456</u>	<u>\$30,171</u>

HCZ RESPONSE TO FINDING

HCZ agrees with this finding.

These discrepancies were due to clerical errors by the AmeriCorps program staff and/or the HCZ Finance Department. Program staff provided timesheets to the Finance Department that listed each member's service hours for that pay period, which may not have been correctly updated to match the active member roster. In some instances where members exited between pay periods or did not complete the exiting process, the Finance Department incorrectly charged member living allowances that occurred before or after a member's service term because they did not know the member's current enrollment status.

Corrective Action: Beginning March 2016, to ensure that living allowance checks are only issued for active members, active member rosters are confirmed by host sites prior to receiving payroll check preview. Program Directors conduct a second check and cross reference the confirmed active member roster against the payroll preview in order to make any necessary changes and ensure that payroll matches the active member roster. Moving forward, the active member roster will be forwarded to the finance department for a third and final check.

c. We questioned \$2,151 of Federal living allowance costs and \$1,724 of match living allowance that HCZ claimed for individuals that were not enrolled in the AmeriCorps program.

PY	Federal Costs	Match Costs
2013-2014	\$83	\$719
2014-2015	1,320	1,005
Total	<u>\$2,151</u>	<u>\$1,724</u>

HCZ RESPONSE TO FINDING

HCZ agrees with this finding.

These discrepancies were due to clerical errors by the AmeriCorps program staff and/or the HCZ Finance Department. Program staff provided timesheets to the Finance Department that listed each member's service hours for that pay period, which may not have been correctly updated to match the active member roster. In some instances where members exited between pay periods or did not complete the exiting process, the Finance Department incorrectly charged member living allowances that occurred before or after a member's service term because they did not know the member's current enrollment status.

Corrective Action: Beginning March 2016, to ensure that living allowance checks are only issued for active members, active member rosters are confirmed by host sites prior to receiving payroll check preview. Program Directors conduct a second check and cross reference the confirmed active member roster against the payroll preview in order to make any necessary changes and ensure that payroll matches the active member roster. Moving forward, the active member roster will be forwarded to the finance department for a third and final check.

According to the 2012, 2013, and 2014 AmeriCorps State and National Grant Provisions, Section IV, *AmeriCorps Special Provisions*, Subsection G.1., *Living Allowances, Other In-Service Benefits, and Taxes*, grantees should pay the living allowance in regular increments and must cease when a member concludes a term of service. HCZ representatives stated that HCZ has developed and implemented a more stringent process for accounting for members on each contract, as well as for ensuring that members are not paid and reported on the grant after they have exited the program. The representatives further stated that different personnel had administered each year in the AUP period, and that HCZ's accounting system was outdated. In addition, the representatives stated that HCZ's previous policy had been to ensure that it used up funds on a prior contract before moving the member living allowance costs to the next award, especially if the member was a returning member.

Finding 4. Subgrantee did not ensure that claimed Federal and match costs were allowable, adequately supported, and compliant with applicable regulations.

g. We questioned \$4,275 of Federal costs, \$140,306 of PY 2012-2013 match costs, and \$22,543 of PY 2013-2014 match costs that HCZ claimed on Award No. 12ACHNY001.

- HCZ did not provide supporting documentation for \$4,275 in Federal other direct costs that it claimed in PY 2013-2014. HCZ initially provided a list of cost transactions; however, it subsequently stated that the list was incorrect and that HCZ had not claimed the costs. HCZ did not identify the cost transactions that it did claim or provide any other supporting documentation for the costs.

HCZ RESPONSE TO FINDING

HCZ disputes this finding.

During the auditing process, HCZ provided a General Ledger with supporting documentation for two federal direct cost claims for \$1,906.60 and \$222.85, which amounts to \$2,129.45. Please see the attached General Ledger detail for PY 2013-2014 for documentation of the claim for \$1,906.60 (Quarter 5 CNCS, Line G124). This transaction covered the cost of required security clearances for AmeriCorps members and staff. The cost transaction for \$2,145.70 was mistakenly selected and we notified him that this cost was not claimed by HCZ on the grant. Please see the attached General Ledger detail for PY 2013-2014 for documentation of the claim for \$222.85 (Quarter 4 CNCS, Line G266). This transaction was to cover the cost of staff travel. Both of these transactions are allowable OTPS expenses for the AmeriCorps program.

- HCZ claimed \$140,306 in match costs incurred outside of the grant period for Award No. 12ACHNY001. HCZ claimed fees that it paid to the City of New York to rent local public schools to operate its summer and afterschool program; however, it incurred these costs in June, July, and August 2012, and the grant period and PY 2012-2013 did not begin until September 1, 2012. HCZ did not obtain NYSONCS's approval to incur the pre-award costs.

HCZ RESPONSE TO FINDING

HCZ agrees with this finding.

HCZ reviewed the supporting documentation and it these opening fees were related to a period that was outside of the PY 12-13 contract. At the end of our fiscal year 2012 (July , 2011 – June 30, 2012), these costs were not captured correctly in time to be claimed on our PY 11-12 contract, so they were claimed for PY 12-13. This may have been discussed with our OCFS Program Officer at the time, but we do not have documentation to confirm that conversation.

- HCZ claimed \$17,990 in PY 2013-2014 match costs to purchase 6,698 t-shirts for a peace march. The t-shirts were provided to all march participants, not just the AmeriCorps members and staff. HCZ representatives stated that the peace march was an integral part of its program; however, the peace march was not associated with the grant, as HCZ did not discuss the march in its grant application or budget.

HCZ RESPONSE TO FINDING

HCZ disputes this finding.

The Peace March is an annual event hosted by the HCZ Peacemakers program; OCFS was aware of its purpose to the AmeriCorps program. HCZ did not bill the grant for the entire cost of shirts in PY 2013-2014, only those shirts necessary for Peacemakers members and staff who participated in the event. Since OCFS did not object to HCZ billing for these match costs in previous years, it was unclear that was not an allowable claim.

Corrective Action: As of PY 2015-2016, this item is no longer billed to the AmeriCorps grant.

- HCZ claimed \$4,552 in PY 2013-2014 match costs to purchase books. HCZ provided a copy of a check to demonstrate that it had paid for the books; however, it was unable to locate the invoice or documentation showing how the books were used for the grant.

HCZ RESPONSE TO FINDING

HCZ disputes this finding.

During the auditing process, HCZ provided a General Ledger (also enclosed with this response) with supporting documentation for this claim. Please see the attached General Ledger detail for PY 2013-2014 for documentation of this claim (Quarter 4 Grantee, Line G155). This transaction covered the cost of books purchased from TheBookSource, which were used as part of our literacy activities in the Peacemakers program.

Finding 5. Subgrantee' timekeeping systems did not comply with Federal and State requirements.

e. We questioned \$395,980 in Federal costs and \$1,280,734 in match costs that HCZ claimed on Award No. 12AFHNY001, as follows:

- HCZ employees completed timesheets that accounted for daily hours worked, leave taken, and the project code to which the costs would be charged; however, HCZ did not use the timesheets to allocate costs to the grant. Instead, it allocated costs to the grant based on the budget and the funds remaining in the budget. Because all of the HCZ positions in the PYs 2012-2013 and 2013-2014 AmeriCorps budgets allocated 100 percent of their effort to the Peacemakers program, HCZ believed that all of its costs were allocable to the AmeriCorps Peacemakers award; however, we noted that some of HCZ's employees appeared to work on more than one activity. HCZ's PY 2014-2015 AmeriCorps budget showed that the Program Director, Site Director, and Social Worker positions were no longer budgeted as allocating 100 percent of their effort to the Peacemakers program.

HCZ RESPONSE TO FINDING

HCZ does not have enough information to agree with or dispute this finding, as the auditors did not provide an itemized list of the staff salaries and benefits being questioned; therefore HCZ is unable to directly respond to this claim. HCZ respectfully requests more detailed information in order to effectively respond to this finding.

Based on our historical allocation of staff on the AmeriCorps contract, HCZ disagrees that all grant-funded staff members were charged at 100% of their time on grant activities. Only nine grant-funded staff members had portions of their salaries and benefits allocated to the grant; all other staff were charged at 100% to the grant because they only worked on the AmeriCorps grant. Although HCZ did not allocate the percentage of time that these staff worked on the AmeriCorps program in the budget, the percentage of their salary and benefits charged to the grant did not amount to their full compensation. HCZ tracked their hours using a standard timesheet and their compensation was logged using a general ledger code in our Peacemakers program budget. Furthermore, there is no "Social Worker" charged to the AmeriCorps grant as indicated above – this position does not exist in HCZ's Peacemakers program and was not listed on the personnel budget. This discrepancy leads us to question whether the auditor is referring to the correct program budget.

Moreover, the Peacemakers total budget exceeded the funding that HCZ received from AmeriCorps, and program staff were manually charged to diverse funding streams, which included city and state grants. HCZ did not claim staff costs on the AmeriCorps grant that were charged to another city, state, or federal grant. HCZ undergoes a financial audit every year that ensures that personnel costs are allocated across diverse funding streams and our staff are correctly billed to each grant.

Corrective Action: In PY 2015-2016, HCZ notified all program and administrative staff that they must complete activity based timesheets to appropriately document their time and effort towards the AmeriCorps program. HCZ began using activity-based timesheets, which were shared with the OCFs Program Officer and determined to be acceptable for tracking the time and effort of grant-funded employees. Effective as of PY 2015-2016, all staff billed to the grant were required to complete biweekly activity based timesheets to coincide with the payroll schedule, which were stored in their staff file. We will continue to implement this practice in subsequent years.

- In addition, HCZ's "Gov't Monthly Time and Effort for Contracted Grants" spreadsheet for September 2013 through November 2014 shows that HCZ's Peacemakers program was funded through both the AmeriCorps award and another Federal grant.

HCZ RESPONSE TO FINDING

HCZ disputes this finding.

Transactions charged to DYCD were a part of our match costs. The Department of Youth and Community Development (DYCD) is a New York City contract, which supplements the match costs of member living allowances. As indicated above, HCZ did not claim staff costs on the AmeriCorps grant that were charged to another city, state, or federal grant. HCZ undergoes a financial audit every year that ensures that personnel costs are allocated across diverse funding streams and our staff are correctly billed to each grant.

It is therefore reasonable to assume that the Program Director, Site Director, and Social Worker employees did not spend 100 percent of their effort working on the Program.

In April 2016, HCZ provided examples of two timesheets that it had created for future use in response to this condition: one for use by its program staff and one for use by its program directors. While the timesheets include lines to account for all activities on which the employee worked, HCZ did not explain in its email response to us whether it would use the timesheets to allocate labor costs to AmeriCorps grants and program years.

Finding 6. Subgrantee did not account for Federal and match costs in accordance with State and Federal requirements.

HCZ's financial management systems did not adequately account for Federal and match costs.

a. HCZ's accounting records did not support \$580,766 in PY 2012-2013 match costs, \$4,394 in PY 2013-2014 Federal costs, and \$22,597 in PY 2013-2014 match costs. We therefore questioned these costs.

- The \$580,766 in PY 2012-2013 match costs includes \$336,882 in salary and benefit costs for grant-funded staff. These costs are included in the \$526,675 of match costs questioned in Exhibit B, Finding 5.e. We are therefore only questioning \$243,884 in this finding.
- The \$4,394 in PY 2013-2014 Federal costs includes \$3,669 in salary and benefit costs for grant-funded staff. These costs are included in the \$247,760 of Federal costs questioned in Exhibit B Finding 5.e. We are therefore only questioning \$725 in this finding.
- The \$22,597 in PY 2013-2014 match costs included \$15,698 in salary and benefit costs for grant-funded staff. These costs are included in the \$754,159 of match costs questioned in Exhibit B Finding 5.e. We are therefore only questioning \$6,899 in this finding.

HCZ RESPONSE TO FINDING

HCZ disputes this finding.

HCZ certifies that the accounting records provided to the auditor from our financial management system reconcile with the claims submitted each program year. As indicated in HCZ's Executive Summary, the HCZ Finance Department provided accounting records to the auditor in a format that would be helpful for him to identify transaction-level costs, however, he did not understand how these costs were coded and therefore deemed them to be unsupported. HCZ repeatedly contacted the auditor by email and offered to set up in-person meetings to review the records with the auditor and help him locate the questioned costs in the records. The auditor did not respond to these emails or follow up with questions to try to resolve this issue.

During PYs 2012-2013, 2013-2014, and 2014-2015, HCZ used two different automated accounting systems and spreadsheets to account for Federal and match costs for its AmeriCorps program. HCZ described its billing process as follows. It initially recorded all costs to an unfunded general ledger code; its Grants Accountant then prepared monthly or quarterly billings for the AmeriCorps program. This process required the Grant Accountant to email the AmeriCorps Program Director each month to confirm the names of the HCZ employees that worked on the grant during the month, as well the names of the AmeriCorps members that served that month. The Grants Accountant then worked with HCZ's AmeriCorps program staff to identify other direct costs that should be charged to the AmeriCorps grant. Once these costs were identified, an HCZ staff member filled out the billing spreadsheet with the amount of the employee staff salary and benefit costs, member living allowance and benefit costs, and other direct costs incurred during the period. The first tab of the billing spreadsheet summarized program operating costs, member living allowance and benefit costs, and administrative costs by quarter for the entire program year. These costs linked to tabs for each quarter, as well as a tab summarizing other direct costs. HCZ's Grants Accountant then prepared a journal voucher, usually quarterly, to manually move a batch of costs identified for the AmeriCorps program from the unfunded code to HCZ's codes for AmeriCorps Federal and match costs.

During the planning phase for the subgrantee, we requested that HCZ provide transaction level accounting records for Federal and match costs for specific periods from PYs 2012-2013, 2013-2014, and

2014-2015. The periods requested included PY 2012-2013 costs for Quarters 3, 4, and 5; 1 PY 2013-2014 costs for Quarters 1 through 5; and PY 2014-2015 costs for Quarter 1. HCZ did not provide all of the requested accounting reports, nor did it provide any of the requested reconciliations to demonstrate how costs from the accounting reports reconciled to the costs summarized in the spreadsheets. Because HCZ did not provide reconciliations, we used the accounting reports provided by HCZ to complete reconciliations for the three program years. We found that HCZ only provided accounting records to support the following amounts:

HCZ's program years started in August and ended November of the following year. HCZ submitted reimbursement requests for each of the five quarters in PYs 2012-2013 and 2013-2014.

- \$747,317 of the \$1,328,083 in claimed PY 2012-2013 match costs.
- \$1,330,098 of the \$1,334,492 in claimed PY 2013-2014 Federal costs.
- \$1,911,774 of the \$1,934,371 in claimed PY 2013-2014 match costs.

While preparing the reconciliations, we identified numerous deficiencies in HCZ's financial management system. Specifically:

- The spreadsheets summarizing Federal and match other direct cost transactions that HCZ claimed in PYs 2012-2013 and 2013-2014 were incorrect, included costs that we were unable to locate in HCZ's general ledger accounting reports transactions, included unallowable costs, and included transactions that HCZ also charged to its account code for another Federal grant (see Exhibit B, Finding 4).

HCZ RESPONSE TO FINDING

HCZ disputes the finding.

HCZ's financial management system accurately captured federal and match cost transactions. While the FundWare system was limited in capabilities of transaction level accounting and capturing the match costs, HCZ provided reconciliations that tied into the submitted expense reimbursements and matched reports that were submitted to OCFS during the program years subject to the audit. All expenses for the AmeriCorps program were recorded in HCZ's financial system and then allowable costs that can be charged to the grant were manually moved to the grant code.

As stated before, during the time frame for which the auditor requested transaction records, HCZ used a different accounting system (FundWare) than the system that we currently use (MIP Fund Accounting). We presented the transactions to the auditor in a General Ledger with detailed accounting records for each program year and the selected quarters to help him understand how the expenses were previously recorded. All of the transactions listed in the General Ledger tie into the reports submitted to OCFS.

Additionally, transactions charged to DYCD were a part of our match costs. The Department of Youth and Community Development (DYCD) is a New York City contract, which supplements the match costs of member living allowances.

- HCZ charged living allowances to the wrong program years, claimed living allowances before and after members' service terms, and claimed living allowances for individuals that did not appear on either the Corporation's or HCZ's member rosters (see Exhibit B, Finding 3).

HCZ RESPONSE TO FINDING

As indicated in our response to Finding 3b, HCZ agrees with this finding.

The charging of living allowances was based off of the monthly active member roster provided to the Finance Department by program staff, which may not have been correctly updated bi-monthly to coincide with member payroll dates. In some instances where members exited between pay periods or did not complete the exiting process, the Finance Department incorrectly charged member living allowances that occurred before or after a member's service term because they did not know the member's current enrollment status.

Corrective Action: Beginning March 2016, to ensure that living allowance checks are only issued for active members, active member rosters are confirmed by host sites prior to receiving payroll check preview. Program Directors conduct a second check and cross reference the confirmed active member roster against the payroll preview in order to make any necessary changes and ensure that payroll matches the active member roster. Moving forward, the active member roster will be forwarded to the finance department for a third and final check.

- HCZ comingled living allowance and member benefit costs with staff salary and benefit costs in the general ledger.

HCZ RESPONSE TO FINDING

HCZ disputes this finding.

HCZ provided documentation to the auditor in the General Ledger indicating that living allowances and benefits for members were coded separately from staff salaries and benefits.

HCZ did not comingle living allowance and member benefit costs with staff salary and benefit costs in the General Ledger. Member living allowances and benefits costs were separated from staff salaries and benefits costs by an object code and grant code. As indicated previously, the auditor did not know how to identify these costs by object code and grant code. HCZ repeatedly offered assistance to help him in this process, but he did not respond to our emails.

- HCZ allocated staff salary and benefit costs to the grant based on the budget and funds remaining in the budget (see Exhibit B, Finding 5).

HCZ RESPONSE TO FINDING

HCZ disputes this finding.

Prior to the reviewing the audit findings, HCZ was unaware that this was an unallowable practice. This practice was generally supported by OCFS in its yearly reviews of our AmeriCorps budget. As indicated by our Program Officer, a budget modification was only necessary if the shifting of funds exceeded 10% of the total annual award. Since these allocations did not exceed 10% of the budget, there was no need to submit a budget modification.

Finding 7. Subgrantee did not accurately record all member timesheet hours; did not have procedures to verify the accuracy of timesheets; and, in some instances, had timesheets that did not support member eligibility for education awards.

a. We questioned an education award of \$5,550 for one PY 2013-2014 HCZ member because the member did not certify their timesheets in November and December 2014. We also noted that the member’s supervisors did not sign the member’s January 2015 timesheet. We deducted the uncertified member hours from the total hours certified in the My AmeriCorps Portal (Portal) for the member and determined that the remaining hours did not support the member’s eligibility for an education award. HCZ lacked procedures to ensure that members and supervisors certified timesheets after members completed their service hours and signed all timesheets.

PY	Timesheet Hours			Hours Required	Ed. Award Amount
	Total	Unsigned	Adjusted		
2013-2014	1,838	155	1,683	1,700	\$5,550

According to *2013 AmeriCorps State and National Grant Provisions*, Section IV, *AmeriCorps Special Provisions*, Subsection C.5., *Timekeeping*, time-and-attendance records must be signed and dated both by the member and by an individual who supervises the member.

HCZ Response

HCZ agrees with this finding.

Corrective action: HCZ acknowledges that members must certify every service hour in order to receive the educational award at the end of their service term. A new timekeeping process has been implemented to support accurate calculations of member hours. Members and their supervisor will sign timesheets that document any hours not captured on the member time card. The administrative team will conduct monthly reviews of member timesheets and calculations to ensure accurate reporting.

c. Timesheet hours for HCZ members were not always accurately recorded in the Portal. The timesheets for 1 sampled PY 2013-2014 member, 11 sampled PY 2013-2014 members, and 3 sampled PY 2014-2015 members did not agree with the hours certified in the Portal. Because the timesheets for three of the sampled members did not support the members’ eligibility for an education award, we reviewed the timecards supporting the timesheets. We found that, while the timesheets did not support the minimum hours required for an education award, the members’ timecards did support the required hours.

HCZ Response

HCZ agrees with this finding.

In these instances, members met the services hours required to receive an education award as indicated by their timecards, which track the time they begin and end service each day. Timesheets were completed separately by the member and his/her supervisor; when manually entering their hours, members miscalculated their hours or did not accurately log their total service terms during each pay period.

Corrective action: HCZ acknowledges that member timecards and timesheets must match the service hours entered in the portal in order for members to receive the educational award. A new timekeeping process has been implemented to support accurate calculations of member hours. Members and their supervisor will sign timesheets that document any hours not captured on the member time card. The administrative team will conduct monthly reviews of member timesheets and calculations to ensure accurate reporting.

Members use timecards to document their arrival and departure times. The timecards serve as the basis for the hours recorded on the timesheets.

Due to the discrepancy noted between the timesheet hours and the timecard hours, we reviewed the timecards for six sampled PY 2013-2014 members who were within 40 hours of the 1,700 hour service term required for an education award to determine if the timecards supported the hours recorded on the timesheets and certified in the Portal. We found that only one of the six members' timecards supported the member's eligibility for education awards.

Overall, our review of the timecards identified numerous errors in the timesheets and timecards, such as:

- Members did not always clock out.
- Timecards were not always legible.
- Members did not always record lunch on the timecards and timesheets.
- Some members' timesheets were handwritten and only showed in/out times.
- Members did not transfer their own hours to their timesheets; either the supervisor or an administrative staff member at the school transferred the hours instead.
- The timesheets were prepared in a Microsoft Word document and contained mathematical errors.

AmeriCorps requirements address timesheet policies but not specific timesheet procedures; however, it is good business practice to check the accuracy of hours recorded on timesheets. Without procedures in place to verify the accuracy of timesheets, members could receive education awards to which they are not entitled.

We did not question the education awards for the three members whose timesheet hours were fewer than the hours recorded in the Portal because their timecards supported that they served the minimum hours required to be eligible for an education award. We would generally consider member timesheets to be a more reliable source of information than are the member timecards, as the timesheets are certified by both the members and their supervisors, while the timecards are not certified by either the member or the member's supervisor; however, because the members both completed the timecards and signed the timesheets, we determined that either document was sufficient to support the hours worked. We therefore also did not question the education awards for the six members whose timecard hours were fewer than the hours recorded in the Portal because their timesheets supported that they served the minimum hours required to be eligible for an education award.

Finding 9. Subgrantee did not comply with AmeriCorps requirements for member performance evaluations or ensure that members and supervisors signed member forms and service agreements.

Subgrantee complied with AmeriCorps requirements for member performance evaluations, and HCZ did not ensure that members and supervisors signed member enrollment forms and service agreements. We selected a sample 25 HCZ members, and noted the following issues:

Description	HCZ
PY 2012-2013	
End-of-term evaluation missing required hours	4
End-of-term evaluation conducted before end of member service term	3
PY 2013-2014	
End-of-term evaluation missing	0
End-of-term evaluation missing required hours	11
End-of-term evaluation conducted before end of member service term	12
PY 2014-2015	
End-of-term evaluation missing	0
End-of-term evaluation missing required hours	3
End-of-term evaluation conducted before end of member service term	3
Total	
End-of-term evaluation missing	0
End-of-term evaluation missing required hours	18
End-of-term evaluation conducted before end of member service term	21

HCZ Response

HCZ agrees with this finding.

In some instances, members exited the program before signing or completing their end-of-term evaluation.

Corrective action: HCZ acknowledges that member end-of-term evaluations must consist of their required service hours and be signed by the member and his/her supervisor. As part of a new process, the AmeriCorps supervisors will review member end-of-term evaluations during exit screening to ensure member hours are documented on the evaluations and schedule an exit interview to ensure that the evaluation is signed prior to exiting the program.

c. We identified HCZ end-of-term evaluations, member forms, and member contracts that did not contain signatures; member contracts and forms that contained pre-printed signatures and dates; and member contracts signed after members began service. In addition, HCZ was unable to locate one member contract.

The table below shows the number of instances in each area of noncompliance for the 25 sampled HCZ members:

	HCZ
End-of-term evaluation member signature missing	3
End-of-term evaluation supervisor signature missing	1
Pre-printed supervisor signature on member contract	0
Enrollment form not signed by supervisor	0
Enrollment forms signed by supervisor nine months after members were enrolled	0
PY 2013-2014 member contracts not signed by supervisor	2
Members signed contracts after starting their service terms	2
Member contracts had wrong education award and living allowance amounts	2
Member contract missing	1

It is good business practice to ensure that members and supervisors sign and date end-of-term evaluations and that the grantee completes the evaluations before the members exit the program. This maintains accountability and ensures that evaluations are consistent with member and management intentions.

According to *2014 AmeriCorps State and National Grant Provisions*, Section IV, *AmeriCorps Special Provisions*, Section D.2, *Member Service Agreements*, programs must require that each member sign a member service agreement.

HCZ Response

HCZ agrees with this finding.

In some instances, member contracts did not list the actual start date or prorated living allowance amounts if they started in the middle of the program year and did not update their contract after receiving their background check clearance.

Corrective action: HCZ acknowledges that member contracts must be signed by the member and his/her supervisor prior to starting their service term and list the correct service dates and living allowance amounts. All members will sign contracts during on-boarding orientation prior to the start of service. Members starting in the middle of the program year will still be required to attend an orientation session prior to their first day. All member contracts will be reviewed by the administrative team to ensure that the contract lists the correct start date and living allowance amount and has been signed by the member and his/her supervisor.

HCZ acknowledges that member end-of-term evaluations must consist of their required service hours and be signed by the member and his/her supervisor. As part of a new process, the AmeriCorps supervisors will review member end-of-term evaluations during exit screening to ensure member hours are documented on the evaluations and schedule an exit interview to ensure that the evaluation is signed prior to exiting the program.



Bill de Blasio
Mayor, City of New York

Paula Gavin
Chief Service Officer

March 9, 2017

As requested, NYC Service is submitting our response to the findings of the Inspector General Audit of NYS Commission on National and Community Service. (We are also replying to the additional request from NYS Commission in a separate document.)

NYC Service has taken actions to strengthen our policies and procedures for all grants, as well as our process with the Mayor's Fund to Advance New York City. These actions are in place and functioning well.

NYC Service is ready to provide additional information and is eager to hear next steps, especially related to any matters you deem unresolved and require further action.

I assume NYC Service will receive the NYS Commission report to the Inspector General and CNCS.

All the best and thanks for your support and service.

A handwritten signature in cursive script that reads 'Paula Gavin'. The signature is written in black ink and is positioned above a solid horizontal line.

Paula Gavin
Chief Service Officer

Bill de Blasio
Mayor, City of New York

Paula Gavin
Chief Service Officer

March 9, 2017

NYC Service is responding to the excerpt from the Office of Inspector General Draft Report to the New York State office of National and Community Service, dated February 28, 2017. There are four findings ((# 2, 5, 6, 9) assigned to NYC Service for response.

FINDING 2. Sub grantee did not perform NSCHC searches for grant-funded staff and members.

Response to Finding 2 (d):

Bullet Point 1,2: In consideration of this finding, NYC Service emphasizes that while checks with respect to these specific sources were not performed, all Office of the Mayor employees go through extensive background checks before being employed by the Mayor's Office, including criminal records search, police check, Department of Investigation check, on line and phone vetting.

Bullet Point 3: NYC Service has a checklist that we follow when onboarding and checking files for NYC Civic Corps members for a program term. During the 2016-2017 program term, we also have instituted a rigorous internal audit system, in which our NYC Civic Corps coordinators review each member's file and scan the files into our electronic file keeping system (to ensure that the documents are preserved).

FINDING 5. Subgrantee timekeeping systems did not comply with Federal and State requirements.

Response to Finding 5 (d):

[REDACTED], [REDACTED], [REDACTED] and [REDACTED] were assigned to the Volunteer Generation Fund (VGF), as documented with the State. The VGF grant time reporting process for all four employees was in place from 2011-2014, using an internal tracking sheet (via Microsoft Excel) to document hours allocated to the grant. The four employees assigned to the grant were asked to record their weekly hours for general work vs VGF grant on these excel sheets and share them every quarter for review, before NYC Service submitted its quarterly expenditure report to the State. Each employee used their personal calendar system (eg. meetings, notations) which was not collected with respect to daily hours for general vs VGF work. Expenditure reports submitted to the state quarterly included the backup documentation demonstrating personnel time spent on the grant. NYC Service understood that this recording process was sufficient due to the State's approval of the reports.

FINDING 6. Sub grantee did not account for Federal and match costs in accordance with State and Federal Requirements.

Response to Finding 6 (b):

253 Broadway - 8th floor • New York, NY 10007 • 212.788.7550 • Fax: 212.788.7882 • www.nyc.gov/service

Bill de Blasio
Mayor, City of New York

Paula Gavin
Chief Service Officer

The Mayor's Fund has updated its accounting procedures so that their General Ledger clearly delineates Federal spending vs non-Federal spending. With regard to cash receipts being sent from the State to New York City, Mayor's Fund has and will continue to work with OCFS to ensure that payments are sent directly to the Mayor's Fund and not to the Office of the Mayor / NYC Comptroller's Office. All income and expenses for the Volunteer Generation Fund grants have been recorded in the Mayor's Fund general ledger. Additionally, NYC Service and the Mayor's Fund have strengthened their financial procedures and internal controls and will continue to make further improvements to our processes.

FINDING 9: Sub grantee did not comply with AmeriCorps requirements for member performance evaluations or ensure that members and supervisors signed member forms and service agreements.

Response to Finding 9:

Following the initial audit recommendations regarding assessments, NYC Civic Corps took steps to improve its assessment system. NYC Civic Corps took the following actions:

For members who exit the NYC Civic Corps program early, the Exit Interview Form, which allows the exiting member to assess their experience with Civic Corps, was updated to include the following information:

1. Last Day of Service
2. Number of Hours Completed
3. Education Award Status (whether they are qualified for an Education Award)
4. A determination of whether the member has a documented compelling personal circumstance
5. A determination of whether the member has satisfactorily completed their assignments
6. A determination of whether the member has met other performance criteria that were communicated at the beginning of the term of service
7. Date the Civic Corps member was exited in eGrants
8. Review and Certification by the Program Director

For members who complete their term of service, their end-of-term assessments are still done before their final exit date. From a program administration standpoint, it would be difficult to collect end-of-term assessments if we required host sites and members to conduct them after the term of service was completed.

Once we receive the end-of-term assessments, we wait until after the members completed their term of service to answer the following questions and certify the assessments:

253 Broadway - 8th floor • New York, NY 10007 • 212.788.7550 • Fax: 212.788.7882 • www.nyc.gov/service

Bill de Blasio
Mayor, City of New York

Paula Gavin
Chief Service Officer

1. Has the NYC Civic Corps member completed the required number of hours?
2. Has the NYC Civic Corps satisfactorily complete his or her assignments?
3. Has the NYC Civic Corps member met other performance criteria that were clearly communicated at the beginning of the term of service?

Based on the findings, NYC Service will also implement further changes to improve the end-of-term assessments for the 2016-2017 program year. NYC Service follows the recommendation "it is good business practice to ensure that members and supervisors sign and date end-of-term evaluations and that the grantee completes the evaluations before the members exit the program." (Audit findings, p 7)
Continued

We currently require members to record their approved number of hours in their end-of-term assessment, but we realize that this does not capture the final number of hours. The final number of approved hours is recorded and stored on America Learns, a timesheet and performance measure portal that Civic Corps uses to track member hours and performance data.

Based on these findings, we will eliminate the member requirement to record hours in the assessment. Instead, we will implement a requirement for NYC Service to record the member's final hours in America Learns during the certification of the assessment, and this will be completed after the member's term of service is complete.

Regarding the enrollment forms not being signed or signed late into the term, the Corporation for National and Community Service now requires members to enroll online, via My AmeriCorps. As a result, we no longer collect enrollment forms for members.

THE SERVICE COLLABORATIVE

OF WESTERN NEW YORK

March 9, 2017

NYS Commission on National and Community Service
 52 Washington Street
 North Building, Suite 338
 Rensselaer, NY 12144
 Attn: Linda Cohen, Executive Director

Dear Mrs. Cohen,

Below, please find The Service Collaborative of WNY's responses to the findings provided by the Office of Inspector General:

Finding 2: Subgrantee did not perform NSCHC searches for grant-funded staff and members

TSCWNY response for 'c.':

- As of September 2016, TSCWNY does not accept any member criminal history results from their host sites. All three required criminal history checks are administered directly through TSCWNY.
- As of January 2017, TSCWNY has a policy that requires programs to conduct a Criminal History Background Check in the state in which a member is a legal resident (as evidenced by the member's drivers license) even if they have attended college in New York State or applied to our program while living in New York State.
- [REDACTED] and [REDACTED] were all employees of the agency prior to the placement of the background check requirements that required the NSCHC ID Verification and Authorization for Release of Information. TSCWNY has in place a policy that requires staff identity to be verified by examination of a government-issued ID, such as a drivers license. This verification is done by the Office Manager.

Finding 4: Subgrantee did not ensure that claimed Federal and match costs were allowable, adequately supported, and compliant with applicable regulations.

TSCWNY response:

- h. TSCWNY agrees with the calculations above. Procedures were put in to place to prevent this from occurring in 2015. TSCWNY offers that, in both instances, the excess admin costs could have been paid by match, and living allowances that were paid by match could replace the administrative costs, putting us in compliance with 45 CFR § 2540.11(a)(1).
- i. AmeriCorps Award 12ACHNY001, Program Year 2013-2014 (\$5,165 in Federal costs and \$1,166 of match costs) – TSCWNY was unable to work in our office due to a major snowstorm in November 2014 (a federally declared disaster) through the end of 2014. We could not get back into our offices as the roof became unstable and the building inspector shut the building down. Since this was grant closeout time, it was decided that laptops would be purchased and remote access utilized so work would be done. If these laptops were not purchased for the sole purpose of this grant, we would not have been able to pay members, or close the grant out until after January 2015 when we moved into a new building. TSCWNY believes that we complied with OMB Circular A-122 (2 CFR Part 230) OMB Circular A-122 (2 CFR Part 230), Cost Principles for Non-Profit Organizations, Appendix A, Subsection A. Basic Considerations, 3. Reasonable Costs, a cost is allowable if it is necessary for the award, as the expenses were reasonable in the extreme circumstance.

173 Elm Street · Buffalo · NY · 14203

716.418.8500 · 716.822.3060 (fax) · www.tscwny.org



THE SERVICE COLLABORATIVE

OF WESTERN NEW YORK

AmeriCorps Award 06AFHNY001, Program Year 2012-2013 (\$2,220 in match costs) – TSCWNY acknowledges the purchase of the computers when our Citrix networking system stopped working. The desktop computers were purchased for staff working on this grant who would not have had any computers without this purchase, even though it was late in the grant year. As noted, the computers were used to close out the grant year.

Regarding the above match costs, for both questioned charges to match, we raised excess match from the community to replace the costs as noted.

TSCWNY agrees that there was an administrative error in coding the entire \$9,500 from match for Professional Development, not Team Building as noted.

- j. TSCWNY uses an in-kind form provided during training from the NYS Commission which is filled out and signed by each of our host sites and reviewed by staff. We currently adjust the in-kind numbers monthly depending on the number of members serving. The partners are required to provide backup documentation for the numbers on the signed in-kind form when asked. TSCWNY was not asked for additional backup beyond the spreadsheet and in-kind forms during the audit.

Finding 5: Subgrantee's timekeeping systems did not comply with Federal and State requirements

TSCWNY response: The Executive Director is the highest-ranking employee of our agency. The Board of Directors are volunteers and meet bi-monthly. There is no one who supervises the Executive Director daily. A Board member would not be knowledgeable of the Executive Director's time, therefore, does not have firsthand knowledge of the activities performed.

Finding 7: Subgrantee did not accurately record all member timesheet hours; did not have procedures to verify the accuracy of timesheets; and, in some instances, had timesheets that did not support member eligibility for education awards:

TSCWNY response: During the 2012-13 program year, the timesheet policy for members was as follows –

“Timesheets: Timesheets MUST reflect actual time served. Submission of timesheets is the responsibility of the Member. Each Member is responsible for making sure that his/her timesheet is verified by the appropriate site supervisor. Once the timesheet has been completed it must be submitted to The Service Collaborative of WNY, Inc. headquarters **by 4:00PM Eastern Standard Time on the Friday that marks the end of each bi-weekly pay period.** The payroll schedule is provided to the Member at the time of enrollment. Any Member who forgets to hand in a timesheet on time during any specific pay period will be honored for pay for that pay period only. Failure to submit two or more consecutive timesheets will result in the withholding of the Member's pay until the following pay period.”

Program staff at the time did not tell members they could not turn in a timesheet early because of the nature of serving at a school and access to computers. It was in the policy, member contract and handbook to have the timesheet completed by Friday (based on the need of payroll processing), which did not account for weekend planning hours. Program staff did ask supervisors to approve hours after they were completed, which this supervisor did not do a few times (total 40 hours). In our opinion, there are only 40 adjusted hours. This member no doubt served these hours, but the supervisor did approve 40 hours early. We have since changed our policy that members fill out their timesheets and have them signed by their supervisor by 4pm on Mondays instead of Friday afternoons. This solves the issue of any service hours not being approved over the weekend.

Finding 8: Subgrantee could not account for daily supervision of members who served offsite and who served excessive hours at the end of their service terms.



THE SERVICE COLLABORATIVE

OF WESTERN NEW YORK

TSCWNY response: There is no requirement to document the member service activities and that is why there wasn't more detail in the offsite planning section. We have since made it a policy to have a detailed description in the activities section outlining any offsite service, so that supervisors can compare the timesheet and the work completed. Offsite planning hours must be pre-approved by supervisors and be deemed reasonable within the confines of members' position descriptions. "Reading" or "research" is not acceptable unless it is reading or research approved by host site supervisor in advance. Host site supervisors will provide ABLE staff an outline of what the expectation of those hours' entail including how many hours can be accrued for these tasks, not exceeding the 10% limit of offsite planning hours. Offsite planning hours are approved if proof of these hours are provided. This includes, but is not limited to, members being able to implement a successful intervention lesson, materials such as student handouts were created, or be knowledgeable in subject being taught by lead teacher. Offsite planning hours that are not pre-approved by site supervisor and do not demonstrate proof of hours, will not be approved and will not be counted towards the members' minimum hour requirement.

- During the last month of [REDACTED] (PY 12-13) term of service Buffalo experienced a "combination of several storm "events" over a two-week period" as described in a joint release from the National Weather Service and Erie County. On Tuesday, November 18, 2014 Governor Andrew M. Cuomo declared a state of emergency due to an on-going severe winter storm and the City of Buffalo had continuous driving bans for the duration of the work week. This event was also a declared federal disaster. [REDACTED] site reopened on November 25th however staff was limited and many partner agencies were still closed. During the week of December 1st and December 8th 2014 [REDACTED] site provided extended hours to allow staff the opportunity to address time sensitive cases and clients the opportunity to receive information regarding disaster relief and updates on outstanding cases. [REDACTED] site supervisor [REDACTED] was present during these extended hours and [REDACTED] signed off on [REDACTED] hours in accordance with The Service Collaborative of WNY, Inc's supervisory hours approval. Upon reevaluation of this file we continue to feel [REDACTED] served in accordance with AmeriCorps regulation and that her supervisor appropriately approved those hours.
- This member was placed at a site that required planning offsite because of the open hours of the after-school building. Her hours were reasonable and reflective of the service she provided. Many members and host sites do not celebrate certain holidays and therefore we do not put limits on what days they can plan offsite.
- We understand that there was not a description for offsite planning hours, but at the time we were not required to request this. The member's supervisor did question some of the planning time and the member readjusted accordingly. This is now one a best practice because it shows the supervisor is reviewing the timesheets and holding members accountable for their planning time. We do not feel that any hours should be adjusted for this member.
- According to our records in America Learns the member had only 9 hours recorded for offsite planning, which we do not find unreasonable.
- Members placed at this site have historically been given many opportunities to take on extra projects at the school. The planning is done offsite because the school is not open into the night or on weekends. The supervisor approved all of these hours and we did not question them because we were confident the extra hours were correct. Although some of the hours were on holidays, this is not unheard of for members serving at this specific school. Many members and host sites do not celebrate certain holidays and therefore we do not put limits on what days they can plan offsite.
- After reviewing the timesheets and offsite planning for this member, we found 132 hours of offsite planning. Based on knowledge of the site, these planning hours were reasonable and necessary. Members were never told they could not put in planning time on their days off, some of which included federally observed holidays.



THE SERVICE COLLABORATIVE

OF WESTERN NEW YORK

Many members and host sites do not celebrate certain holidays and therefore we do not put limits on what days they can plan offsite.

Finding 9: Subgrantee did not comply with AmeriCorps requirements for member performance evaluations or ensure that members and supervisors signed member forms and service agreements.

TSCWNY response: Because of time restraints, many supervisors filled out the end of term evaluations before the official last day of the member's service. We ask for them earlier than the last day of service to ensure we receive them in time to exit the members in eGrants. We took it upon ourselves to check the final number of hours to make sure it was correct on the exit form so we could either approve or reject another term in eGrants. We thought that the final number of hours on the exit form was sufficient. Since then we have made it a policy to have ABLE program staff input the final number of hours on both the end of term evaluation and exit form.

In addition to the responses above, we include as attachments the requested information via email on Monday, March 6. Should any additional information be needed, please contact me directly.

Thank you,



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

Cc: John Greenan, Board of Director's Chair; Melissa Schutte, Sr. Director of AmeriCorps Operations; Kelly Stephenson, Sr. Director of Finance

