

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

**Compilation and Analysis of
Incurred-Cost Audit Findings**

OIG Report Number 05-01E



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

**Office of Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW., Suite 830
Washington, DC 20525**

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Executive Summary

The Office of Inspector General (OIG) Evaluation Section compiled and analyzed the questioned costs and findings from the 25 incurred-cost audit reports issued by the OIG Audit Section between October 1, 2001, and March 31, 2005. Of the total \$287 million in Federal funds covered in these audit reports, almost \$32 million, or 11 percent of the costs, were questioned. Out of the 18 incurred-costs audits that have completed the audit resolution process, \$2.4 million, or 8.8 percent of questioned costs, were also disallowed by the Corporation.

This evaluation sought to identify trends and patterns among the questioned costs and findings and to recommend corrective actions for the management of the Corporation for National and Community Service (Corporation). We classified questioned costs, as well as compliance and internal control findings, by major categories and subcategories in consultation with OIG auditors.

Our analysis of incurred-cost audit findings found that OIG auditors frequently cited inadequate financial controls and accounting systems. Specifically, auditors questioned an estimated \$15 million of claimed Federal and local match costs as a result of missing support documentation associated with the fiscal administration of Corporation grants. To address this, the Corporation should evaluate the effectiveness and adequacy of grantee and subgrantee financial monitoring, as well as training and technical assistance regarding financial practices.

Our review also revealed many instances where grantees and subgrantees had not complied with grant award conditions regarding member records, especially in the area of member eligibility records such as citizenship and high school diplomas or their equivalents. As a result of noncompliance in this area, the auditors questioned more than \$18 million in member living allowances and Education Awards from Federal and local sources. To address these findings, the Corporation should evaluate the effectiveness of its systems and procedures in place to record and verify member eligibility records located at grantees, as well as subgrantees.

Background

The Corporation provides opportunities for citizens of all ages and backgrounds to serve in their communities to address unmet needs in such areas as education, public safety, environmental concerns, disaster relief, and homeland security. In carrying out its mission, the Corporation makes grants, such as those for AmeriCorps programs, to various organizations that develop and implement programs to provide such opportunities. The Corporation awards three-quarters of AmeriCorps funding to State commissions, which in turn make grants to local nonprofit organizations and other agencies. The remaining one-quarter of AmeriCorps funding is awarded to national nonprofit organizations that operate programs in more than one state.

The OIG is responsible for detecting and preventing fraud, waste, and abuse in the management and operations of the Corporation. In support of these efforts, the OIG issued 25 incurred-cost audits of State commissions and national direct grantees between October 1, 2001, and March 31, 2005. These reports included 23 audits of State commissions and two of national direct grantees (listed in the appendices).

An incurred-cost audit report essentially consists of three parts, the Independent Auditor's Report, the Report on Compliance, and the Report on Internal Controls over Financial Reporting.¹

The Independent Auditor's Report presents the results of the audit of claimed costs. Specifically, it examines, on a test basis, the evidence that supports and documents such amounts and disclosures in the schedules. The auditor questions claimed costs that were identified as noncompliant, unnecessary, or unsupported.

For the Report on Compliance, the auditor discloses the instances in which the grantee did not comply with the requirements of the grant award. Also in this report, the auditor discloses those recurring instances of noncompliance that resulted in costs being questioned.

In the Report on Internal Controls over Financial Reporting, the auditor reports on weaknesses in the grantee's internal controls that have an adverse affect on the safeguarding of Federal funds and compliance with applicable Federal laws and grant requirements.

Prior to this analysis, the OIG had not compiled and analyzed overall questioned costs and findings from the completed incurred-cost audits of State commission and national direct grantees. The only previous OIG attempt to compile and analyze audit findings was in 1998, when it reviewed the audit findings on individual grant awards made early in the AmeriCorps program. That review revealed that, out of 60 grantees, 37 (60 percent) incurred costs that were questioned due to either lack of supporting documentation or noncompliance with grant award conditions.

Purpose and Scope

The purpose of this evaluation is to compile and categorize audit findings from incurred-cost audits of Corporation grants made to State commissions and national direct grantees. Through compilation and classification of audit findings into carefully selected categories and subcategories, the OIG can systematically identify any significant or emerging trends and patterns, particularly with AmeriCorps programs (categories and subcategories are listed in the appendices). The OIG will issue follow-up reports containing additional data from subsequent incurred-cost audits.

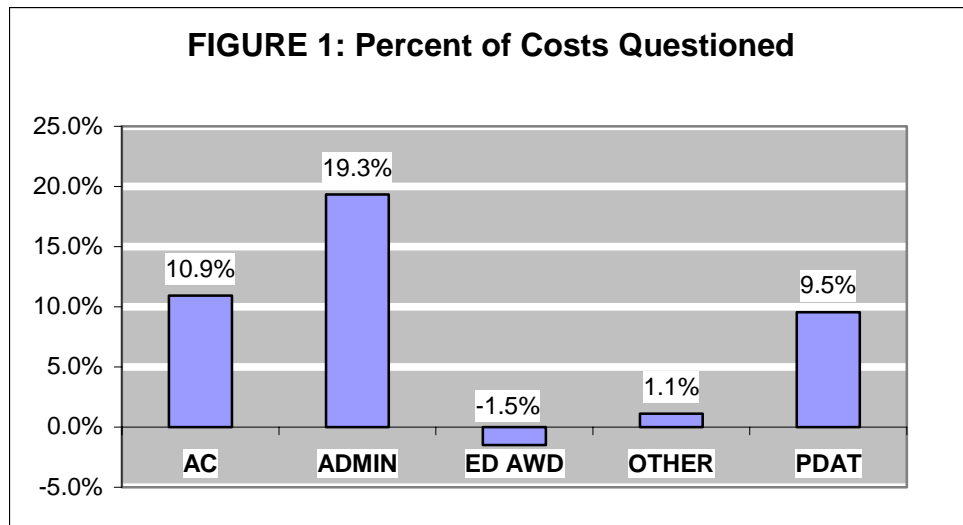
We conducted our work from March through April 2005 in accordance with quality standards established by the President's Council on Integrity and Efficiency for Inspections and Evaluations. As part of our evaluation, we considered all categories that

have been used to report on trends and patterns from prior compilations of OIG audit findings and identified in Federal requirements, such as those governing grants administration and cost principles promulgated by the Office of Management and Budget. In addition, we sought the views of OIG auditors for categories that may already be used in practice and the ones that we proposed for this evaluation. Also, we developed a Microsoft Access database to record and compile the audit findings in order to facilitate ongoing retrieval, analysis, and reporting. A detail of our methodology is presented in Appendix A. Definitions of categories and subcategories of findings and questioned costs are included in Appendix B. Additional tables and charts that supplement the presentation of our results are included in Appendix C.

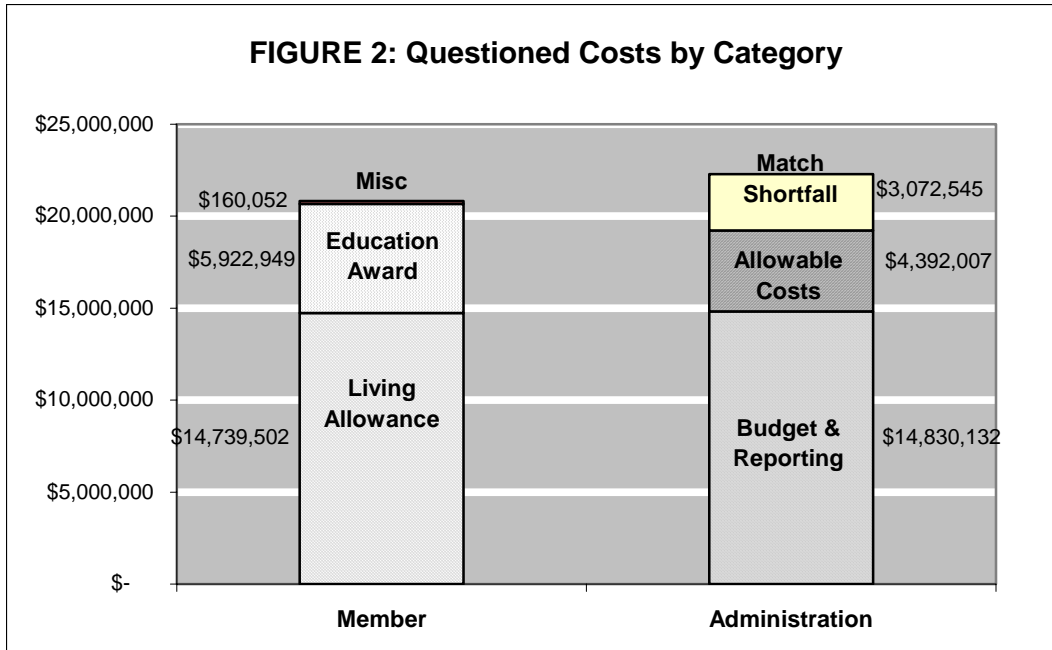
The organization and structure of the analysis results and the supporting appendices follows much the same order that questioned costs, and compliance and internal controls appeared in the incurred-cost audits we reviewed.² We have also analyzed patterns of questioned costs by audit report, audit year, and by funding source. Additionally, where possible, findings were identified by subgrantee. We referred to any of these appendices whenever we were able to provide further detail on whether any of these contributed significantly to any particular audit finding.

Summary of Questioned Costs

Of the total \$287 million that grantees and subgrantees claimed under their respective grant awards covered in the 25 OIG incurred-cost audit reports issued between October 1, 2001, and March 31, 2005, almost \$32 million, or 11 percent, of the Federally-funded costs were questioned. Of these questioned costs, more than \$26 million was in the Federal share of AmeriCorps expenses and Education Awards while almost \$4 million was for administrative grants. This represented 11 and 19 percent of costs claimed for these areas, respectively. (Figure 1 below and Table C-2 on p. 21)



Between Federal and local sources, \$43 million was questioned (Table C-1 on p. 20). As shown in Figure 2 below, around one half of these were member-related costs while the other half was related to administrative costs. Of these, more than \$10 million were questioned member and administrative costs from local sources.



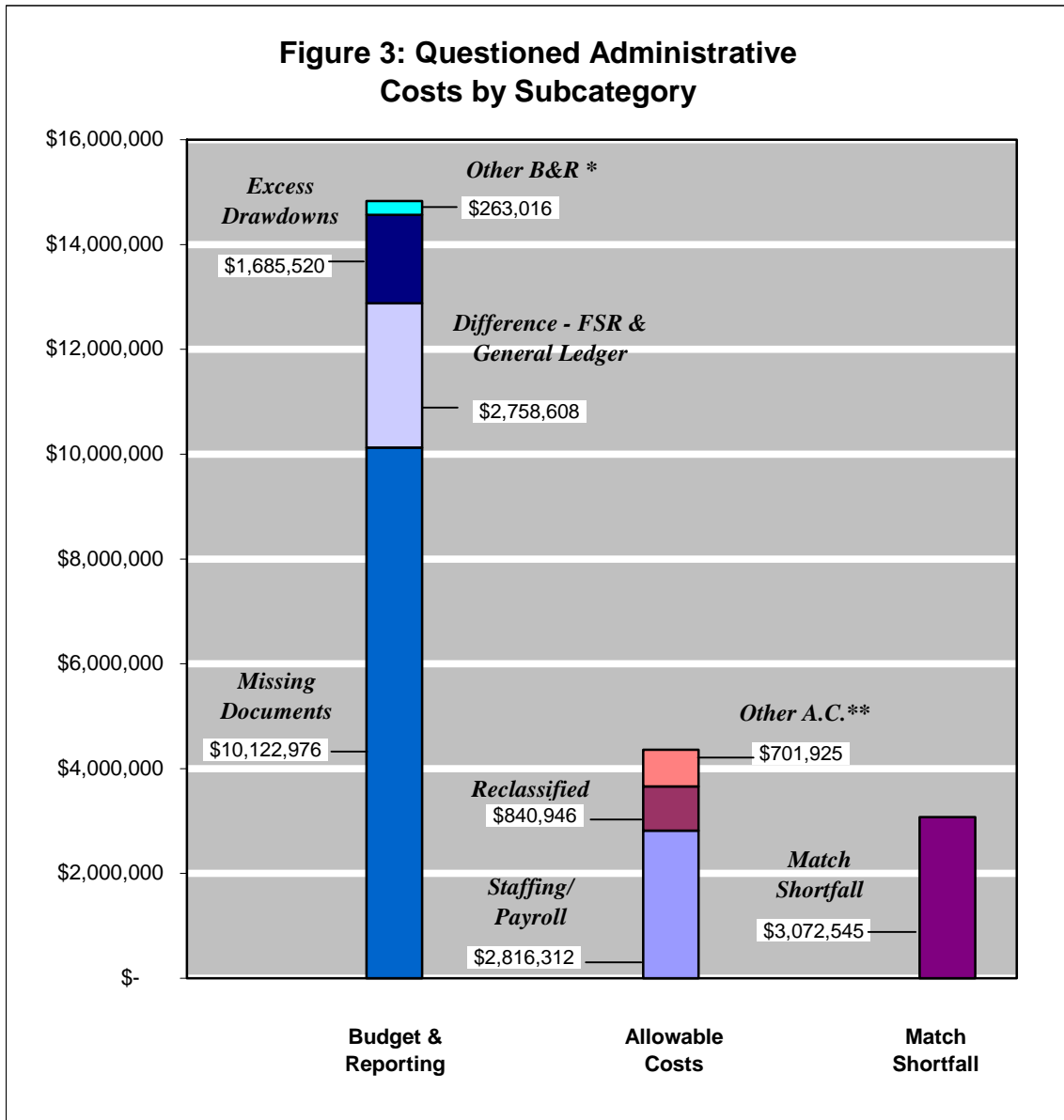
Administrative Costs that were Commonly Questioned by Auditors

For administrative costs questioned across funding sources, we were able to further group these into three main categories: budget and reporting; allowable expenses; and administrative match. (Figure 3 below and Table C-4 on p.23) In the area of budget and reporting, accounting for \$14.8 million in questioned costs, there appeared to be a preponderance of recurring conditions. The majority of this amount, \$10.1 million, or 68 percent of these questioned costs, was due to missing documentation. In addition, \$2.8 million, or 19 percent of such claimed costs, were questioned due to differences between the grantee’s financial statements or periodic expense reports submitted to the Corporation, and the amounts in the grantee’s general ledger at the time of the audit. Also, grantee drawdowns in excess of their current expenses represented another \$1.7 million, or 11 percent of these questioned costs. Of questioned costs in this category, \$67,000, or 0.4 percent, were for duplicative costs charged to one or more accounts.

More than \$4.3 million of claimed costs in the 25 selected audit reports were questioned by auditors for allowability. Most of costs questioned in this category, \$2.8 million, or 64 percent, were the result of the grantee or subgrantee not properly accounting for, or lacking supporting documentation for staff payroll, including salaries and fringe benefits. Auditors commonly cited grantees or subgrantees for allocating administrative costs to their Corporation grants when they should not have, or using incorrect fringe benefit rates. In other instances, the grantees or subgrantees had transactions that needed to be

reclassified to other program years or programs. Another large portion of questioned costs under this category involved miscellaneous cost items, including errors, overpayments and underpayments.

More than \$3 million of claimed costs were questioned due to administrative match shortfall issues.³ Where match funds were themselves questioned for specific reasons, these funds are included in the previous sections on budget and reporting or allowability.

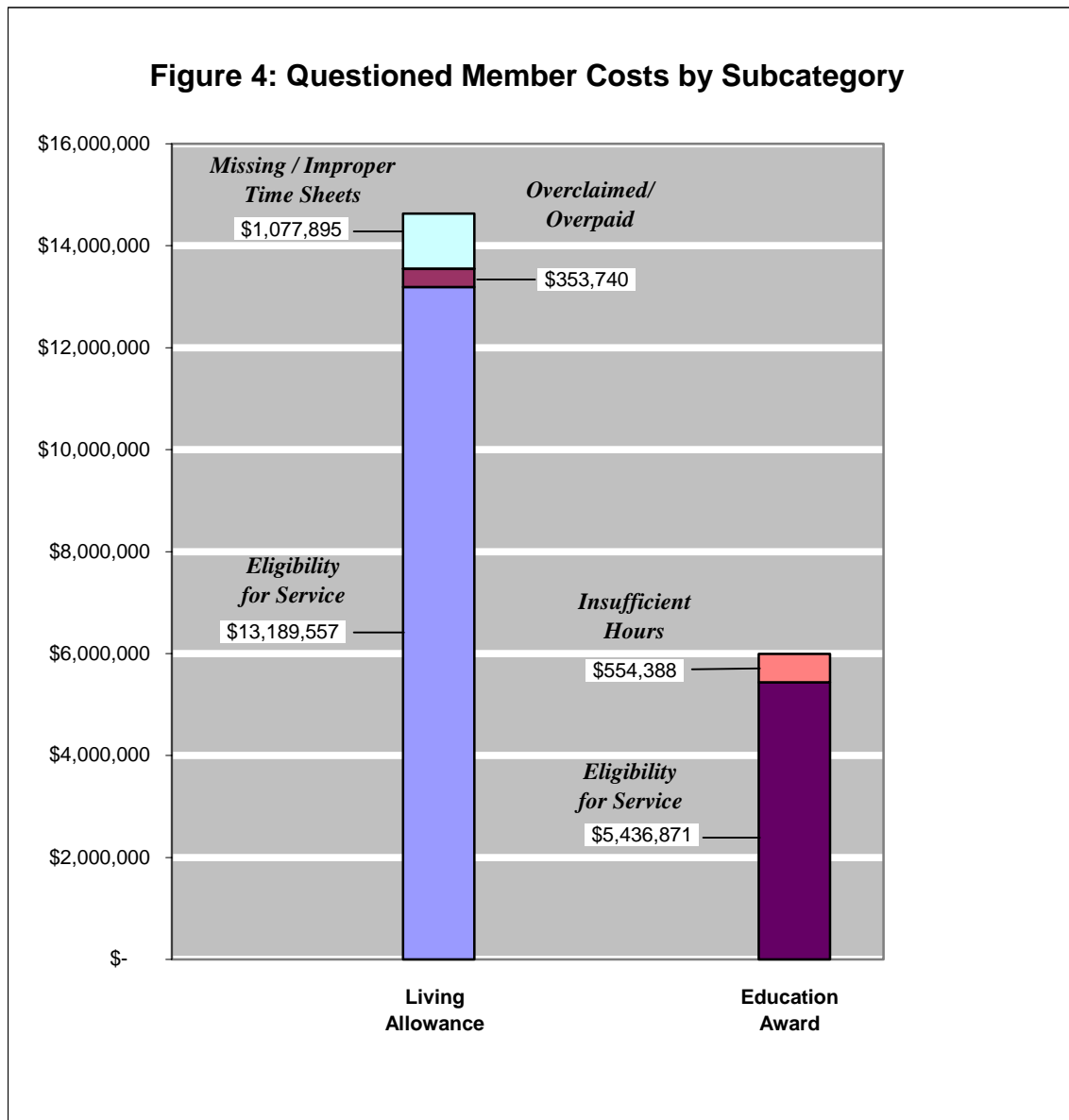


* Other B&R includes questioned costs claimed in excess of costs incurred, duplicative costs and unauthorized expenditures.

** Other A.C. includes questioned costs that are unallocable, consulting/contracts and miscellaneous allowable costs.

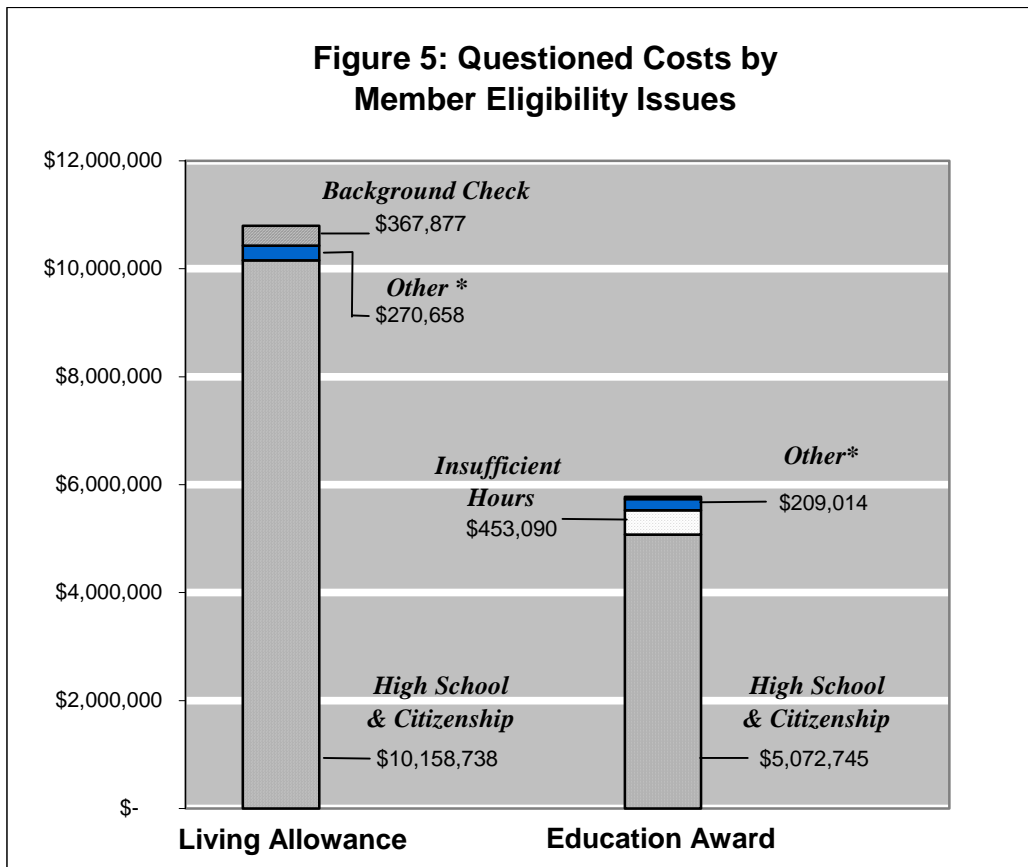
Member Costs that were Commonly Questioned by Auditors

These costs consisted primarily of living allowances, Education Awards, and miscellaneous items, including uniforms, training and education, and healthcare. In the 25 incurred-cost audit reports issued between October 1, 2001, and March 31, 2005, almost \$20.8 million in member costs were questioned. (Figure 4 below and Table C-4 on p. 23)



An estimated \$14.7 million, or 71 percent of the member costs questioned, involved living allowances. Lack of required documentation related to the members' eligibility for service resulted in \$13.1 million, or 90 percent of these questioned costs. Due to lack of specific required eligibility documents, auditors were not able to verify whether individual members had a high school diploma or equivalent, whether they were U.S. citizens or legal residents, or had undergone background checks for criminal activity⁴. Almost \$1.5 million, or 10 percent of questioned member living allowances, were questioned due to missing or improper time sheets, living allowances that were overclaimed or overpaid, and living allowances that were paid after the members had completed their service.

Questioned costs related to Education Awards amounted to close to \$5.9 million, or 29 percent of the total questioned member costs. As with living allowances, auditors questioned \$5.4 million of these costs, or 90 percent, for members who lacked eligibility documentation. Other than this condition, auditors questioned \$552,025 in Education Awards due to either missing and improper time sheets or insufficient hours.⁵ The remaining miscellaneous questioned member costs amounted to an additional \$160,052. (Figure 5 below and Table C-5 on p. 23)



* Other includes missing performance evaluation and unspecified.

Summary of Compliance and Internal Control Findings

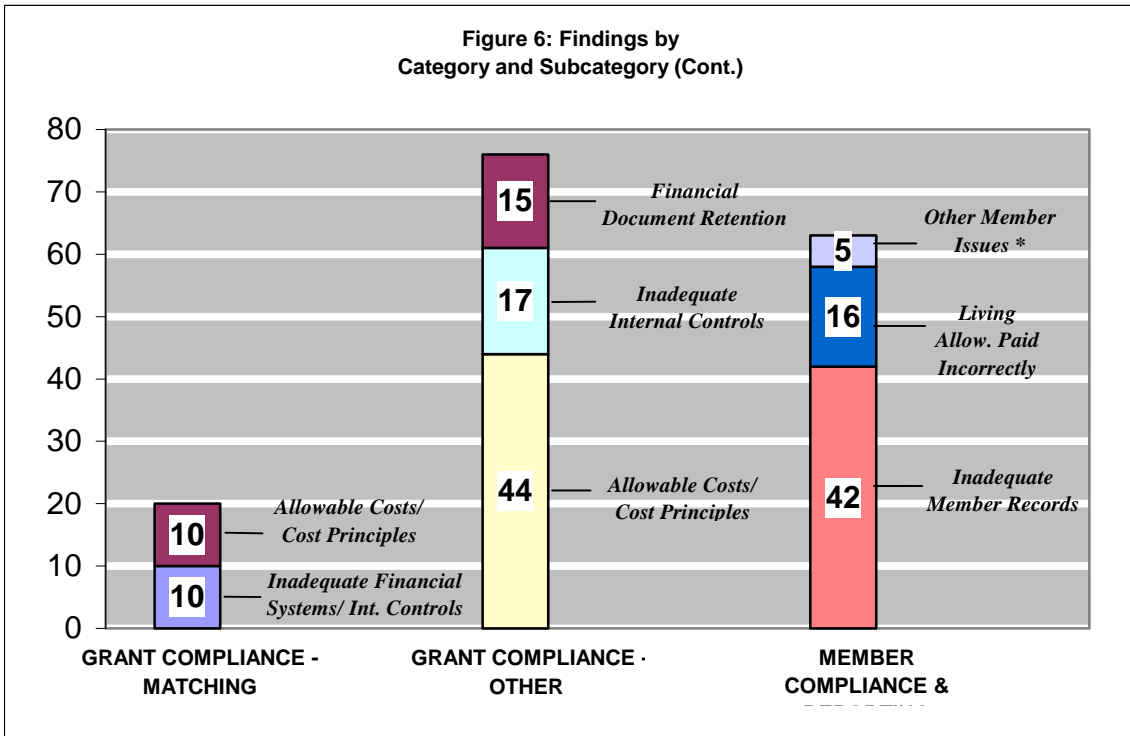
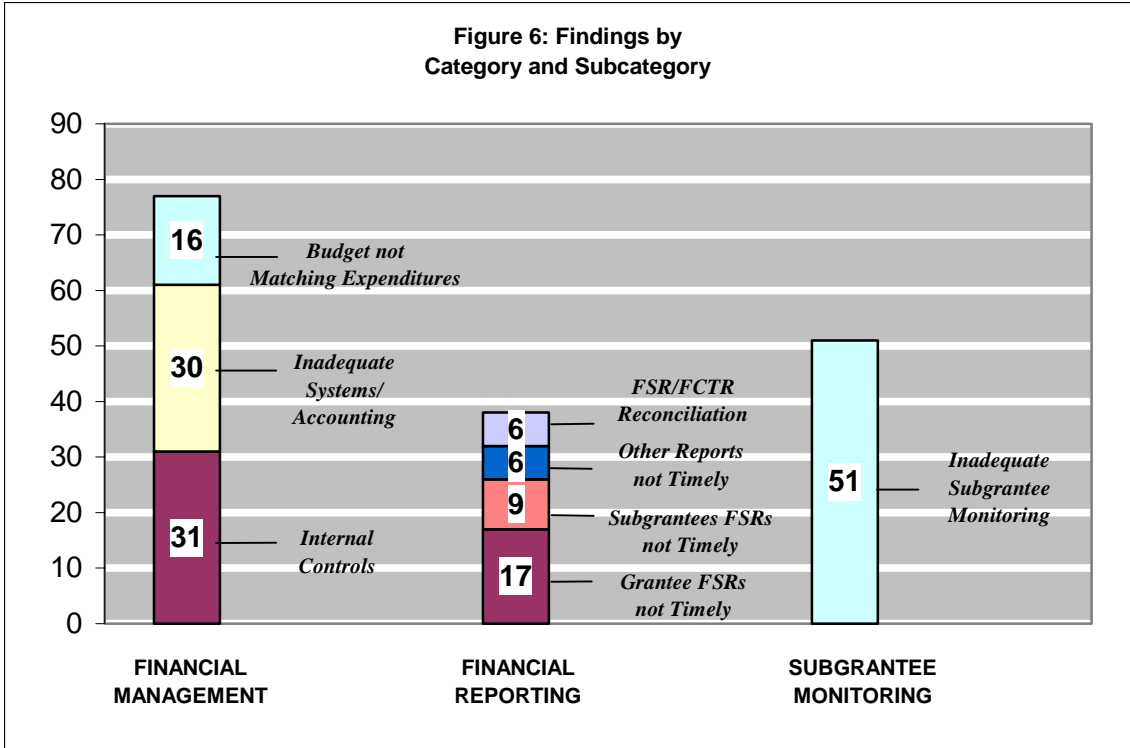
We classified the audit findings further into subcategories to gain a better understanding of the underlying conditions. We found that the most frequently recurring issues were related to financial management, grant compliance, member compliance, and subgrantee monitoring.

Recurring Financial Management and Compliance Weaknesses

In the 25 incurred-cost audit reports issued between October 1, 2001, and March 31, 2005, the auditors made 325 compliance and internal control findings. Out of this total, 77 findings, or almost 24 percent, were attributed to financial management weaknesses. For the most part, grantees or their subgrantees lacked an adequate system of internal controls for safeguarding assets, financial reporting, and compliance; had inadequate financial systems or accounting procedures; or did not review actual to budgeted expenditures as required. (Figure 6 below and Table C-9 on p. 29)

The next most frequently recurring audit findings involved grant compliance. Out of the total, 76 findings, or 23 percent, were a result of costs being questioned for allowability. Following the trends in the questioned costs already cited, member compliance, eligibility, and reporting were frequent findings. Specifically, 63 findings, or 19 percent of the total, fell into this group. As we detailed earlier, auditors disclosed that grantees or their subgrantees had inadequate member records to verify eligibility members' status and whether member living allowances and benefits had been paid correctly. Another frequently recurring audit finding centered on inadequate monitoring of subgrantees' activities. Fifty-one, or 16 percent of the audit findings, were attributable to this subcategory.

Financial reporting accounted for 38 findings, or 10 percent, while matching issues represented another 20 findings, or 8 percent of the total findings. Most of the financial reporting issues related to the timeliness of report submissions, while other findings on reporting included instances in which Financial Status Reports were not reconciled with accounting records.⁶ In terms of match, auditors found that grantees or their subgrantees did not follow cost principles regarding allocation of expenditures, lacked internal controls, or did not have an adequate system or accounting procedures to track match expenditures.



* Other member issues include member documents not being submitted in a timely manner and inappropriate/ineligible member service.

Conclusions and Recommendations

1. Financial Management and Administrative Records

Conclusion: Auditors frequently cited inadequate financial controls and accounting systems. As part of these findings, auditors questioned claimed costs as a result of missing support documentation associated with the fiscal administration of Corporation funding. For example, grantees and subgrantees are required to maintain source records that can be traced back from financial reports that they submitted to the Corporation, draw-downs that they made, and staff salaries and benefits that they charged to AmeriCorps program funding. In all, the auditors questioned more than \$15 million in these types of costs over the period examined.

Recommendation: The Corporation should evaluate the effectiveness and adequacy of its grantee and subgrantee financial monitoring as well as training and technical assistance to grantees and subgrantees on financial practices. As part of this evaluation, the Corporation should conduct a self-assessment of the scope and extent of these efforts in light of the current level of funding available for monitoring, training and technical assistance.

2. Member Management and Records

Conclusion: In many instances, grantees and subgrantees did not comply with grant award conditions regarding member records. The most frequent incidents of noncompliance involved missing or incomplete eligibility records for AmeriCorps members, especially those that document the individual member's citizenship status and high school diploma (or its equivalent). As a result of noncompliance, the auditors questioned more than \$18 million collectively in living allowances and Education Awards over the period examined. We note that the Corporation changed its documentation requirements and the auditors now have fewer findings, but these issues still represent a significant portion of questioned costs.

Recommendation: The Corporation should evaluate the effectiveness of its systems and procedures in place to record and verify member eligibility records located at grantees as well as subgrantees. As part of this effort, the Corporation should test member eligibility data maintained and reports generated from its automated systems against source records on file at grantees and subgrantees for overall accuracy and completeness. Additionally, this evaluation should assess both the level of Corporation and grantee oversight and monitoring currently being conducted on member records and the accuracy and completeness of these records.

Appendix A

Detailed Methodology

As shown in the table below, OIG issued a total of 25 cost audit reports during the period of October 1, 2000, through March 31, 2005. These reports covered Corporation grants awarded to 23 State commissions and 2 national nonprofit organizations (national direct grantees). The State commissions and nonprofit organizations claimed total costs in the amount of almost \$288 million under their respective grants. Auditors questioned costs of almost \$32 million, or 11 percent of the grants' total.

Incurred-Cost Audit Reports

01-04 Oregon	02-11 Missouri	02-21 Alabama	03-07 Pennsylvania	05-08 Vermont
01-05 Delaware	02-14 Michigan	03-03 Indiana	03-08 Connecticut	05-09 Hawaii
02-08 North Carolina	02-16 Alaska	03-04 Wisconsin	04-14 South Carolina	05-12 Educational Services District 112*
02-09 Washington	02-17 New Jersey	03-05 Ohio	04-22 Rhode Island	05-13 Ohio
02-10 Kentucky	02-20 New Hampshire	03-06 Maine	05-04 Colorado	05-16 National Association of Community Health Centers*

* Nonprofit organization

An integral part of our methodology involved developing categories and subcategories to consistently identify questioned costs and audit findings in order to compile them systematically for retrieval, analysis, and reporting through the establishment of a Microsoft Access database. In developing the categories and subcategories (identified in Appendix B), we gained an understanding of the objectives and design behind incurred-cost audits that the OIG performed and the types and extent of audit information being collected. An incurred-cost audit reviews whether: (1) costs claimed under the award are allowable, supported, reasonable and necessary; (2) grantee's compliance with the applicable award terms and requirements; (3) internal controls over financial management and reporting were adequate to safeguard Federal funds.

We researched Federal requirements which must be followed government-wide for grants administration and costs claimed under awards. These requirements are stipulated in guidance, known as Circulars, promulgated by the Office of Management and Budget (OMB). Directly related to this evaluation, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires certain grantees to submit audit results to the Federal Audit Clearinghouse. Grantees often have multiple grant awards from other agencies. Chief among its responsibilities, the Federal Audit Clearinghouse disseminates audit information to Federal agencies and the public and supports OMB oversight and assessment of Federal award audit requirements. Some of the categories that the Clearinghouse designated to compile audit information, and which we also considered for this evaluation, included: activities allowed or disallowed, eligibility, matching, reporting, and subgrantee monitoring.

In addition, we considered previous efforts to compile and analyze audit information. Specifically, we reviewed the categories applied for identifying the types of findings that were disclosed as part of the audits and reviews of the early grants made under the AmeriCorps program (see OIG Audit Report Number 98-22, *Summary of Results of Audits & Reviews of Grants, Fiscal Year 1995 through 1997*). This report revealed the areas of difficulty that grantees were experiencing in administering their funding, including compliance with specific grant provisions. Additionally, more than 60 percent of those early grantees (37 of 60) had costs that were questioned by the auditors because of inadequate support documentation or noncompliance.

Also, we reviewed categories used in OIG's analysis of the results from 37 State commission pre-audit surveys (see OIG Audit Report 01-41, *Summary of 37 State Commission Pre-Audit Survey Reports*). Essentially, this analysis sorted results from the 37 pre-audit surveys by category, the finding, and frequency of that finding. OIG found that, while 60 percent of the State commissions had established adequate financial systems to administer their Corporation grants, only 19 percent had adequate systems to monitor their subgrantees.

Finally, we obtained technical assistance and concurrence from OIG auditors on the major categories that we proposed. At the request of OIG auditors, our analysis of questioned costs did not include those that pertained to noncompliance with documentation record retention requirements from earlier incurred-cost audits performed during fiscal 2001 and 2002. It had been determined that some source documents exceeded the required record retention time period at the time those audits were performed.

As a result of the procedures performed above and input from OIG auditors, the two main groups of categories that we designated for questioned costs were administrative and member costs. Administrative cost categories included budget and reporting, allowable costs, and match shortfall. Member cost categories included living allowance, Education Award and miscellaneous costs. By associating costs with categories and subcategories of questioned costs, we were able to examine patterns by funding type and audit year. For findings related to compliance and internal controls, we classified them either as financial management and subgrantee monitoring; financial reporting; grant compliance (matching), grant compliance (other); or member compliance, eligibility, and reporting.

Appendix B

Major Categories And Subcategories of Questioned Costs And Findings

MAJOR CATEGORIES AND SUBCATEGORIES OF QUESTIONED COSTS AND FINDINGS

Findings and questioned costs were assigned standardized subcategories. These subcategories were, in turn, included in specific major categories based on the types of questioned costs and findings.

QUESTIONED COST CATEGORIES

Categories of questioned administrative costs included Budget and Reporting, how well documentation and reports matched the amounts in budgets and recorded expenditures. Allowable Costs focused on expenses that could not be allocated to funding sources (such as payroll based on inadequate time sheets) or those that were reclassified or recalculated. Administrative categories also included Match Shortfall.

Categories of questioned member costs focused on the Living Allowance as well as the Education Award. The first represented an incurred-cost while the second represented a funding liability. Living allowances might be questioned based on eligibility for service, missing or improper time sheets, overclaimed or overpaid expenses, or payments made after service completion. Education Awards might also be questioned based on eligibility issues, missing or improper time sheets or on insufficient hours worked to earn the award. Member eligibility issues include proof of citizenship, high school diplomas or their equivalent, criminal background checks for members working with children, or program documents such as performance evaluations. Miscellaneous costs include lack of authorization for expenses, health care, ineligible activities or excessive training costs.

Questioned Cost Subcategories

Administrative Costs – Budget and Reporting

- Missing Documentation
- Difference between FSR/PER and General Ledger
- Drawdowns
- Duplicative Costs
- Costs Claimed in Excess of Costs Incurred
- Unauthorized Expenditure

Administrative Costs – Allowable Costs

- Staffing/Payroll (Time Allocation)
- Unallocable
- Recalculated
- Reclassification
- Consulting/ Contract
- Other

Administrative Costs – Match Shortfall

- Administrative Match Shortfall

Member Costs – Living Allowance

- Eligibility for Service
- Living Allowance Overclaimed/ Overpaid
- Missing/ Improper Time Sheets
- Living Allowance Paid after Service Completion

Member Costs – Education Award

- Eligibility for Service
- Missing/Improper Time Sheets
- Insufficient Hours

Member Costs - Miscellaneous

- Deviation from Budget/ No Prior Approval
- HealthCare
- Ineligible Activity
- Training & Education
- Uniforms & Other

FINDING CATEGORIES

These categories included Financial Management and Subgrantee Monitoring, how closely financial expenditures and subgrantee activities were tracked and controlled based on original budgets, project plans and compliance with applicable requirements. Finding categories also included Financial Reporting, focusing on timeliness of reporting by grantees and subgrantees as well as the reconciliation of accounts.

Other categories focused on program administration and included Matching of Federal funds and Other Grant Compliance for regular AmeriCorps and administrative funds. Both these categories included allowable costs principles, document retention and internal control systems. Categories of findings relative to AmeriCorps Members Compliance focused on maintenance of member records such as eligibility documents and time sheets for living allowances and Education Awards.

Finding Subcategories

Financial Management and Subgrantee Monitoring

- Financial review of actual to budgeted expenditures
- Inadequate financial system/ accounting
- System of internal controls for safeguarding assets, financial reporting, and compliance
- Inadequate monitoring of subgrantees' activity

Financial Reporting

- Cash Transaction Reports not timely
- Final financial reports for project closeout not timely
- Financial document retention - subgrantees
- FSR's not submitted timely by Commission
- FSR's not submitted timely by subgrantees
- Reconciliation of FSRs with FCTR

Grant Compliance - Matching

- Allowable costs/cost principles
- Financial document retention - subgrantees
- Inadequate financial system/ accounting
- System of internal controls for safeguarding assets, financial reporting, and compliance

Grant Compliance - Other

- Allowable costs/cost principles
- Financial document retention - grantee
- Financial document retention - subgrantees
- System of internal controls for safeguarding assets, financial reporting, and compliance

Member Compliance, Eligibility & Reporting

- Inappropriate Service
- Living allowance/ benefit expenses paid incorrectly
- Allowable costs/cost principles
- Inadequate records
- Membership documents not submitted in timely manner

Appendix C

Questioned Costs and Findings – Tables and Charts

QUESTIONED COSTS

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Incurred-Costs Audits - Questioned Costs

As shown in Table C-1 below and Figure 1 on p.3, nearly 11 percent of claimed costs were questioned by auditors. However, more than 19 percent of administrative grants were questioned.

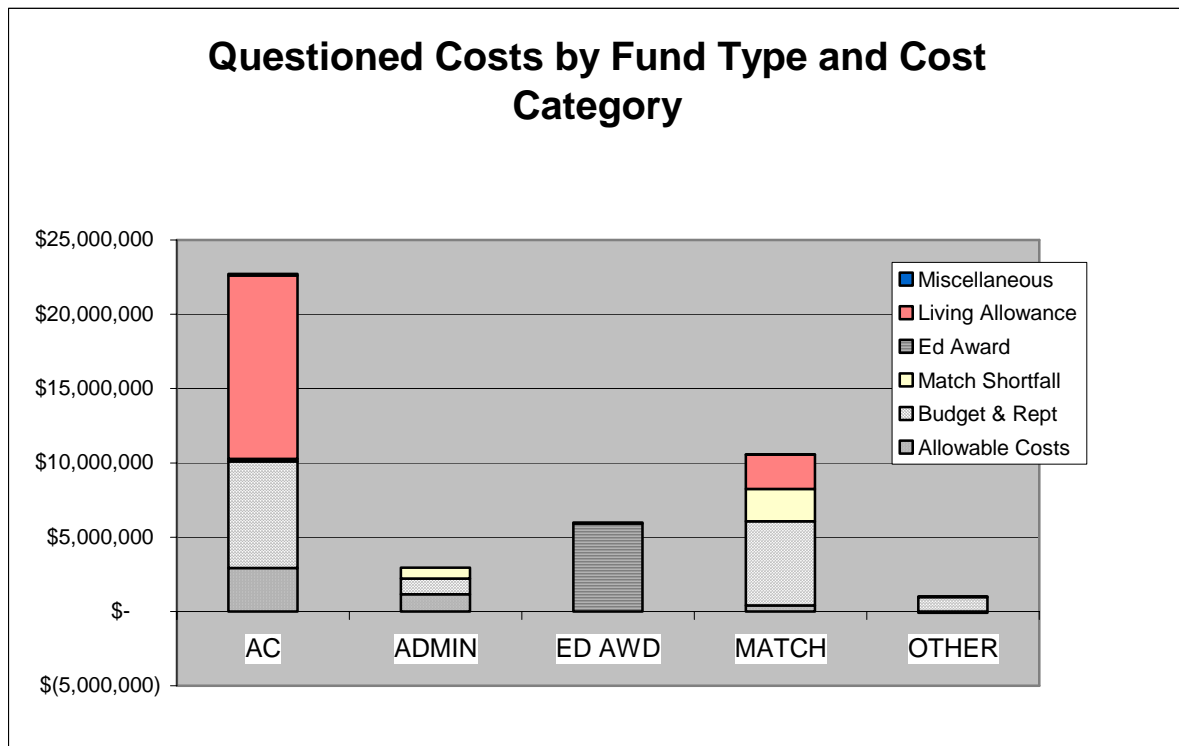
TABLE C-1: QUESTIONED COSTS BY AUDIT NO. AND FUND TYPE

	Federal Share of AmeriCorps Grants & Education Awards		Federal Share of Administrative Grants	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
AUDIT 01-04 OR	\$2,951,111	41.1%	\$27,867	4.2%
AUDIT 01-05 DE	\$306,123	12.8%	\$32,836	4.5%
AUDIT 02-08 NC	\$368,101	3.3%	\$113,789	6.3%
AUDIT 02-09 WA	\$1,715,047	4.8%	\$288,990	17.4%
AUDIT 02-10 KY	\$5,165,985	34.4%	\$292,174	26.0%
AUDIT 02-11 MO	\$7,903,630	65.6%	\$7,760	0.8%
AUDIT 02-14 MI	\$262,715	2.3%	-\$20,273	-2.0%
AUDIT 02-16 AK	\$10,341	0.3%	\$39,427	25.0%
AUDIT 02-17 NJ	\$2,657,442	9.5%	\$839,112	40.5%
AUDIT 02-20 NH	\$2,266,933	55.6%	\$338,220	61.8%
AUDIT 02-21 AL	\$349,179	8.0%	\$362,550	45.8%
AUDIT 03-03 IN	\$829,243	7.4%	\$0	0.0%
AUDIT 03-04 WI	\$254,947	5.5%	\$305,157	50.0%
AUDIT 03-05 OH	\$1,163,097	9.3%	\$0	0.0%
AUDIT 03-06 ME	\$5,771	0.2%	\$329,063	75.9%
AUDIT 03-07 PA	\$0	0.0%	-\$142,250	-20.0%
AUDIT 03-08 CT	\$0	0.0%	\$1,892	0.5%
AUDIT 04-14 SC	\$22,557	0.6%	\$0	0.0%
AUDIT 04-22 RI	\$148,959	2.3%	\$0	0.0%
AUDIT 05-04 CO	\$3,516	0.0%	\$1,089,907	89.6%
AUDIT 05-08 VT	\$0	0.0%	\$0	---
AUDIT 05-09 HI	\$260,193	9.2%	\$0	0.0%
AUDIT 05-12 ESD	\$4,929	0.1%	\$0	---
AUDIT 05-13 OH	\$142,625	0.7%	\$0	0.0%
AUDIT 05-16 NACHC	\$38,724	0.5%	\$0	---
TOTAL	\$26,831,168	10.9%	\$ 3,906,221	19.3%

Table C-2 and Figure C-2 below show the amount of questioned costs broken out by fund type and major category of costs. Altogether, there were more than \$43 million in questioned costs over the five years of reports surveyed across all funding sources, including the first part of 2005. Of this, \$22.7 million was in AmeriCorps grants, \$2.9 million was in administrative grants and \$ 5.9 million was in obligations for Education Awards.

TABLE C-2: QUESTIONED COSTS BY CATEGORY AND FUND TYPE

	AC	ADMIN	ED AWD	MATCH	OTHER
Allowable Costs	\$ 2,927,185	\$ 1,164,609	---	\$ 399,124	\$ (98,911)
Budget & Reporting	\$ 7,173,690	\$ 1,044,176	---	\$ 5,669,151	\$ 943,115
Match Shortfall	\$ 160,406	\$ 729,609	---	\$ 2,182,530	---
Living Allowance	\$ 12,342,871	---	---	\$ 2,295,214	\$ 51,445
Education Award	---	---	\$ 5,991,259	---	---
Miscellaneous Member Costs	\$ 113,331	---	---	\$ 24,710	\$ 3,673



While Figure 3 on p.4 shows questioned costs across all funding sources for each major category by audit number, Table C-3 below shows the total per category for each audit. On average, 34 percent of questioned costs across all funding sources were categorized as budget and reporting issues, and another 34 percent were living allowance issues. Of budget and reporting issues, more than two thirds (\$10.2 million) was related to missing documentation and 18.6 percent (\$2.8 million) was related to differences between financial reports and general ledgers. Of unallowable costs, two thirds (\$2.8 million) was related to lack of records for staff payroll to support allocation of time to AmeriCorps grants.

TABLE C-3: QUESTIONED COSTS BY CATEGORY AND AUDIT NUMBER

		Administrative Costs			Member Costs		
		Budget & Reporting	Allowable Costs	Match Shortfall	Living Allowance	Education Award	Misc.
TOTAL		\$ 14,830,132	\$4,392,007	\$3,072,545	\$ 14,739,502	\$5,922,949	\$160,052
AUDIT 01-04	OR	\$1,558,708	---	---	\$1,668,901	\$572,991	---
AUDIT 01-05	DE	\$ 17,257	\$151,910	---	---	---	\$5,162
AUDIT 02-08	NC	\$140,028	\$ 28,576	\$5,189	\$296,231	\$ 85,050	---
AUDIT 02-09	WA	\$1,070,499	\$155,219	\$171,754	\$ 45,343	\$9,450	---
AUDIT 02-10	KY	\$2,129,145	\$107,389	\$1,594,948	\$2,293,880	\$827,562	\$ 14,382
AUDIT 02-11	NJ	\$3,543,911	\$904,423	\$ 41,725	\$6,811,569	\$2,654,190	---
AUDIT 02-14	MI	\$ 43,427	\$ 77	---	\$261,556	\$175,748	\$3,782
AUDIT 02-16	AK	\$ 43,050	\$ 74,427	---	\$ 10,341	---	---
AUDIT 02-17	NJ	\$2,183,563	\$899,724	\$ 18,473	\$425,774	\$ 65,232	\$ 13,006
AUDIT 02-20	NH	\$1,858,519	\$ 70,589	\$625,438	\$1,491,422	\$835,480	\$ 22,154
AUDIT 02-21	AL	\$ 12,226	\$787,026	\$3,721	\$387,679	\$ 92,065	\$ 23,144
AUDIT 03-03	IN	\$528,796	\$274,468	---	\$216,253	\$167,762	---
AUDIT 03-04	WI	\$750	\$105,077	\$305,157	\$193,053	\$132,200	\$3,673
AUDIT 03-05	OH	\$227,114	\$695,099	---	\$329,841	\$240,846	---
AUDIT 03-06	ME	\$254,268	\$ 36,062	\$145,734	\$982	---	---
AUDIT 03-07	PA	\$4,563	\$103	---	---	---	---
AUDIT 03-08	CT	---	\$1,892	---	---	---	---
AUDIT 04-14	SC	\$3,905	\$ 12,234	---	\$ 16,949	\$ 35,587	\$1,800
AUDIT 04-22	RI	\$2,161	\$2,008	---	\$ 89,152	\$ 16,042	\$ 72,176
AUDIT 05-04	CO	\$1,089,162	\$ 12,541	---	---	---	---
AUDIT 05-09	HI	---	\$ 23,698	\$160,406	\$ 76,851	\$4,725	\$773
AUDIT 05-12	ESD	\$1,614	\$7,048	---	\$875	---	---
AUDIT 05-13	OH	\$115,488	---	---	\$ 89,239	---	---
AUDIT 05-16	NACHC	---	---	---	---	---	---

Table C-4 below shows the summary of questioned costs for each subcategory. Figure 3 on p. 5 shows the largest amounts for questioned administrative costs while Figure 4 on p. 6 shows the largest amounts for questioned member costs.

TABLE C-4: QUESTIONED COSTS BY CATEGORY AND SUBCATEGORY

	Category	Subcategory	Questioned Costs
ADMIN	Budget and Reporting	Costs Claimed in Excess of Costs Incurred	\$ 172,070
		Difference between FSR/PER and General Ledger	\$ 2,758,608
		Drawdowns	\$ 1,685,520
		Duplicative costs	\$ 66,946
		Missing Documentation	\$ 10,122,976
		Unauthorized Expenditure	\$ 24,000
	Allowable Costs	Consulting/Contract	\$ 54,209
		Other	\$ 486,066
		Recalculated	\$ 113,293
		Reclassifications	\$ 840,946
		Staffing Payroll	\$ 2,816,312
		Unallocable	\$ 48,357
Match Shortfall	Match Shortfall	\$ 3,072,545	
MEMBER	Living Allowance	Eligibility for Service	\$ 13,189,557
		Living Allowance Overclaimed/Overpaid	\$ 353,740
		Living Allowance Paid after Service Completion	\$ 8,368
		Time sheets Missing/Improper	\$ 1,077,895
	Education Award	Education Awards for Ineligible Members	\$ 5,436,871
		Education Awards for Members with Insufficient Hours	\$ 554,388
	Miscellaneous	Deviation from Budget/No Prior Approval	\$ 33,214
		Health Care	\$ 40,792
		Training & Education	\$ 56,878
		Uniforms & Other	\$ 10,830

Table C-5 below and Figure 5 on p.7 provide additional details on questioned costs for living allowance and Education Awards by specific member eligibility issues.

TABLE C-5: QUESTIONED COSTS – MEMBER ELIGIBILITY

	LIVING ALLOWANCE	EDUC. AWARD
HS & Citizenship	\$ 7,935,617	\$ 4,193,105
HS Only	\$ 1,874,961	\$ 654,990
Citizenship Only	\$ 348,160	\$ 224,650
Background	\$ 367,877	\$ 41,911
Perf Evaluation	\$ 1,530	\$ 80,710
Insufficient Hours	\$ -	\$ 453,090
Unspecified	\$ 269,128	\$ 128,304

As shown in Table C-6, Figure C-7 and Figure C-8, the total of questioned costs across all funding sources peaked for audits for several of the major cost categories conducted in Fiscal Year 2002. More than \$16 million in administrative costs and \$21 million of member costs were questioned in this year alone. In Fiscal Year 2002, about 29 percent of questioned costs were related to budget and reporting issues and another 29 percent to member eligibility for the living allowance.

TABLE C-5: QUESTIONED COSTS BY CATEGORY AND AUDIT YEAR

	2001	2002	2003	2004	2005
Budgets and Reporting	\$1,575,965	\$11,016,069	\$1,004,893	\$2,577	\$1,206,628
Allowable Costs	\$151,910	\$3,035,749	\$1,123,299	\$17,731	\$87,318
Administrative Match	\$0	\$2,492,950	\$484,347	\$0	\$160,406
Total Admin. Costs	\$1,727,875	\$16,544,768	\$2,612,539	\$20,308	\$1,454,352
Living Allowance - Member Eligibility	\$1,552,948	\$11,124,416	\$ 338,061	\$ 84,488	\$137,253
Living Allowance - Overpaid, Time Sheets, Ineligible Activity	\$ 694,106	\$5,720,624	\$ 946,549	\$ 145,418	\$ 76,840
Ed Award - Member Eligibility	\$ 572,991	\$ 4,414,029	\$ 320,781	\$ 50,379	\$ 12,744
Ed Award - Time Sheets, Insuff Hrs	- - -	\$ 330,748	\$ 220,027	\$ 1,250	- - -
Miscellaneous Member Costs	\$ 5,162	\$76,468	\$ 3,673	\$ 73,976	\$773
Total Member Costs	\$ 2,825,207	\$ 21,666,285	\$1,829,091	\$ 355,511	\$227,610

FIGURE C-7: Questioned Administrative Costs by Category and Audit Year

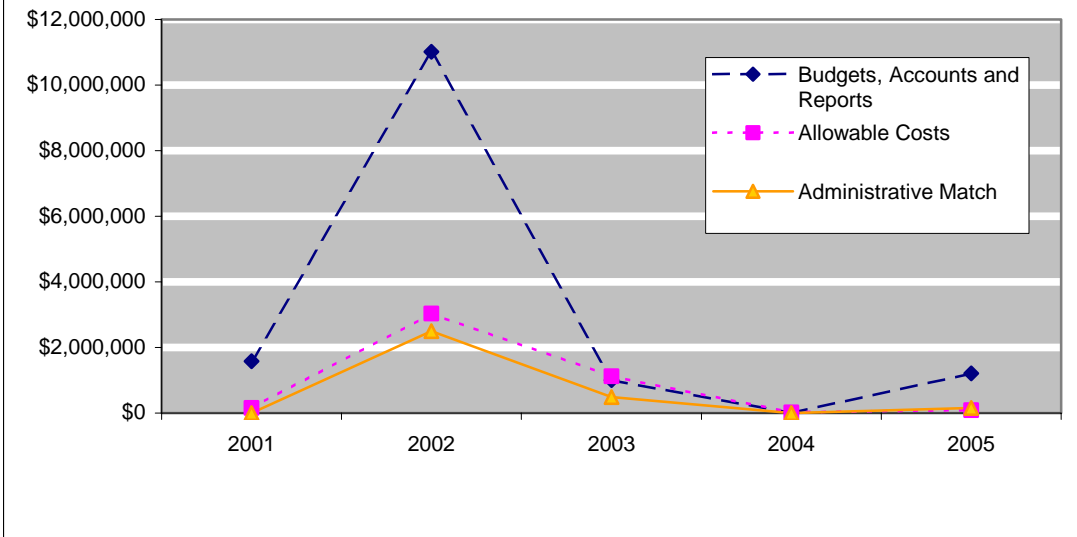
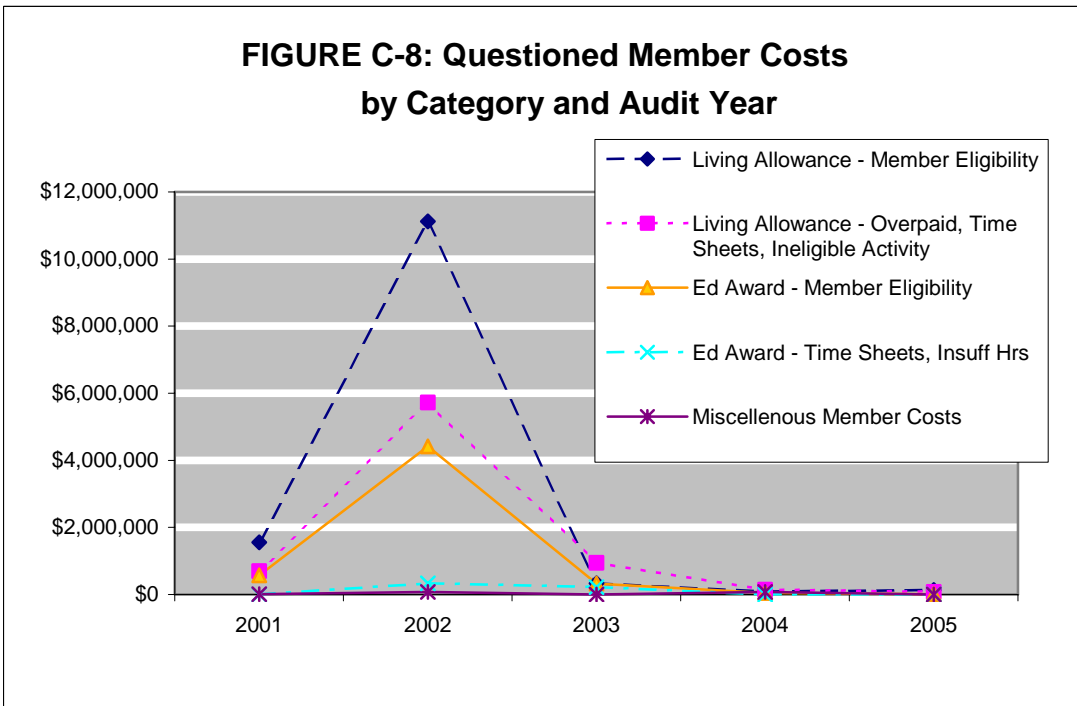


FIGURE C-8: Questioned Member Costs by Category and Audit Year



Incurred-Cost Audits - Findings

Table C-7 below shows the number of findings by category for each audit. Based on costs questioned and observed practices, audits included 325 findings with associated recommendations. Of these, 286 (88 percent) were directed at grantees and 39 (12 percent) were directed at the Corporation. Out of all findings, 77 (24 percent) were related to financial management while 39 (12 percent) were related to the timeliness of financial reporting. Of the financial management findings, 30 were specific to inadequate financial and accounting systems and 31 to inadequate systems of internal control.

TABLE C-7: Findings by Category and Audit Number

		Financial Management	Financial Reporting	Subgrantee Monitoring	Grant Compliance - Matching	Grant Compliance - Other	Member - Compliance and Eligibility
AUDIT 01-04	OR	2	1	3	3	3	3
AUDIT 01-05	DE	6	4	2	0	1	6
AUDIT 02-08	NC	7	4	0	1	2	2
AUDIT 02-09	WA	2	2	4	2	5	0
AUDIT 02-10	KY	3	1	7	3	5	1
AUDIT 02-11	NJ	2	0	2	0	4	2
AUDIT 02-14	MI	1	1	2	0	1	2
AUDIT 02-16	AK	5	2	0	0	3	2
AUDIT 02-17	NJ	4	4	1	1	2	3
AUDIT 02-20	NH	4	1	8	0	6	1
AUDIT 02-21	AL	5	1	3	1	6	2
AUDIT 03-03	IN	3	2	6	1	0	1
AUDIT 03-04	WI	0	1	4	1	3	3
AUDIT 03-05	OH	2	1	2	0	5	1
AUDIT 03-06	ME	4	2	0	4	8	3
AUDIT 03-07	PA	2	0	1	0	1	0
AUDIT 03-08	CT	6	4	0	0	2	1
AUDIT 04-14	SC	2	1	1	1	1	3
AUDIT 04-22	RI	4	1	0	1	1	5
AUDIT 05-04	CO	5	2	0	1	0	1
AUDIT 05-08	VT	2	2	1	0	0	2
AUDIT 05-09	HI	1	1	1	0	6	6
AUDIT 05-12	ESD	1	0	2	0	6	7
AUDIT 05-13	OH	2	1	1	0	0	1
AUDIT 05-16	NACHC	2	0	0	0	4	5

Table C-8 and Figure 6 on pp. 9 - 10 show the total number of findings by subcategory. Out of all findings, 75 (23 percent) were related to grant compliance issues such as OMB cost principles and administrative standards. Of these, 44 were specific to OMB cost principles and 17 to OMB administrative standards. Out of all findings, 75 (23 percent) were related to member compliance, eligibility and reporting. Of these, 42 findings focused on inadequate records for AmeriCorps members. Another 51 (16 percent) were related to inadequate subgrantee monitoring by grantees. Only 20 (6 percent) were related to grant matching issues.

TABLE C-8: Findings by Category and Subcategory

Category	Subcategory	Number of Findings
Financial Management	System of internal controls for safeguarding assets, financial reporting, and compliance	31
	Inadequate financial system/accounting	30
	Financial review of actual to budgeted expenditures	16
Financial Reporting	Grantee FSRs not timely	17
	Subgrantee FSR's not timely	9
	Cash Transaction Reports not timely	6
	Reconciliation of FSRs with FCTR	6
	Final financial reports for project closeout not timely	1
Subgrantee Monitoring	Inadequate monitoring of subgrantee' activities	51
Grant Compliance - Matching	Allowable costs/cost principles	10
	Inadequate financial system/accounting	5
	System of internal controls for safeguarding assets, financial reporting, and compliance	5
Grant Compliance - Other	Allowable costs/cost principles	44
	System of internal controls for safeguarding assets, financial reporting, and compliance	17
	Financial document retention	14
Member - Compliance, Eligibility and Reporting	Inadequate member records	42
	Living allowance/benefit expenses paid incorrectly	16
	Membership documents not submitted in timely manner	3
	Inappropriate Service	2

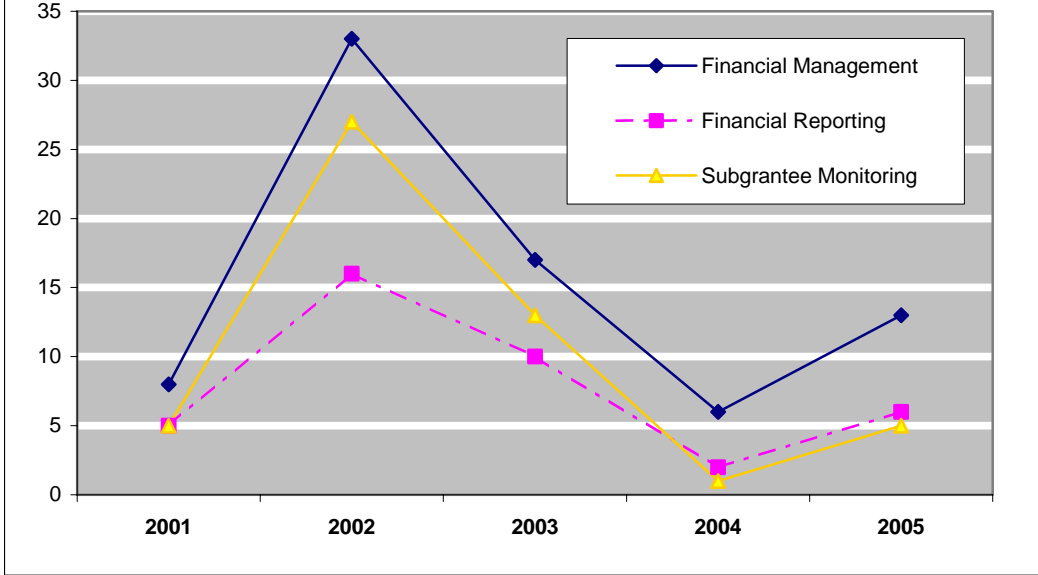
Table C-9 and Figure C-10 show the number of findings per category for each audit year. As with questioned costs, the largest number of findings occurred in Fiscal Year 2002. There were 133 findings in this year, representing 41 percent of all findings over the period studies. Although subgrantee monitoring represented 20 percent of findings in Fiscal Year 2002 audits, these represented 5 percent of findings in Fiscal Year 2004 and 8 percent of the Fiscal Year 2005 audits to date. Conversely, member compliance, eligibility and reporting amounted to 11 percent of findings in Fiscal Year 2002, but were 38 percent of findings in Fiscal Year 2004 and represent 35 percent of findings in Fiscal Year 2005 audits to date.

TABLE C-9: FINDINGS BY CATEGORY AND AUDIT YEAR

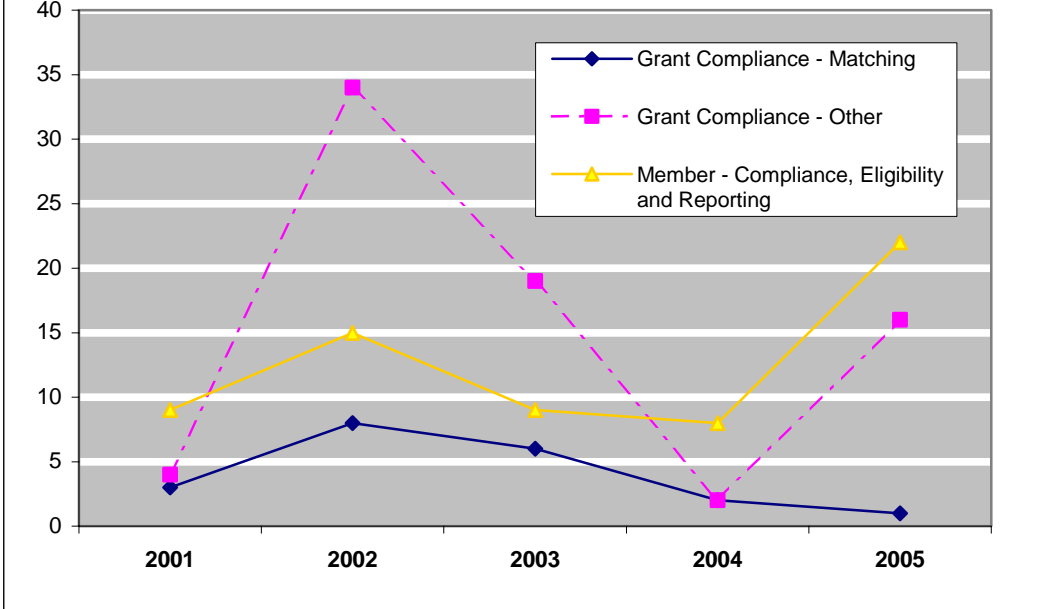
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Financial Management	8	33	17	6	13
Financial Reporting	5	16	10	2	6
Subgrantee Monitoring	5	27	13	1	5
Grant Compliance - Matching	3	8	6	2	1
Grant Compliance - Other	4	34	19	2	16
Member - Compliance, Eligibility and Reporting	9	15	9	8	22
TOTAL	34	133	74	21	63

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Financial Management and Reporting	23.5%	24.8%	23.0%	28.6%	20.6%
Financial Management and Reporting	14.7%	12.0%	13.5%	9.5%	9.5%
Subgrantee Monitoring	14.7%	20.3%	17.6%	4.8%	7.9%
Grant Compliance - Matching	8.8%	6.0%	8.1%	9.5%	1.6%
Grant Compliance - Other	11.8%	25.6%	25.7%	9.5%	25.4%
Member - Compliance, Eligibility and Reporting	26.5%	11.3%	12.2%	38.1%	34.9%

**Figure C-10: Findings
by Category and Audit Year**



**Figure C-10 (Continued):
Findings by Category and Audit Year**



Endnotes

¹ Compliance and Internal Controls Reports were sometimes combined into a single report.

² In the course of preparing the results, we placed a few categories together where groupings seemed appropriate. For example, we included certain member cost categories together as appropriate. The same approach was applied to findings related to compliance and internal controls. For example, the subgrantee monitoring category was grouped with the financial management category.

³ AmeriCorps grants stipulate that the grantee provide match funding for member support, program operating, and administrative costs. The incurred-cost audit reports we reviewed only provided the total match amounts in question.

⁴ Some firms included criminal background checks as a compliance issue and did not question the costs. OIG provided guidance in May of 2005 to question costs when background checks are not performed or documented.

⁵ Members are required to complete a certain number of hours of service to qualify for their corresponding Education Award. For example, a full-time member must complete 1,700 hours of service to receive a full \$4,725 Education Award. The Corporation has set lesser Education Award amounts for less than full-time service.

⁶ Presently, the Corporation requires grantees and their subgrantees use the Web-Based Reporting System (WBRS) for recording member as well as financial and program information. In earlier years, Financial Status Reports were compiled on paper and submitted to the Corporation by mail.