

Office of Inspector General  
Corporation for National and  
Community Service

AUDIT OF CORPORATION FOR NATIONAL AND  
COMMUNITY SERVICE GRANTS AWARDED TO  
SERVE IDAHO, GOVERNOR'S COMMISSION ON  
SERVICE AND VOLUNTEERISM

OIG REPORT NUMBER 06-36



Corporation for  
NATIONAL &  
COMMUNITY  
SERVICE 

Prepared by:

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This report was issued to Corporation management on August 24, 2006. 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 February 26, 2007, and complete its corrective actions by August 24, 2007. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



## OFFICE OF INSPECTOR GENERAL

### Audit of Grants Awarded to Serve Idaho, Governor's Commission on Service and Volunteerism Audit Report 06-36

#### OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Cotton & Company, LLP (Cotton) to perform an audit of grants awarded to Serve Idaho, Governor's Commission on Service and Volunteerism (Commission). The audit covered the latest two years of performance through December 31, 2005, for five grants initially awarded during the period January 1, 2002, to January 1, 2005.

Funding authorized for these grants totaled \$1.8 million, with costs claimed totaling about \$1.5 million. The audit identified questioned costs totaling \$17,910, most of which were attributed to unsupported living allowances and related fringe benefits and costs claimed in the wrong period.

The report also includes four findings and related recommendations to improve compliance with grant requirements and to improve internal controls. The Commission was responsive to the recommendations, and the Corporation intends to address all findings and recommendations in its management decision.

The OIG reviewed Cotton's report and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the Consolidated Schedule of Award Costs, related exhibits and schedules, or conclusions on the effectiveness of internal controls and compliance with laws and regulations.

Cotton is responsible for this report, dated April 28, 2006, and the conclusions expressed therein. However, our review disclosed no instances where Cotton did not comply, in all material respects, with generally accepted government auditing standards.

This report is a matter of public record, and its' distribution is not limited.



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**OFFICE OF INSPECTOR GENERAL**  
**AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS TO**  
**SERVE IDAHO, GOVERNOR’S COMMISSION ON SERVICE AND VOLUNTEERISM**

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## EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Cotton & Company LLP (Cotton) to perform an audit of costs incurred by the Serve Idaho, Governor's Commission on Service and Volunteerism (Commission). Our audit covered financial transactions, compliance, and internal control testing of Commission awards.

The Commission claimed \$1,502,426 during the audit period, of this amount we questioned \$17,910 or 1%. Questioned amounts were primarily the result of costs claimed in the wrong period.

### I. BACKGROUND

The Corporation supports a range of national and community service programs that provide full- and part-time opportunities for Americans to engage in service that fosters civic responsibility, strengthens communities, and provides educational opportunities for those who make a commitment to service. State commissions distribute funds to subgrantees that administer programs and provide oversight, training, and technical assistance to subgrantees.

The Commission, located in Boise, has received AmeriCorps grant funds from the Corporation since Program Year (PY) 1994-1995. It is housed within the Office of the Governor, but operates as part of the Idaho Department of Corrections (IDOC). IDOC provides fiscal management for Corporation grants and funds certain match costs claimed by the Commission such as labor and occupancy costs.

### II. AUDIT SCOPE AND RESULTS

Cotton performed an incurred-cost audit including financial transactions, internal controls, and grant compliance for the following grants:

<b>Program</b>	<b>Award No.</b>	<b>Award Period</b>	<b>Audit Period</b>
Administrative Grant	04CAHID001	01/01/04-12/31/06	01/01/04-12/31/05
Professional Development and Training	02PDSID013	01/01/02-12/31/04	01/01/04-12/31/04
Professional Development and Training	05PTHID001	01/01/05-12/31/07	01/01/05-12/31/05
AmeriCorps State Competitive	03ACHID001	09/01/03-08/31/06	09/01/04-03/31/06 <sup>1</sup>
AmeriCorps State Formula	03AFHID002	09/01/03-08/31/06	09/01/04-09/30/05

<sup>1</sup> The audit period was extended to 03/31/06 in order to incorporate all grant activity for PY 04-05. However, we did not audit costs claimed on the 03/31/06 Financial Status Report (FSR) related to PY 05-06, those costs are not included in Exhibit A.

Audit objectives were to determine if:

- The Commission's financial reports to the Corporation presented financial award results fairly, and costs were allowable in accordance with award terms and conditions;
- The Commission's internal controls were adequate to safeguard Federal funds; and
- The Commission had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions.

We conducted our fieldwork between February 28 and April 28, 2006.

In addition to testing, we performed site visits at two subgrantee program sites with 195 members, and we sampled 52 of these members. We also reviewed the financial management system at one additional site and controls over financial reporting and member activities at a fourth site.

### **Cost Findings**

The Commission claimed \$1,502,426 during our audit period, as identified in Exhibit A, Consolidated Schedule of Claimed and Questioned Costs. Of this amount, we questioned \$17,910. Except for questioned costs, the costs claimed by the Commission appear fairly stated and allowable in accordance with award terms and conditions. Questioned amounts primarily relate to unsupported costs and costs claimed in the wrong period. We also questioned certain claimed match costs because they were unsupported or improperly valued. These questioned costs are not identified in the schedules because they did not result in unmet matching requirements, which would have affected the allowability of Federal costs.

### **Compliance and Internal Control Findings**

We have also issued a report, titled Independent Auditors' Report on Compliance and Internal Control, on our consideration of the Commission's internal control and compliance with laws and regulations. In that report, we identified four issues of noncompliance (Finding Nos. 1 through 4) that are required to be reported under generally accepted government auditing standards. These noncompliance issues also affect the Commission's internal control over financial reporting and its operation. They are summarized as follows:

1. The Commission had inadequate procedures to ensure that subgrantees documented member activities and that member living allowance payments were proper.
2. The Commission had inadequate subgrantee monitoring procedures.
3. The Commission's procedures to ensure compliance with certain grant provisions were inadequate.

4. The Commission's financial management system was inadequate.

### **III. EXIT CONFERENCE AND RESOLUTION**

We conducted an exit conference with Commission and Corporation representatives on June 8, 2006. Their responses to this draft report are included as Appendices A and B, respectively. In addition, we included a summary of the Commission's comments in the Independent Auditors' Report on Compliance and Internal Control.



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April 28, 2006

Office of Inspector General  
 Corporation for National and Community Service

**INDEPENDENT AUDITORS' REPORT**

We have audited costs incurred by Serve Idaho, Governor's Commission on Service and Volunteerism, for Program Years (PY) 2004-2005 for the grants listed below. These costs are presented in Exhibit A, Consolidated Schedule of Claimed and Questioned Costs, and are the responsibility of Commission management. Our responsibility is to express an opinion on these costs based on our audit.

<b>Program</b>	<b>Award No.</b>	<b>Award Period</b>	<b>Audit Period</b>
Administrative Grant	04CAHID001	01/01/04-12/31/06	01/01/04-12/31/05
Professional Development and Training	02PDSID013	01/01/02-12/31/04	01/01/04-12/31/04
Professional Development and Training	05PTHID001	01/01/05-12/31/07	01/01/05-12/31/05
AmeriCorps State Competitive	03ACHID001	09/01/03-08/31/06	09/01/04-03/31/06 <sup>1</sup>
AmeriCorps State Formula	03AFHID002	09/01/03-08/31/06	09/01/04-09/30/05

We conducted our audit in accordance with audit standards generally accepted in the United States of America and generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in Exhibit A. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating overall financial presentation. We believe that our audit provides a reasonable basis for our opinion on incurred costs.

<sup>1</sup> The audit period was extended to 03/31/06 in order to incorporate all grant activity for PY 04-05. However, we did not audit costs claimed on the 03/31/06 Financial Status Report (FSR) related to PY 05-06, those costs are not included in Exhibit A.

Exhibit A is intended to present allowable costs incurred under the awards in accordance with applicable Office of Management and Budget (OMB) circulars and award terms and conditions. Exhibit A is not intended to be a complete presentation of the Commission's financial position in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for questioned costs noted in Exhibit A, the financial schedule presents fairly, in all material respects, costs claimed for the grants in conformity with applicable OMB circulars and award terms and conditions.

In accordance with generally accepted government auditing standards, we have also issued a report dated April 28, 2006, on our consideration of the Commission's internal control and compliance with laws and regulations. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be read in conjunction with this report in considering audit results.

This report is intended solely for the information and use of the OIG, Corporation for National and Community Service, Commission, 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



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Sam Hadley, CPA  
Partner

**SERVE IDAHO, GOVERNOR'S COMMISSION ON SERVICE AND VOLUNTEERISM  
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS**

Award No.	Federal Costs			Reference
	Awarded	Claimed	Questioned	
04CAHID001	\$290,262	\$271,529	\$207	Note 1
02PDSID013	74,035	63,843	1,114	Note 2
05PTHID001	95,000	67,866		
03ACHID001				
Lewis-Clark	847,527	776,157	5,379	Schedule A
University of Idaho	<u>260,382</u>	<u>175,340</u>	—	
	\$1,107,909	\$951,497	\$5,379	
03AFHID002				
Idaho Cities		\$10,872	\$10,872	Note 3
Community Action	<u>\$186,000</u>	<u>136,819</u>	<u>338</u>	Schedule B
	\$186,000	\$147,691	\$11,210	
Totals	<u>\$1,753,206</u>	<u>\$1,502,426</u>	<u>\$17,910</u>	

1. The Commission claimed \$207 of prior-period expenses: \$138 for a telephone conference conducted during Calendar Year (CY) 2002 and \$69 of a mileage reimbursement for travel incurred during CY 2003. 45 C.F.R. § 2541.230, *Period of availability of funds*, requires that a recipient charge the grant only for allowable costs resulting from obligations incurred during the funding period. The Commission identified these expenses after the previous administrative grant had closed. The Commission was unaware that Corporation approval was required to claim these costs under the next administrative grant. We questioned \$207 of claimed Federal costs.
2. The Commission claimed consulting services in excess of allowable limits. It claimed a \$2,000 fee paid to an individual who provided two days of consulting services at the Serve Idaho Conference in March 2004. The 2004 Provisions for Program Development and Training, Disability Placement and State Administrative Awards, Section C.12.e., *Consultant Services*, requires payments to individuals for consultant services under this grant to not exceed \$443 per day. The Commission did not obtain documentation from the consultant to support the consultant's time and related expenses preparing for the Serve Idaho Conference. We questioned \$1,114, the difference between the allowable limit of \$886 for two days of consulting services and the claimed \$2,000.

3. The Commission made a \$10,872 payment to the League of Idaho Cities during PY 2004-2005 for costs incurred during PY 2003-2004. The Financial Status Report (FSR), filed by the Commission supported claimed Federal expenditures of \$147,691; its accounting system, however, supported \$136,819. The \$10,872 difference occurred when the Commission recorded this amount as a current-period expense on its FSR rather than correctly recording it as PY 2003-2004 expense. As a result, claimed Federal expenditures exceed supported Federal expenditures by \$10,872 in PY 2004-2005. 45 C.F.R. § 2541.230, *Period of availability of funds*, requires that a recipient charge the grant only for allowable costs resulting from obligations incurred during the funding period. We questioned \$10,872 of Federal costs.

SERVE IDAHO, GOVERNOR’S COMMISSION ON SERVICE AND VOLUNTEERISM  
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER  
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS

LEWIS-CLARK STATE COLLEGE

	Amount	Notes
Claimed Federal Costs	<u>\$776,157</u>	
Questioned Federal Costs:		
Unsupported Costs	\$40	1
Unallowable Living Allowance and Related Fringe Benefit	5,295	2
Unallowable Advertisement Costs	<u>44</u>	3
Total Questioned Federal Costs	<u>\$5,379</u>	

1. Lewis-Clark State College (Lewis-Clark) claimed \$40 for CPR certification training for a member. We were, however, unable to verify from documentation provided to support the reimbursement that it was for CPR training. The 2004 AmeriCorps Provisions, C.22.b, *Financial Management Provisions, Source Documentation*, requires that adequate supporting documentation be maintained to support grant expenditures. We questioned \$40 of claimed Federal costs.
2. Lewis-Clark continued to pay living allowance and related benefits to three members who left the program without completing all of the service requirements needed to earn education awards. The 2004 AmeriCorps Provisions, B.11.b., *Living Allowance Distribution*, states that the living allowance is designed to help members meet necessary living expenses incurred while participating in the AmeriCorps Program. Lewis-Clark did not have a policy for situations where members suddenly stopped showing up for service. Lewis-Clark wanted to provide the members with an opportunity to complete their service and continued to pay the members’ living allowances and related benefits while it attempted to contact the members to verify their status. We questioned \$5,295 of claimed Federal costs paid to the three members.

3. Lewis-Clark claimed \$44 for an advertisement seeking a Volunteers In Service To America (VISTA) member to serve at Lewis-Clark's Boise regional office. VISTA is another program supported by the Corporation. According to OMB Circular A-21, *Cost Principals for Educational Institutions, C.4., Allocable Costs*, a cost must be allocable to the grantee's Federal award to be allowable. Lewis-Clark was unaware that it could not claim these costs on this grant, even though the work performed by the VISTA member benefited the AmeriCorps program. We questioned \$44 of claimed Federal costs.

SERVE IDAHO, GOVERNOR’S COMMISSION ON SERVICE AND VOLUNTEERISM  
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER  
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS

COMMUNITY ACTION PARTNERSHIP

	Amount	Note
Claimed Federal Costs	<u>\$136,819</u>	
Questioned Federal Costs:		
Unallowable Advertisement Costs	<u>\$338</u>	1

1. Community Action Partnership claimed newspaper advertising costs for recruiting PY 2005-2006 members as PY 2004-2005 expenses. It did not obtain approval for these pre-award costs as required by OMB Circular A-110, *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, C. 28., *Period of availability of funds*. We questioned \$338 of claimed Federal costs.



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April 28, 2006

Office of Inspector General  
 Corporation for National and Community Service

**INDEPENDENT AUDITORS' REPORT ON  
 COMPLIANCE AND INTERNAL CONTROL**

We have audited costs incurred by the Commission to the Corporation for National and Community Service for the following awards and have issued our report thereon dated April 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards.

<b>Program</b>	<b>Award No.</b>	<b>Award Period</b>	<b>Audit Period</b>
Administrative Grant	04CAHID001	01/01/04-12/31/06	01/01/04-12/31/05
Professional Development and Training	02PDSID013	01/01/02-12/31/04	01/01/04-12/31/04
Professional Development and Training	05PTHID001	01/01/05-12/31/07	01/01/05-12/31/05
AmeriCorps State Competitive	03ACHID001	09/01/03-08/31/06	09/01/04-03/31/06 <sup>1</sup>
AmeriCorps State Formula	03AFHID002	09/01/03-08/31/06	09/01/04-09/30/05

**COMPLIANCE WITH LAWS AND REGULATIONS**

As part of obtaining reasonable assurance about whether financial schedules were free of material misstatements, we performed tests of compliance with certain provisions of laws, regulations, and awards, noncompliance with which could have a direct and material effect on determination of financial schedule amounts. Providing an overall opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. Test results disclosed instances of noncompliance that are required to be reported under generally accepted government auditing standards. These are discussed below (Findings Nos. 1 through 4).

<sup>1</sup> The audit period was extended to 03/31/06 in order to incorporate all grant activity for PY 04-05. However, we did not audit costs claimed on the 03/31/06 Financial Status Report (FSR) related to PY 05-06, those costs are not included in Exhibit A.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we obtained an understanding of the Commission's internal control over financial reporting to determine audit procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on internal control over financial reporting. We noted matters involving internal control over financial reporting and its operation, however, that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the Commission's ability to initiate, record, process, and report financial data consistent with assertions of management in the financial schedules (Finding Nos. 1 through 4 below).

A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and that are also considered material weaknesses. We do not consider any findings to be material weaknesses.

### FINDINGS

**1. The Commission had inadequate procedures to ensure that subgrantees documented member activities and that member living allowance payments were proper.**

The Commission did not adequately document all member activities in accordance with AmeriCorps Provisions:

- Mid-term and final evaluations were unavailable;
- Enrollment and exit forms were submitted late, missing, or were signed before or after the member service period;
- Member timesheets were prepared in pencil and contained corrections not initialed by members or supervisors; and
- Members continued to receive living allowance payments and related benefits after completing service.

## Evaluations

Mid-term and final evaluations were unavailable. Program personnel at two sites could not provide a mid-term evaluation for one member and did not perform final evaluations for 11 members. The subgrantees were unaware that they should perform final evaluations for members who were terminated or left the program without completing the necessary service requirement to earn an education award. Also, a third subgrantee not visited did not perform final evaluations for members who left the program early, because it did not think they were required for all members.

Evaluations are necessary to ensure that members are eligible for additional service terms. According to 45 C.F.R. § 2522.220(d), *Participant performance review*, a participant is not eligible for a second or additional term of service and/or for an AmeriCorps education award without mid-term and final evaluations. Grantees also are required to conduct mid-term and final evaluations at a minimum of each member's performance and document that the member has:

- Completed the required number of hours;
- Satisfactorily completed assignments; and
- Met other performance criteria that were clearly communicated at the beginning of the service term.

## Enrollment and Exit Forms

Enrollment and exit forms were submitted late, missing, or were signed before or after the member service period. The Commission did not ensure that subgrantees submitted all required exit forms in a timely manner. At the two sampled program sites, 12 exit forms were not entered into Web Based Reporting System (WBRS) within the required 30 days.

The 2004 AmeriCorps Provisions, B.16.b., *Reporting Requirements, AmeriCorps Member Related Forms*, requires that member enrollment forms be submitted to the Corporation no later than 30 days after a member is enrolled, and that member exit forms be submitted no later than 30 days after a member exits the program. We noted the following:

- One subgrantee submitted nine exit forms late, because it was uncertain if the forms were required to be submitted 30 days after the members completed service or 30 days after the form was received by the program office.
- Another subgrantee submitted three exit forms late. It submitted two of three late exit forms after exit interviews were conducted with the members. The third late submission was an error on the part of the program manager.

The Commission also did not ensure that subgrantees completed and signed all required enrollment and exit forms. Specifically:

- Two member enrollment forms were signed after the members started service;
- Three exit forms were signed and dated before the members completed service; and
- Files for three members did not contain exit forms.

The 2004 AmeriCorps Provisions, B.16. b. *Reporting Requirements, AmeriCorps Member-related Forms* require the entrance and exit forms be submitted no later than 30 days and hard copies must be maintained.

### **Member Service Hours**

Members at one sampled subgrantee site estimated service hours on timesheets and subsequently adjusted timesheets to reflect actual service hours. The subgrantee required members to submit their timesheets several days before the end of each pay period to give the subgrantee more time to process payroll because the last day of the pay period was close to the date the living allowance payments were due. Further, the timesheets completed by the members and the changes to the timesheets for both sampled subgrantees were done in pencil and were not initialed by the member or supervisor.

The 2004 AmeriCorps Provisions, C.22.c. *Financial Management Provisions, Time and Attendance Records*, requires that grantees keep time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits. The Corporation uses time-and-attendance information in WBRS to track member status, and this data is the basis for calculating education awards. When timesheets are prepared with estimated hours and are subsequently adjusted there is the potential that members may not actually serve the required number of service hours, but may still earn an education award. In addition, when timesheets are prepared with pencil and changes are made without initials, the changes are not authorized and accountability is lost.

### **Member Living Allowance Payments**

Members continued to receive living allowance payments and related benefits after completing service. One subgrantee, Lewis-Clark, continued to make living allowance payments to 23 members who completed the minimum number of service hours required to earn the education award, but no longer served in the program. Lewis-Clark also continued to pay living allowances and related benefits to three additional members who left the program without completing all service requirements (Schedule A, Note 2).

The second subgrantee paid lump-sum payments to six members after they completed the minimum number of service hours to earn the education award before the end of the program term. The lump-sum payments were equal to the remaining living allowance the member would have earned if they had not completed the program early.

The 2004 AmeriCorps Provisions Section B.11.b., *Living Allowances, In-Service Benefits, and Taxes, Living Allowance Distributions*, states that living allowances are designed to help members meet necessary living expenses incurred while participating in the program. Programs are not allowed to pay members on an hourly basis, and must not be based on the number of hours a member serves. Both of the subgrantees incorrectly understood this provision to mean that members were entitled to the full living-allowance amount stated in the member contracts as long as the minimum service hours were completed.

**Recommendation:** We recommend that the Corporation ensure that the Commission strengthens its program monitoring procedures to comply with grant requirements regarding member activities, including:

- Complying with grant requirements for conducting member evaluations and retaining documentation;
- Documenting member enrollment and exit promptly and submitting this information to the Corporation on a timely basis;
- Recording member hours accurately and in accordance with program provisions; and
- Ensuring that subgrantees calculate and pay living allowances in accordance with program provisions.

**Commission Response:** The Commission is providing training to subgrantees on the importance of providing timely evaluations, enrollment and exit forms. The Commission is requiring subgrantees to revise timesheet policies to ensure that timesheets are prepared after-the-fact. Additionally, it has created a policy, along with the Corporation, to establish member ‘terms of service’ to ensure that members are paid evenly during the term and not based on hours worked. Policies and procedures have been established (and subgrantees have been trained) to ensure that supervisors immediately take action when members quit or are suspended.

**Auditors’ Comments:** We believe the actions taken by the Commission effectively address the recommendations.

## 2. The Commission had inadequate subgrantee monitoring procedures.

The Commission performed routine site visits of subgrantees and reviewed subgrantee documentation. It did not, however, always perform adequate reviews of procedures to ensure that subgrantees claimed only allowable costs and had adequate financial management systems, review OMB Circular A-133 reports, and document procedures performed during its site visits.

### Allowable Costs

The notes to Schedules A through B describe questioned Federal costs of \$5,717. The two subgrantees visited also claimed \$1,889,740 of unallowable match costs. A questioned cost is an alleged violation of provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such cost is not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. While all unallowable costs could only be disclosed by reviewing every invoice and available documentation, the Commission might benefit from sampling claimed costs on subgrantee invoices and obtaining a better understanding of how subgrantees support match.

The Commission did not ensure that each subgrantee had adequate procedures for claiming allowable match costs. We noted that:

- One subgrantee claimed in-kind labor match costs of \$1,500,706 and in-kind fringe benefit match costs of \$360,170 for supervision hours expended by personnel at the approximately 40 project sites that hosted members. The value of the in-kind labor and fringe was calculated by multiplying the total number of supervision hours by a budgeted labor and fringe rate.

As required OMB Circular A-110 *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, Subpart C.23, these costs should have been valued at a supervisor's regular rate of pay, plus a reasonable amount of fringe benefits, and should have excluded overhead costs.

The subgrantee developed budgeted labor and fringe benefit rates to account for different labor and fringe benefit rates for supervisors at the 40 project sites and to eliminate the task of gathering actual labor and benefit information. The subgrantee considered the rates reasonable estimates of the actual salaries and benefits for supervisors at the project sites.

- One subgrantee claimed \$13,178 for match of unsupported personnel costs. The subgrantee erroneously entered the wrong amount into its financial reports and did not identify the error.

- One subgrantee claimed match costs of \$15,686 for rent, supplies, postage, telephone, and printing and publications expenses from an entity within the subgrantee whose members performed services. The subgrantee was unable to provide documentation for how it determined that the percentage of costs claimed supported the AmeriCorps program.

### **Financial Management Systems**

The Commission did not ensure that each subgrantee had an adequate financial management system. In addition to unallowable and unsupported costs claimed by subgrantees, we noted that:

- Two subgrantees had inadequate labor distribution systems to support claimed staff labor costs. These costs were not supported by after-the-fact labor distribution records, as required by applicable OMB circulars. Personnel at one subgrantee were unaware that they were required to complete after-the-fact documentation. Personnel at the second subgrantee estimated hours, because the timesheets were completed several days before the end of the pay period.
- One subgrantee did not have adequate records for tracking in-kind match from project sites that hosted members. The subgrantee maintained a spreadsheet as part of its system to track the \$2,623,989 of in-kind labor, fringe benefit, training, supplies, and material contributions from the approximately 40 sites that hosted members. It continuously updated the spreadsheet as in-kind match from the host sites were received. The subgrantee's spreadsheet for PY 2004-2005 in-kind contributions, however, reported \$28,588 more than the amount of in-kind contributions reported on the FSR.
- The forms used by two subgrantees to document in-kind contributions from host sites were inadequate to ensure that the contributions were not obtained with, or supported by, Federal funds. Additionally, the forms lacked information needed to determine if the contributions were not included as contributions for any other Federally assisted program or project.
- One subgrantee did not report as program income approximately \$244,244 of fees charged to sites that hosted AmeriCorps members during PY 2004-2005. The subgrantee used this income to fund member support match. At the end of the program year, the subgrantee transferred the remaining \$27,384 to another university account, but used the funds for the subgrantee's AmeriCorps Program.
- We reviewed financial reporting at two sites. Of these two sites, one site did not file one FSR and three progress reports in a timely manner.

## **OMB Circular A-133 Reports**

The Commission had inadequate procedures for reviewing subgrantee OMB Circular A-133 reports and did not obtain all OMB Circular A-133 audit reports for all periods that Commission expenditures were incurred. The Commission also did not obtain the management letters associated with the OMB Circular A-133 audit reports or perform reconciliations of Commission expenditures included in the audit report to amounts paid to subgrantees.

## **Site Visit Documentation**

The Commission performed periodic site visits to subgrantees. It followed a site plan to ensure that significant areas were covered. However, the Commission's monitoring tool did not require that all activities performed be documented and some sections of the monitoring tool were not always completed. The monitoring tool did not include procedures to ensure compliance with the AmeriCorps guideline that members are entitled to receive living allowances only while in service.

***Recommendation:*** We recommend that the Corporation ensure that the Commission:

- Strengthen subgrantee monitoring procedures to include more detailed reviews of allowable costs and documentation to ensure that subgrantees have adequate financial management systems;
- Obtain all OMB Circular A-133 reports and management letters and perform all necessary reconciliations;
- Improve its monitoring procedures to better document activities performed during site visits; and
- Upon completion of audit resolution, calculate and reimburse the Corporation for any administrative costs associated with any disallowed costs.

***Commission Response:*** The Commission has revised in-kind match reporting systems to include detail on calculations and calculate supervisory labor based on actual labor rates and fringe benefits provided. The Commission is recalculating allowable match costs for the PY 2004-2005 and to-date costs for PY 2005-2006. The Commission will ensure that all subgrantees are trained on how to capture and value in-kind services, as well as adequately document that claimed match was not used on other Federally assisted programs.

The Commission is working with each subgrantee to require after-the-fact time reporting. Additionally, it has requested guidance from the Corporation to adequately report all program income (because WBRS does not require that information), and will draft a revised policy when that is resolved.

The Commission has collected and reviewed all A-133 reports for periods that subgrantees incurred costs under the Corporation grants, and has revised its' policy to obtain those reports. The Commission questioned the need for obtaining management letters if the subgrantee is not part of the active Commission portfolio.

The Commission has revised its' site visit checklist to better document activities performed during site visits. It has also revised its policies to ensure that both members of the site visit team review the form for completion and accuracy. Additionally, the Commission will include a more detailed review of allowable costs and adequate documentation and to ensure that subgrantees have an adequate financial management system.

***Auditors' Comments:*** We believe the actions taken by the Commission effectively address the first three recommendations. The Commission did not comment on the fourth recommendation. However, the Commission must rely on the Corporation's resolution of questioned costs.

**3. The Commission's procedures to ensure compliance with certain grant provisions were inadequate.**

The Commission did not ensure that subgrantees obtained adequate and timely criminal background checks for members who had substantial, direct contact with children. Specifically:

- One Commission subgrantee did not have documentation to support that criminal background checks were initiated, or that results of criminal background were received by the program site for two members;
- One subgrantee relied on a background check for a member that was conducted by a school system three years before the member started service; and
- One subgrantee initiated background checks when the members started service; however, it did not receive interim background check results for these members for approximately five months after the members started service and began working with children.

The 2004 AmeriCorps Provision B.6.h, *Criminal Record Checks*, requires, to the extent permitted by state law, that criminal background checks be conducted of members as part of the screening process. The Commission did not identify a state law that it followed for background checks for members. Thus, it should follow the AmeriCorps Provision requirement that the background check results be considered as part of the screening process for members.

The Commission and two subgrantees did not comply with or did not adequately document compliance with grant provisions on member contracts and miscellaneous grant requirements. Specifically:

- At the two subgrantee sites, member agreements were signed after members started service. One subgrantee had members sign agreements at an orientation meeting which was conducted about a month after the beginning of the program year. Three of 14 sampled members for another subgrantee submitted signed agreements after starting their service.
- The Commission's record-retention policies did not comply with grant retention requirements. The Commission's financial records are maintained by IDOC. IDOC follows the State of Idaho record-retention policies, which require records be maintained for three years after the close of the fiscal year. The Commission noted that it retains copies of financial information transmitted to IDOC and programmatic files in accordance with AmeriCorps Provisions. Copies of the financial information retained by the Commission may not include all of the records to support claimed costs and those records that support claimed costs maintained only at IDOC would no longer be retained.

The 2004 AmeriCorps Provisions, C.27, *Retention of Records*, requires that grantees retain all program and financial records for three years from the date of submission of the final FSR. Additionally, if an audit is started before expiration of the three year period, records must be retained until audit findings are resolved and final action is taken.

- The Commission did not document, in the subgrantee selection process, how it considered the adequacy of new applicant and current subgrantee financial management systems and results of subgrantee compliance with program requirements. Commission personnel orally communicated this information to peer reviewers, but this information was not included, as a requirement, in the tool used by the peer reviewers.

***Recommendation:*** We recommend that the Corporation ensure that the Commission:

- Obtain criminal background checks for all members and maintain documentation for each member and revise its policies and procedures to require that criminal background check results be considered as part of the screening process;
- Require the signing of member contracts before members start service;
- Revise record-retention policies to comply with grant provisions; and
- Improve documentation of its consideration of the adequacy of financial management systems and compliance with program requirements in the subgrantee selection process.

**Commission Response:** The Commission has revised its' policy requiring criminal background checks on prospective members during recruitment, and background checks are in process for members identified in this report. Additionally, all subgrantees have established a policy requiring criminal background checks prior to enrollment. The Commission noted that it is difficult to receive the results in a timely manner and will work with the State to expedite the process. The Commission will continue to include a review of contracts in site monitoring visits.

The Commission noted that the records kept by its' fiscal agent were kept in accordance with the State of Idaho retention policies, and has now changed its' policies to keep grant files separate from other records and retain them as long as necessary.

Finally, a new policy has been drafted whereby the Commission will provide written reports to its Peer Review Committee on subgrantees' compliance and financial management systems. The document that summarizes the scoring of each subgrantee will also be revised to identify that attribute.

**Auditors' Comments:** We believe the actions taken by the Commission effectively address the recommendations.

#### **4. The Commission's financial management system was inadequate.**

The Commission did not have an adequate financial management system to support all claimed costs and ensure that claimed costs met grant requirements. Specifically, the Commission claimed unallowable and unsupported costs under its Administrative and PDAT grants totaling \$12,193 (discussed in Exhibit A, Notes 1 through 3). It also did not have adequate procedures for documenting and recording match and in-kind donations:

- The Commission claimed \$829 for an in-kind donation from a restaurant for a luncheon. The Commission did not obtain documentation from the restaurant to confirm the contribution or support its value;
- The Commission claimed cash contributions of \$5,300 as match expenses. The money was given to a third-party organization to partially fund a conference. The Commission was unable to provide documentation to support actual costs incurred and to ensure that conference expenses in excess of cash contributions were not paid with Federal funds;
- The Commission claimed \$800 of match representing its estimate of the fair market value for two scanners, one printer, and four toner cartridges transferred from the Governor's Office. Because the Commission is part of the Governor's Office, these items should have been valued at cost; and
- As of the December 31, 2005, FSR for the current Administrative grant, the Commission did not report enough matching costs to meet the cost-share requirement. Federal share of costs exceeded recipient costs by \$21,261. If

the Commission were to have closed the grant as of this date, it would have had to reimburse \$13,329 of Federal costs to the Corporation as the result of unmet match requirements, including the unallowable match costs identified above.

**Recommendation:** We recommend that the Corporation ensure that the Commission:

- Develop procedures to adequately document and record in-kind contributions from third parties, properly values all matching costs; and
- Develop procedures to monitor grant match requirements and ensure that requirements are being met throughout the grant award.

**Commission Response:** The Commission has corrected all unsupported or improperly calculated in-kind costs. The Commission will continue to monitor progress on the acquisition of matching documentation and monitor that progress on a quarterly basis to ensure match requirements are met.

**Auditors' Comments:** We believe the actions taken by the Commission effectively address the recommendations.

This report is intended for the information and use of the OIG, Commission, 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



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Sam Hadley, CPA  
Partner

**APPENDIX A**

**COMMISSION'S RESPONSE TO AUDIT REPORT**



# SERVE IDAHO

*Governor's Commission on Service and Volunteerism*

P.O. Box 83720  
Boise, ID 83720-0018

July 25, 2006

1299 N. Orchard  
Suite 110  
Boise, ID 83706

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

208.658.2063  
In Idaho: 800.588.3334  
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[www.serveidaho.org](http://www.serveidaho.org)

Dear Ms. Bates,

Please accept this response to the Draft Report on the Audit of Corporation for National and Community Service Grants awarded to Serve Idaho, Governor's Commission on Service and Volunteerism. Serve Idaho viewed this audit as an opportunity to strengthen its policies and procedures and overall performance. Serve Idaho had a positive experience working with Cotton and Company. The following response follows the format of the Draft Report.

## **Exhibit A**

### **Response:**

Serve Idaho's Financial Technician is working with the Corporation for National and Community Service to get approval to claim the \$207 in questioned costs on the current state administrative grant.

Serve Idaho is requesting a breakdown of hours for services provided and fees to justify a \$2,000 expenditure that was made to a keynote speaker / trainer for the Serve Idaho Conference.

The Financial Status Report in question is correct. The FSR is cumulative for a three-year period so it has been reported correctly on the final FSR.

## **Lewis Clark State College - Schedule A**

### **Response:**

A procedure has been established to ensure that all reimbursement documentation states directly the purchase. All CPR documentation will be entered into a spreadsheet that will include expiration dates. This will be checked against any reimbursement. CPR training for all members will be done at their Pre-Service Orientation which will provide a better system of payment for this cost.



Lewis Clark State College (LCSC), in consultation with Serve Idaho and the Corporation for National and Community Service, has created a policy beginning PY 2006-07 to establish 'Terms of Service' over 10, 11 or 12 months and living stipends will be paid according to their term of service. Beginning and ending months will be broken out by thirds depending upon each member's start and end date and will receive his/her living stipend accordingly. If a member leaves the program early, his / her living stipend will be discontinued immediately.

Policies and procedures (unexcused absence and exit procedures) have been established and all staff and sites have been trained in those processes to ensure that host site supervisors contact staff immediately if a member discontinues his / her service prior to their agreed upon end-date. All members will be trained in this process during their enrollment session prior to beginning their service year.

LCSC has established a policy to charge all VISTA recruitment costs to their match account. Serve Idaho Commission will continue to provide training on allowable costs to all sub-grantees once a year and work with them individually as needed.

### **Community Action Partnership - Schedule B**

#### **Response:**

The grants in question have been closed out. The Community Action Partnership LCSC has established a policy to charge all recruitment costs to their match account. Serve Idaho Commission will continue to provide training on allowable costs to all sub-grantees once a year and work with them individually as needed.

### **Serve Idaho, Governor's Commission on Service and Volunteerism**

- 1. The Commission had inadequate procedures to ensure that sub-grantees documented member activities and that member living allowance payments were proper.**

#### **Response:**

Serve Idaho will continue to provide comprehensive compliance training annually to its sub-grantees. We will include specific training on the timeframe to enter enrollment and exit forms into WBRS and the requirement of mid- and end-of-term evaluations.

Serve Idaho will also review procedures for correcting and initialing timesheets and establishing a policy that all information included on a timesheet is written in pen or submitted via computer.

The sub-grantee in question is redesigning their policy related to the timing of the submission of AmeriCorps Member timesheets.

The sub-grantee, in consultation with Serve Idaho and the Corporation for National and Community Service, has created a policy beginning PY 2006-07 to establish 'Terms of Service' over 10, 11 or 12 months and living stipends will be paid according to their term of service. Beginning and ending months will be broken out by thirds depending upon each member's start and end date and will receive his/her living stipend accordingly. If a member leaves the program early, his / her living stipend will be discontinued immediately.

Policies and procedures (unexcused absence and exit procedures) have also been established and all staff and sites have been trained in those processes to ensure that host site supervisors contact staff immediately when a member has quit attending their site. All members will be trained in this process during their enrollment session prior to beginning their service year.

In regard to the lump-sum payments, sub-grantees were utilizing the 2004 Grant Provisions and adhering to the terms of their cooperative agreements at that time. With the clarification and prohibition of lump-sum payments as defined in the new rules, lump-sum payments will no longer be issued.

## **2. The Commission had inadequate sub-grantee monitoring procedures**

### **Allowable Costs**

#### **Response:**

The questioned costs outlined in Schedules A through B of \$5,717 have been addressed earlier in this report.

All in-kind labor and fringe benefit match-reporting systems have been revised to indicate specific per-hour wages and fringe benefit percentages for each individual serving in a supervisory capacity for members. The sub-grantee is in the process of re-capturing the information for PY 2004-05 and the balance of PY 05-06.

Serve Idaho will ensure that training is provided to all sub-grantees to ensure that they understand how to capture the value of these in-kind services.

The \$13,178 that was reported in match was due to human error and has been corrected.

Serve Idaho will instruct sub-grantees to provide documentation on how it determines the percentage of costs claimed to support the AmeriCorps program.

## **Financial Management Systems**

### **Response:**

Serve Idaho is working with Sub-grantees to ensure after-the-fact time reporting. Both sub-grantees were following established procedures of their respective agencies. The sub-grantee in question will utilize an electronic time reporting system beginning PY 2006-2007.

In relation to the difference between one sub-grantee's in-kind match report and their FSR, the sub-grantee's in-kind match spreadsheet has been revised to show match by the reporting period, adding a "5th quarter" so that match that continues to be reported after the final FSR date is captured. Per advice by Cotton & Company an amended FSR will be filed when the 5th quarter match is completely accumulated.

Serve Idaho has distributed an in-kind form for sub-grantee's use that captures all of the necessary information. Training will also be provided to sub-grantees about the necessity of ensuring and documenting that matching funds are not being used to match any other federally assisted program or project.

Guidance from the Corporation for National and Community Service has been requested in relation to reporting program income. This information is not asked for in WBRS or on the FSR. As soon as the Commission receives direction from the Corporation, it will draft a policy and procedure accordingly.

Serve Idaho provides due dates for financial status reports and progress reports at the beginning of each program year. Programs are instructed to request an extension if additional time is needed to complete their reports. This is tracked and documented by Serve Idaho's Grants Officer. They are also notified that timeliness of reports is taken into consideration during peer reviews of the grants each year. Training and timelines will continue to be provided.

## **OMB Circular A-133 Reports**

### **Response:**

Serve Idaho's financial staff person has collected and reviewed all A-133 reports from the Commission's sub-grantees for all periods that Commission expenditures were incurred and reconciled the Commission expenditures included in the audit report to amounts paid to sub-grantees. A policy and procedure document has been developed to comply with this finding. Serve Idaho respectfully requests documentation from Cotton and Company that states

the Commission is required to obtain management letters from sub-grantees after their program is no longer part of the active Commission portfolio.

### **Site Visit Documentation**

#### **Response:**

The pre site-visit checklist used by Serve Idaho contained questions that were duplicated on the site-visit tool and in WBRs, creating duplication. The Grants Officer has edited the checklist to eliminate duplication and to better document activities performed during site visits on one form. Monitoring site visits are conducted by both the Grants Officer and the Financial Technician. In the future, both individuals will review the completed documentation to assure accuracy and completion. Serve Idaho will continue to strengthen sub-grantee monitoring procedures to include more detailed review of allowable costs and documentation to ensure that sub-grantees have adequate financial management systems in place.

### **3. The Commission's procedures to ensure compliance with certain grant provisions were inadequate.**

#### **Member contracts and miscellaneous grant requirements**

#### **Response:**

The Serve Idaho Commission has revised its policy relating the Criminal background checks to ensure that sub-grantees conduct these checks on prospective Members during recruitment and prior to enrollment in AmeriCorps. Background checks are in process for the two AmeriCorps members in question.

The AmeriCorps Member in question from another sub-grantee had been an employee of the school district since 2002 when the background check was first initiated - serving as an assistant coach for the duration of the time between 2002 and 2005.

All programs have established a policy that all members must have a criminal background check prior to enrollment. All program sites will also be informed of this policy and Serve Idaho will continue to monitor compliance during its site visits.

It has been difficult to receive background check results in a timely manner for some AmeriCorps programs. Serve Idaho has been working with the Idaho State Police and the Idaho Department of Correction to expedite this process. Regardless, Serve Idaho will ensure that sub-grantees adhere to the established policy.

Serve Idaho has provided revised policies and training to the AmeriCorps Program Directors, stating that AmeriCorps Member enrollment forms must be signed prior to the start of service. One sub-grantee will host an enrollment session for all incoming AmeriCorps Members prior to the start of service. During that session all members will review and sign their member agreements. Historically, members signed their enrollment forms at Pre-Service Orientation, which sometimes took place after arriving at their host sites.

The audit team found that one contract each was missing at two sub-grantee offices. One individual become ill prior to PSO and subsequently had to leave service due to illness so a contract was never signed. Serve Idaho needs clarification on the second member to report on the resolution. The Commission will continue to require that all elements are included in AmeriCorps Member contracts and that contracts are maintained on file for each AmeriCorps Member. This will continue to be included in monitoring site visits.

In relation to record-retention, all program and fiscal records are kept in accordance with AmeriCorps provisions in the Serve Idaho office. The Idaho Department of Correction, Serve Idaho's fiscal agent was following the State of Idaho's record-retention policies. The Idaho Department of Correction has changed its overall policies and will keep all grants files separate from the regular fiscal files. In the future, they will be filed by grant, and they will be kept for as long as needed to meet the requirements of the specific grant. In the case of the AmeriCorps grant, it will be three years after the successful close-out of the grant.

A new policy has been drafted and Serve Idaho staff will provide written reports to the Peer Review Committee on the APR's, FSR's and sit visits for each program. The report, given verbally, to date, will include any compliance issues that have not been resolved. In addition, the grant-scoring rubric will be edited to include the results of the staff reports. These measures will strengthen the ability to assess the adequacy of financial management systems and compliance with program requirements in the sub-grantee selection process.

#### **4. The Commission's financial management system was inadequate**

##### **Response:**

All of the questioned administrative costs are currently being addressed with the Corporation for National and Community Service.

The \$829 in in-kind donation from a restaurant has been removed from Serve Idaho's in-kind records and the STARS system (Idaho's statewide accounting system). The Commission was unable to secure hourly rates of servers at the restaurant that participated in the event.

\$5,450 for the Serve Idaho Conference has been deleted from Serve Idaho's in-kind report and taken off of the STARS report (Statewide accounting system). Serve Idaho has a new policy to review and provide adequate documentation of match.

Serve Idaho made the proper adjustments and has captured the match for the donated printer and ink cartridges. The audit team accepted this adjustment.

Serve Idaho will continue to monitor its progress on the acquisition and documentation of matching funds and in-kind contributions, monitoring progress on a quarterly basis.

Serve Idaho confident that its policies and procedures will be strengthened by the recommendations provided through this audit process and is committed to be responsible stewards of both the federal and private funds it receives.

Respectfully submitted,



Kelly Houston  
Executive Director

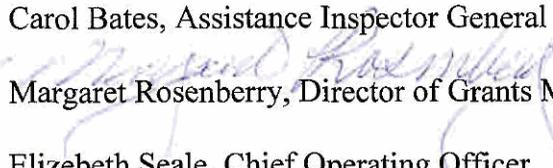
Cc: Rick Samson  
Sam Hadley

**APPENDIX B**

**CORPORATION'S RESPONSE TO AUDIT REPORT**

Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

**To:** Carol Bates, Assistance Inspector General for Audits

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

**Cc:** Elizebeth Seale, Chief Operating Officer  
Mikel Herrington, Deputy Director AmeriCorps State  
Sherry Wright, Audit Resolution Coordinator

**Date:** August 4, 2006

**Sub:** Response to OIG Draft Audit Report, Audit of Corporation for National and  
Community Service grants awarded to Serve Idaho Governor's Commission on  
Service and Volunteerism

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Thank you for the opportunity to review the draft report on the audit of Corporation grants awarded to Serve Idaho, the Governor's Commission on Service and Volunteerism. The Corporation has also reviewed the response from the Idaho Commission and noted the Commission has started to implement many of the auditor's recommendations.

We do not have specific comments at this time. The Corporation will respond to all findings and recommendations in our management decision when the final audit report is issued, we have reviewed the findings in detail and worked with the Commission to resolve all questioned costs and findings and recommendations.

