
CORPORATION

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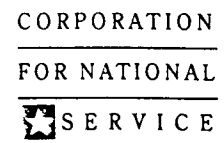
OFFICE OF THE INSPECTOR GENERAL

**Audit of
Commission on National and Community Service
Award Number 93DCLOFL0001
Greater Miami Service Corps**

This report is issued to the Corporation's Management. According to OMB Circular A-50, *Audit Follow Up*, the Corporation must make final management decisions on the report's findings and recommendations no later than March 30, 1998. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented or the amount of disallowed costs.

The Inspector General must approve any request for public release of the report.

Office of the Inspector General
Audit of Commission on National and Community Service
Award Number 93DCLOFL0001 to the
Greater Miami Service Corps



Tichenor & Associates, under contract to the Office of the Inspector General, performed an audit of the funds awarded by the Commission for National and Community Service to the Greater Miami Service Corps (GMSC). The audit covered the costs claimed during the period September 30, 1993 through December 31, 1995.

The audit included an examination to determine whether financial reports prepared by the auditee presented fairly the financial condition of the award and the award costs reported to the Corporation were documented and allowable in accordance with the terms and conditions of the award. We have reviewed the report and work papers supporting its conclusions and agree with the findings and recommendations presented.

The firm found that

- GMSC paid stipends to AmeriCorps Members as wages on an hourly rate applied to the number of service hours worked instead of as a living allowance based solely on enrollment for a term of service.
- Stipends were paid to ineligible participants and for participants who performed service work that was unrelated to the purpose of the grant.
- GMSC did not meet the requirements for cost sharing.
- Personnel activity reports were not prepared by staff to support charges to the grant for salaries and benefits as required.
- GMSC did not keep sufficient records to determine if the Members completed the required number of service hours.
- The grantee charged unallowable and unsupported costs to the grant.

Based on the audit, we are questioning \$427,403 in costs claimed under the award. These and other matters are discussed in greater detail in the report.

The Corporation's response to a draft of this report is included in its entirety as Appendix I. In its response, the Corporation stated that it did not conduct a comprehensive review of the report and was unable to provide comments at that time. Greater Miami Service Corps did not provide a response.

TICHENOR & ASSOCIATES

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Inspector General
Corporation for National Service

We have performed an audit of the funds awarded under the National and Community Service Act of 1990 by the Commission for National and Community Service (CNCS)¹ to the Greater Miami Service Corps (GMSC) for Defense Conversion Assistance Program (DCAP) grant award number 93DCLOFL0001 in the amount of \$750,000 for the period September 30, 1993 through December 31, 1995.

RESULTS IN BRIEF

Our audit was performed on the amounts claimed and disclosures contained in the final Financial Status Report (FSR) submitted by GMSC to the Corporation for National Service (the Corporation) dated April 3, 1996, as follows:

| <u>Award Number</u> | <u>Award Budget</u> | <u>Claimed Costs</u> | <u>Questioned Costs</u> |
|-------------------------|-------------------------|--------------------------|-----------------------------|
| 93DCLOFL0001 | <u>\$750,000</u> | <u>\$645,340</u> | <u>\$427,403</u> |

¹ On December 14, 1993, the Corporation for National and Community Service established, in the Corporation Office of Inspector General, audit responsibility for all programs administered by the Corporation as well as grants awarded by the former Commission on National and Community Service.

We are questioning costs totaling \$427,403, as summarized in the following table:

| Summary of Questioned Costs | |
|---|--------------------------------|
| <u>Description</u> | <u>Questioned Costs</u> |
| Participant support costs were paid to ineligible persons or persons working under a different grant, or not reduced by revenue earned by a Member. | \$ 14,632 |
| Training costs were claimed for books, software and computer hardware not used by AmeriCorps Members. | 35,626 |
| Staff salaries of \$251,015 and benefits of \$70,515 claimed as direct costs were not supported by time sheets. | 321,530 |
| Travel costs were claimed for persons who were not Members or staff. | 3,714 |
| Unallowable costs for equipment and supplies were claimed. | 3,458 |
| The requirement to expend 10 percent of Federal funds made available for Member training was not met. | 23,529 |
| Unallocable administrative costs were claimed for office supplies and insurance. | 2,296 |
| Administrative costs were claimed in excess of the allowable percentage. | 2,769 |
| Matching cost contributions did not meet the required amount. | <u>19,849</u> |
| Total Questioned Costs | <u>\$427,403</u> |
| Total Questioned GMSC Contribution | <u>\$ 44,106</u> |

COMPLIANCE FINDINGS

Our audit disclosed material and non-material instances of non-compliance. The instances of non-compliance which we consider to be material are as follows:

- GMSC paid stipends to AmeriCorps Members as wages on an hourly rate applied to the number of service hours worked instead of as a living allowance based solely on enrollment for a term of service.

- Stipends were paid to ineligible participants, Members not enrolled in the Defense Conversion Assistance Program (DCAP), and for participants who performed service work that was unrelated to the purpose of the DCAP grant.
- GMSC did not meet the requirements for cost sharing.
- Personnel activity reports were not prepared by staff to support charges to the grant for salaries and benefits as required.
- GMSC did not expend the required DCAP funds for training and education of youth corps participants.
- Post-service educational benefits were not paid from funds authorized by the grant award, which causes the status of the Corporation funds set aside for this purpose to be unresolved.
- GMSC did not keep sufficient records to determine if the Members completed the required number of service hours.
- Reported expenditures were not reduced for applicable credits, which caused the Corporation to reimburse excess costs for the grant.
- Funds budgeted for Member costs were expended in other categories of expense without approval of the Corporation.

In addition to the material instances of noncompliance summarized above, we noted the following immaterial instances of noncompliance:

- Seven of nine required Financial Status Reports (FSR) and one of 10 required Federal Cash Transaction Reports (FCTR) were submitted after the due dates.
- GMSC's assignment of a Member to an internship with the Metro Dade County Parks and Recreation Department resulted in the duplication of local government services and may have displaced potential workers.

INTERNAL CONTROL FINDINGS

Our audit disclosed reportable conditions in GMSC's internal control structure which are also material weaknesses. These weaknesses are as follows:

- Practices for recruitment of AmeriCorps Members were not sufficient to prevent enrollment of applicants who were neither U.S. citizens nor permanent resident aliens.

- GMSC staff did not prepare time sheets allocating incurred hours among the DCAP grant and other GMSC activities.
- No written procedures were developed to identify unallowable or unallocable costs prior to claim for reimbursement.
- No standard cost allocation plan had been developed for Federal grants.
- Procedures to retain supporting documentation for claimed costs were not adequate.

PURPOSE AND SCOPE OF AUDIT

Our audit covered the costs claimed during the period September 30, 1993 through December 31, 1995 under grant number 93DCLOFL0001.

The objectives of our audit were to determine whether:

- financial reports prepared by the grantee presented fairly the financial condition of the award;
- the internal control structure was adequate to safeguard Federal funds;
- the grantee had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations and award conditions; and
- the award costs reported to the Corporation were documented and allowable in accordance with award terms and conditions.

We used a combination of judgmental sampling and analytical procedures to test the allowability of the costs claimed by GMSC. Because GMSC's accounting system did not summarize costs by approved budget categories, we reclassified costs into the approved budget categories as shown in Exhibit A, Schedule of Award Costs (Schedule), based on evidentiary matter provided by GMSC.

We performed our audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the grant award as presented in the Schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by the grantee

and evaluating the overall Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

We provided the Corporation and GMSC officials with a draft of this report for their comments on August 22, 1997. In its response, the Corporation stated that they did not conduct a comprehensive review of the report and were unable to provide comments at this time. The Corporation's letter is included as Appendix I. GMSC did not provide a response.

BACKGROUND

GMSC was incorporated in July 1990 as a non-profit organization by the State of Florida. GMSC operates a youth corps program funded by Federal, state and local sources with headquarters and its main facility located in the city of Miami. A board of directors and an executive director oversee GMSC. On February 16, 1993, GMSC entered into a cooperative agreement with Metropolitan Dade County, Florida, for administrative and management support services through the county's Community Action Agency and its Urban Corps Expansion Project.

The DCAP grant provided funding for one of GMSC's existing projects titled Project Rebound. The project was a work and education program with the objective of enhancing employability skills and reinforcing desirable work habits of at-risk youth in the Greater Miami area. The ultimate goal of Project Rebound was to place Members into apprenticeships, jobs or advanced education. Grant activities began in October 1993 as a youth corps under the DCAP program, which focused its recruitment and work activity on Homestead Air Force Base in south Dade County, Florida.

In October 1994, GMSC agreed to convert the DCAP youth corps program to an AmeriCorps National Direct program following a site visit by a Corporation program officer. Although grant amendment one converted GMSC's youth corps program to AmeriCorps on May 4, 1995, GMSC officials stated that they actually began AmeriCorps operations with enrollments in January 1995. The total Corporation share of the grant amount of \$750,000 was not changed but grant amendment two extended the grant period to December 31, 1995 to permit the Members to complete their terms of service.

As a result of the conversion, GMSC was subject to two sets of grant provisions during the funding period. Many of the grant provisions were the same under DCAP as under AmeriCorps. However, three differences affected GMSC's administration of the grant. First, the matching funds percentage required of GMSC for AmeriCorps Members' stipends was 15 percent instead of 25 percent for youth corps participants. Second, the youth corps provisions required a minimum of ten percent of the grant funds be used for education and training of the Members, which was not required under the AmeriCorps provisions. Lastly, the AmeriCorps program

required that Members be paid a living allowance based on their enrollment in the program rather than as wages on an hourly basis, as permitted under the youth corps provisions.

From September 21, 1992 to March 30, 1995, GMSC was also receiving funds under a different Corporation grant, award number 92COLOFL0032. The basis for the Members' service under this previous grant was helping clean-up and re-build after Hurricane Andrew devastated the Miami area earlier in 1992. The funding period for the DCAP grant ran concurrently with the September 1992 grant for approximately 18 months (from October 1993 to March 1995).

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Inspector General
Corporation for National Service

INDEPENDENT AUDITOR'S REPORT

We have performed an audit of the funds awarded under the National and Community Service Act of 1990 by the Commission for National and Community Service (CNCS) to the Greater Miami Service Corps (GMSC) for Defense Conversion Assistance Program (DCAP) grant award number 93DCLOFL0001 in the amount of \$750,000 for the period September 30, 1993 through December 31, 1995.

Our audit was performed on the amounts claimed and disclosures contained in the final Financial Status Report (FSR) submitted by GMSC to the Corporation for National Service (the Corporation) dated April 3, 1996. The FSR, as presented in Exhibit A, Schedule of Award Costs (Schedule), is the responsibility of GMSC's management. Our responsibility is to express an opinion on the Schedule based on our audit.

We performed our audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the grant award, as presented in the Schedule, are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by the grantee and evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Schedule was prepared to comply with the requirements of the award agreement, as described in Note 1, Summary of Significant Accounting Policies, to the Schedule, and is not intended to be a complete presentation of financial position in conformity with generally accepted accounting principles.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the costs claimed in the Financial Status Report for the period September 30, 1993 to December 31, 1995, in conformity with the grant provisions.

This report is intended solely for the information and use of the Office of the Inspector General, Corporation management, and GMSC. However, this report is a matter of public record and its distribution is not limited.

Tichenor & Associates

TICHENOR & ASSOCIATES

Woodbridge, Virginia

January 14, 1997

SCHEDULE OF AWARD COSTS

Greater Miami Service Corps
Corporation for National and Community Service Award Number 93DCLOFL0001
For the period September 30, 1993 to December 31, 1995

Schedule of Award Costs

Greater Miami Service Corps
Corporation for National and Community Service Award Number 93DCLOFL0001
For the period September 30, 1993 to December 31, 1995

| Cost Category | Approved Budget | Claimed Costs² | Adjustments | Adjusted Cost | Questioned Costs | Exhibit B Reference |
|--------------------------------|-------------------------|----------------------------------|--------------------|-------------------------|-------------------------|----------------------------|
| Participant Support | | | | | | |
| Stipends | \$217,152 | \$195,444 | \$ 20,087 | \$215,531 | \$ 14,632 | 1, 3, 4 |
| Post Service Benefits | 60,000 | | | | | |
| Training | 145,976 | 37,574 | | 37,574 | 35,626 | 2 |
| Staff | | | | | | |
| Salaries | 177,035 | 256,151 | (5,136) | 251,015 | 251,015 | 1, 3 |
| Benefits | 92,589 | 85,466 | (14,951) | 70,515 | 70,515 | 1, 4 |
| Operational | | | | | | |
| Travel | 2,808 | 7,297 | (3,117) | 4,180 | 3,714 | 5, 7 |
| Equipment | 42,744 | 50,538 | (1,106) | 49,432 | 3,458 | 5, 6 |
| Subtotal | <u>\$738,304</u> | <u>\$632,470</u> | <u>\$ (4,223)</u> | <u>\$628,247</u> | <u>\$378,960</u> | |
| Training Limitation | | | | | 23,529 | 2 |
| Administration | 11,696 | 12,870 | 4,223 | 17,093 | 2,296 | 5, 6, 7 |
| Subtotal | <u>\$750,000</u> | <u>\$645,340</u> | <u>\$ 0</u> | <u>\$645,340</u> | <u>\$404,785</u> | |
| Administrative Cost Limitation | | | | | 2,769 | 8 |
| Matching Cost Not Met | | | | | <u>19,849</u> | 9 |
| Total Award Costs | <u>\$750,000</u> | <u>\$645,340</u> | | <u>\$645,340</u> | <u>\$427,403</u> | |
| GMSC Contribution | <u>\$253,724</u> | <u>\$229,600</u> | | | <u>\$ 44,106</u> | 10 |

The accompanying notes and Exhibit B are an integral part of this schedule.

² The total representing Claimed Costs agrees with the expenditures reported on the Financial Status Report as of the expiration date of the grant, December 31, 1995. Claimed Costs reported above are taken directly from GMSC's books of account through December 31, 1995.

Notes to the Schedule of Award Costs

Greater Miami Service Corps
Corporation for National and Community Service Award Number 93DCLOFL0001
For the period September 30, 1993 to December 31, 1995

Note 1 - Summary of Significant Accounting Policies

Accounting Basis

The Schedule has been prepared from the reports submitted to the Corporation and its predecessor, the Commission for National and Community Service (CNCS). The basis of accounting utilized in preparation of these reports differs from generally accepted accounting principles. The following information summarizes these differences:

A. Equity.

Under the terms of the award, all funds not expended according to the award provisions and budget at the end of the award period are to be returned to the Corporation. Therefore, the grantee does not maintain any equity in the award and any excess of cash received over final expenditures is due back to the Corporation. GMSC had spent all funds withdrawn from the Corporation grant at the conclusion of grant performance.

B. Equipment.

Equipment is charged as an expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the Schedule include the cost of equipment purchased during the period rather than a provision for depreciation.

C. Inventory.

Minor amounts of materials and supplies are fully charged to expense in the period, which they are purchased. As a result, costs for these items are not amortized or charged to the subsequent periods when remaining inventories of these items may be used.

Note 2 - Income Taxes

Greater Miami Service Corps is a non-profit corporation and is exempt from Federal income taxes.

Schedule of Questioned Costs

Greater Miami Service Corps
Corporation for National and Community Service Award Number 93DCLOFL0001
For the period September 30, 1993 to December 31, 1995

1. Stipends.

GMSC claimed \$195,444 for stipends paid to AmeriCorps Members. We adjusted the claimed amount by \$20,087 for misclassified fringe benefits costs of \$14,951 and a recording error of \$5,136, resulting in total adjusted stipends costs of \$215,531. We questioned \$14,632 claimed for stipends as shown in the following table and explained in the accompanying notes:

| Summary of Questioned Stipend Costs | | | |
|--|------------------------|--|--------------|
| <u>Reason</u> | <u>Amount</u> | <u>Criteria</u> | <u>Notes</u> |
| Ineligible participants | \$ 7,186 | 45 CFR 2503.21 (a) | 1 |
| Participants not enrolled as Members | 4,943 | 45 CFR 2503.21 (a) | 2 |
| Associated payroll tax on stipends | 928 | OMB A-122, Attachment A, subparagraph 4(a) (1) | 3 |
| Credit not applied to reduce grant costs | <u>1,575</u> | OMB A-122, Attachment A, subparagraph 5 (a) | 4 |
| Total Questioned Stipends | <u>\$14,632</u> | | |

Notes to Questioned Stipend Costs

- GMSC paid stipends to Members who were not eligible to participate in the Corporation-funded program. Corporation regulations (45 CFR 2503.21 (a)) require participants be United States citizens or permanent resident aliens. We found that five of 68 participants who were paid stipends were not United States citizens or permanent resident aliens as indicated in records from Members' personnel files.

Notes to Questioned Stipend Costs Continued

2. Costs were claimed for stipends paid to 11 participants who were not AmeriCorps Members in the DCAP program. Corporation regulations (45 CFR 2503.24) require that participants be enrolled in a program for a term of service to earn post-service educational benefits. GMSC agreed that these Members were not enrolled DCAP Members, but stated that these participants were paid stipends from the DCAP grant because project activity logs showed they worked on DCAP projects at Homestead Air Force Base. Federal regulations (OMB Circular A-122, Attachment A, subparagraph 4 a (1)) define costs as allocable to government grants only if they are incurred specifically for the award. Consequently, we are questioning \$4,943 as unallocable because this amount was paid to participants not enrolled for a term of service in the DCAP program.
3. We also are questioning \$928 of payroll taxes associated with the questioned stipends in notes 1 and 2 above. We found that GMSC applied a rate of 7.65 percent to recorded stipends to calculate the amount of applicable payroll taxes. Because we questioned the stipends to which the rate was applied, we concluded the applicable payroll taxes paid did not benefit the grant and, therefore, were also unallocable.
4. GMSC billed and received \$1,575 from the Metro Dade County Parks and Recreation Department for wages earned by a Member working an internship as a lifeguard at a county facility. The Member received stipends from GMSC while working at the pool but not the wages from the county. We are questioning \$1,575 as an applicable credit that was not recorded as a reduction of the cost of the grant as required by Federal regulations (OMB Circular A-122, Attachment A, subparagraph 5 a).

2. Training.

GMSC claimed \$780 for textbooks from Miami Dade Community College for participants not enrolled in the DCAP program. Additionally, GMSC claimed \$34,846 for educational software that was available in a computer lab at GMSC's headquarters building. GMSC could provide no evidence to show the software was used by the DCAP/AmeriCorps Members who worked some distance away in another part of the county. Federal regulations (OMB Circular A-122, Attachment A, subparagraph 4 a (1)) state that costs should be allocated to grant awards based on the benefits received. We are questioning a total of \$35,626 of Training costs charged to the grant as unallocable because the DCAP project received no benefit from these expenditures.

As a result, GMSC did not expend the necessary funds for training under the youth corps provisions of the grant which were applicable from September 30, 1993 to December 31, 1994. Corporation regulations (45 CFR 2503.17) require that not less than ten percent of funds made available under the grant be used for training and education of youth corps members. As of December 31, 1994, total grant funds of \$270,271 were made available under the youth corps provisions of the grant. GMSC originally claimed \$39,124 for these training items, which would have met the requirement. However, most of these expenses were unallocable to the grant as explained above. Further, GMSC claimed no other allocable costs that were classified as Training. Therefore, we are questioning the amount of Corporation funds that are set aside for no other purpose but training as follows:

| Summary of Questioned Training Costs | | |
|--|------------------|-----------------|
| Funds Made Available through December 1994 | \$270,271 | |
| Minimum Allowable Training Costs (10 percent of funds available) | | \$27,027 |
| Claimed Training Costs | 39,124 | |
| Less: Questioned Training Costs | <u>\$ 35,626</u> | |
| Allowable Training Costs | | <u>3,498</u> |
| Questioned Costs (Minimum Training Costs Net of Allowable Training Costs) | | <u>\$23,529</u> |

3. Staff Salaries.

We are questioning \$251,015 of staff salaries charged to the grant. GMSC did not require staff to complete personnel activity records (time sheets) as required by Federal regulations (OMB Circular A-122, Attachment B, paragraph 6). GMSC officials confirmed that staff salaries were charged to the grant according to the estimated percentages in the approved budget narrative. However, Federal regulations (OMB Circular A-122, Attachment B, subparagraph 6.1(2)(a)) specifically exclude budget estimates as adequate support for grant expenditures. GMSC operated several projects funded by Federal, state and local sources other than the Corporation. Further, the DCAP grant was one of two Corporation grants running concurrently. We also found that GMSC fielded eight teams of participants, in addition to two DCAP/AmeriCorps teams, that required staff supervision. GMSC officials stated that other staff members are dedicated to supervision of the other teams. However, without some form of labor distribution (other than the approved budget), the Corporation can not be certain that costs for staff salaries and benefits were charged to the DCAP grant in proportion to the benefit received.

Additionally, GMSC claimed Member stipends paid in March 1994 as staff costs. GMSC officials indicated that this was a recording error because payroll records show this amount as Member stipends. We deducted \$5,136 from claimed staff salaries and reclassified the amount as Member stipends (also see Note 1).

4. Staff Benefits.

GMSC claimed a total of \$85,466 of fringe benefits costs, calculated by applying rates for each type of cost (FICA/MICA, retirement, insurance) to the monthly gross salary amounts. GMSC officials indicated that the source of the rates was the Dade County Personnel Manual which details the percentage applied to gross salaries for each type of cost. We found that the payroll tax applicable to Members' stipends was commingled in the total with staff benefits costs. We identified the portion of the total that was Members' payroll tax by applying the rates for FICA and Medicare Insurance to the total Members' stipend amount. As a result, we deducted \$14,951 from staff benefit costs and reclassified it as Members' stipends (also see Note 1).

Federal regulations (OMB Circular A-122, Attachment B, subparagraph 6 f (2)) restrict the allocability of fringe benefits to that of the associated salaries and wages. Therefore, we are questioning the remaining \$70,515 of fringe benefits as directly associated with questioned staff salary costs above.

5. Travel.

GMSC claimed \$7,297 of travel costs. Of this amount, \$5,687 was for air fare and lodging for GMSC staff and Members to attend the annual conference of the National Association of State Conservation Corps (NASCC) in Los Angeles, CA, from July 30 to August 3, 1995. The balance of \$1,310 was expended for meals, telephone charges and mileage related to a trip by staff members to Washington, D.C. Federal regulations (OMB Circular A-122, Attachment A, subparagraph 4 a (1)) state that costs can be allocated to a grant if it specifically benefits the award. We found that \$3,714 was spent for conference participants and staff who were not associated with the DCAP grant. Further, Corporation regulations (45 CFR 2510.10) define administrative costs as being related to a program's general operations and not to a specific program or project. GMSC claimed \$1,923 of the costs of the conference for DCAP Members and \$1,194 for the staff trip to Washington, D.C. as direct travel. We found that the purpose of the Washington, D.C. staff trip was for general information on Corporation grant administration. GMSC could not demonstrate the direct relationship of the subject matter of this conference to the grant. GMSC officials agreed that the costs for non-DCAP Members and staff should not be charged to the grant as direct travel. We reclassified a total of \$3,117 as administrative costs. We are questioning \$3,714 of travel costs for non-DCAP participants as unallocable to the grant.

6. Equipment.

GMSC allocated \$3,161 of a \$6,265 invoice for work pants to the DCAP/AmeriCorps grant when in fact the purchase was for all GMSC participants. Federal regulations (OMB Circular A-122, Attachment A, subparagraph 4 a (2)) restrict allocability of costs that benefit more than

EXHIBIT B

one cost objective to a reasonable proportion of the benefits received. GMSC agreed that the costs should have been allocated using the number of Member teams receiving the items. Further, GMSC identified two of the 10 existing GMSC teams as DCAP/AmeriCorps Members. We re-computed the amount unallocable to the grant as \$1,908. Additionally, \$1,550 for computer accessories was purchased for the educational software and equipment, which was not used by DCAP/AmeriCorps Members. Federal regulations (OMB Circular A-122, subparagraph 4 a (1)) state that costs should be allocated to grant awards based on the benefits received. The equipment costs claimed did not benefit the Corporation grant because the items were issued to non-DCAP participants. We are questioning a total of \$3,458 of claimed equipment costs as unallocable.

7. Administrative Costs.

GMSC claimed \$12,870 of indirect expenses as administrative costs for the Corporation grant. Of that amount, we found that \$3,344 of \$5,242 of invoices was allocated to the grant using varying percentages that had no logical basis. Federal regulations (OMB Circular A-122, Attachment A, subparagraph 4 a (2)) require that costs be allocated to the grant award based on the benefit received. We concluded that GMSC allocated excess indirect expenses to the DCAP program because funds were available from the grant and not because the purchases benefited the DCAP program to any measurable degree. We re-computed the allocable amounts of \$5,242 of indirect expenses as \$1,048 using the ratio of two DCAP/AmeriCorps teams to a total of ten GMSC teams, or 20 percent. We are questioning the difference of \$2,296 of excess indirect expense claimed as administrative costs because GMSC did not use a measure of benefit to make the allocations.

8. Administrative Cost Limitation.

Corporation regulations (45 CFR 2503 and 2540.110) restrict the amount that may be claimed for administrative costs to five percent of the Federal share of incurred costs. As a result of reducing the Federal share for questioned costs, we found that GMSC claimed \$2,769 of excess administrative costs as shown below:

| Summary of Questioned Administrative Costs | | |
|---|------------------|-----------------|
| Total Funds Made Available | \$645,340 | |
| Less: Questioned Costs | <u>404,785</u> | |
| Adjusted Base | | \$240,555 |
| Maximum Allowable Administrative Costs (5 percent of base) | | \$ 12,028 |
| Recorded Administrative Costs | \$ 12,870 | |
| Adjustments | 4,223 | |
| Less: Questioned Administrative Costs | <u>\$(2,296)</u> | |
| Adjusted Claimed Costs | | <u>14,797</u> |
| Questioned Cost (Excess of Adjusted Claimed Costs Over Allowable Administrative Costs) | | <u>\$ 2,769</u> |

9. Matching Costs Not Met.

GMSC did not provide a total of \$19,849 of the matching costs required under the AmeriCorps grant provisions. GMSC agreed to convert the youth corps grant to an AmeriCorps grant effective January 1, 1995, as confirmed by their letter dated August 7, 1995. The Corporation formalized this agreement by issuing grant amendment one, dated May 5, 1995. We concluded that this agreement made two different sets of grant provisions for matching applicable to the grant period; therefore, we calculated GMSC's two components of matching cost separately. Under paragraph 3(a), Matching Requirement, of the DCAP special grant provisions, the Corporation was limited to providing 75 percent of total project costs, which required GMSC to provide 25 percent. We found that GMSC provided \$113,127 of in-kind contributions in excess of this requirement. However, under AmeriCorps grant provision 21(b) and during the period January 1 to December 31, 1995, GMSC was obligated to provide matching funds in cash for 15 percent of Member Support Costs, in addition to providing 25 percent of operational costs using either cash or in-kind sources. We found that GMSC made no cash contribution to the grant. Therefore, no matching funds were provided by GMSC for the AmeriCorps Member Support Costs. We calculated GMSC's share as follows:

| Summary of Questioned Cost for Cash Match Not Made | | |
|---|-----------------------|--------------------|
| Maximum Percent of Federal Share -AmeriCorps Member Support | | 85 Percent |
| Claimed Program Costs | | |
| Corporation Share (AmeriCorps Member Stipends Only) | \$135,179 | |
| GMSC Share | <u> 0</u> | |
| Total Program costs | | \$135,179 |
| Less: Questioned Costs | | |
| Corporation Share (applicable to Stipends only) | 2,861 | |
| GMSC Share | \$ <u> 0</u> | |
| Subtotal | | <u> 2,861</u> |
| Adjusted Program Cost (base) | | 132,318 |
| Maximum Allowable Corporation Costs (85 percent of base) | | <u>112,469</u> |
| GMSC Required Cash Contribution | | 19,849 |
| GMSC Cash Contribution Made | | <u> 0</u> |
| Questioned Costs (Excess of Adjusted Over Allowable Costs) | | <u>\$ 19,849</u> |

We are questioning \$19,849 for matching cost not met, which is the total for both periods of the grant.

10. GMSC Contribution.

GMSC claimed \$229,600 as their matching cost contribution. We are questioning \$44,106 of the contribution as follows:

- We found GMSC claimed in-kind matching costs for fringe benefits paid by Dade County Schools. These benefits were unallocable because GMSC claimed full-time fringe benefits (27 percent of gross wages) for part-time education and training personnel who received only limited benefits (10 percent of gross wages). Federal regulations (OMB Circular A-110, subpart C, section 23) require costs claimed as matching to be allowable and allocable under the applicable cost principles. We are questioning \$7,542, which is the difference between our calculation of salaries and benefits of \$47,616 and GMSC's calculation of \$55,158.

EXHIBIT B

- We found that \$36,564 was claimed as an in-kind contribution from the Metro Date County Park and Recreation Department for the use of the South Dade Center. The in-kind value claimed was based on the costs of a lease calculated as 10 percent of the replacement cost of the building instead of a reasonable amount based on acquisition cost. The county had no record of the acquisition cost of the building, which was estimated to have been built in 1964. Federal regulations (OMB Circular A-110, Subpart C, paragraph 23 (h)(3)) state that the value of donated space shall not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space in the same locality. However, we were unable to establish the market rate in the area for leased space because the building is on county land in a residential area for which no comparable space was available. Consequently, we concluded that the amount specified by the county for lease of the building was actually a use allowance. Federal regulations (OMB Circular A-122, Attachment B, paragraph 9 g) require use allowances be supported by adequate property records. Metro Dade County could not provide adequate records of acquisition costs. We are questioning \$36,564 as unsupported, which is the total amount of the in-kind contribution for the GMSC building space.

TICHENOR & ASSOCIATES

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

We have performed an audit of the funds awarded under the National and Community Service Act of 1990 by the Commission for National and Community Service (CNCS) to the Greater Miami Service Corps (GMSC) for Defense Conversion Assistance Program (DCAP) grant award number 93DCLOFL0001 in the amount of \$750,000 for the period September 30, 1993 through December 31, 1995.

Our audit was performed on the amounts claimed and disclosures contained in the final Financial Status Report (FSR) submitted by GMSC to the Corporation for National Service (the Corporation) dated April 3, 1996. The FSR, as presented in Exhibit A, Schedule of Award Costs (Schedule), is the responsibility of GMSC's management. Our responsibility is to express an opinion on the Schedule based on our audit.

We performed our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement.

Compliance with laws, regulations, and the provisions of the award is the responsibility of GMSC's management. As a part of obtaining reasonable assurance about whether the Schedule is free of material misstatement, we performed tests of GMSC's compliance with certain provisions of laws, regulations and the terms and conditions of the award. However, our objective was not to provide an opinion on overall compliance with such provisions.

Material instances of non-compliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, and the provisions of the award that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is

material to the Schedule. The results of our tests of compliance disclosed the following *material instances* of non-compliance:

1. GMSC paid stipends to AmeriCorps Members as wages on an hourly rate applied to the number of service hours worked instead of as a living allowance based solely on enrollment for a term of service.

Corporation regulations (45 CFR 2503.25 and 2522.240) require that all enrolled, full-time AmeriCorps members receive a living allowance for subsistence. We found that GMSC paid living allowances as an hourly wage for each service hour earned. This method is contrary to the AmeriCorps regulation, which requires living allowances be paid while the Member is enrolled in a term of service, not for the amount of service conducted or the hours spent working with the program.

2. Stipends were paid to ineligible participants, Members not enrolled in the Defense Conversion Assistance Program (DCAP), and for participants who performed service work that was unrelated to the purpose of the DCAP grant.

AmeriCorps grant provision 7, Participant Training, Supervision and Support, requires Members to be United States citizens or permanent resident aliens. We found that, of 68 Members enrolled in the program, five were aliens with employment permits and, therefore, not eligible to participate. Further, 11 participants were paid stipends with grant funds but were not enrolled by GMSC as Members for a term of service as required by Corporation regulations (45 CFR 2522.220(a)).

Additionally, DCAP special grant provision 1, Purpose, requires GMSC to address one or more compelling needs arising from Department of Defense (DOD) downsizing to assist in the economic transition of localities affected by DOD cutbacks. GMSC's budget narrative described Member projects as community service projects on or near Homestead Air Force Base related to conversion of the base to civilian uses. However, we found that the actual projects performed included landscaping work at Metro Dade County facilities, such as parks and administrative buildings. Although these projects can be described as community service, GMSC was unable to relate the service performed to the base conversion.

3. GMSC did not meet requirements for cost sharing.

GMSC did not provide cash contributions toward payment of AmeriCorps Members' stipends. AmeriCorps special provision 21b, Matching Contributions, requires the matching portion of stipends be made as cash and not in-kind contributions. GMSC provided a schedule of matching contributions, such as donated space, payroll and personnel services by supporting

county agencies, and staff salaries funded by other sources than the Corporation grant. We found that the schedule contained only in-kind contributions and did not include payments of cash.

4. Personnel activity reports were not prepared by staff to support charges to the grant for salaries and benefits as required.

Federal regulations (OMB Circular A-122, Attachment B, subparagraph 6.1(1)) require a distribution of activity be prepared by each employee. Additionally, AmeriCorps grant provision 18c, Financial Management Provisions, specifically requires time distribution records be prepared when salaries and wages are chargeable among this grant and other grants, programs or functions of the grantee. GMSC allocated staff salaries between two grants in this period by recording 50 percent of the identified staff salaries to each grant instead of requiring employees to show the actual allocation on a time sheet. Without time distribution records, the Corporation is unable to determine if the allocation was equitable, whether funding from one grant was used to compensate effort under the other grant, or which grant received benefit of these staff members' effort and compensation.

5. GMSC did not expend the required DCAP funds for training and education of youth corps participants.

DCAP special provision 6, Reservation of Funds and Budget Revisions, requires no less than ten percent of funds made available be expended for pre-service and in-service training and educational materials and services for Members. We found that costs charged to the grant for this purpose were for computer software, equipment and text books not used by Members. As a result of our questioning these costs, GMSC's training expenditures were not sufficient to meet the requirement.

6. Post-service educational benefits were not paid from funds authorized by the grant award which causes the status of Corporation funds set aside for this purpose to be unresolved.

GMSC made no claim on \$60,000 of funds budgeted for post service educational benefits. GMSC officials stated that six Members were provided an unspecified amount as educational benefits by GMSC but these costs were not allocated to the grant. GMSC officials also stated that the six Members earned sufficient service hours to be eligible for Federal educational benefits from their enrollment (see Finding 7). GMSC did not make these Federal benefits available to the eligible members. Consequently, the Members may be able to claim benefits from the Corporation in accordance with the provisions of the grant.

7. GMSC did not keep sufficient records to determine if the Members completed the required amount of service hours.

DCAP special provision 9b, Evaluation and Reporting Requirements, and AmeriCorps special provision 12a, Record-keeping, require GMSC to keep adequate records of Members' service hours. We found that GMSC did not keep summaries of Members' service hours earned towards completion of service terms. GMSC officials stated that no system had been established to accumulate and report service hours of enrolled Members. As a result, the Corporation is unable to determine the number of Members that completed the program and are eligible to receive educational benefits.

8. Reported expenditures were not reduced by applicable credits, which caused the Corporation to reimburse excess costs for the grant.

We found that GMSC was reimbursed \$1,575 for wages for a Member performing work as a lifeguard for the Metro Dade County Parks and Recreation Department. Federal regulations (OMB Circular A-122, Attachment A, subparagraph 5 (a)) require the Federal share be reduced by applicable credits. Because the payment was not properly credited to the grant, the Federal share of costs claimed by GMSC was overstated. GMSC acknowledged that no procedures were established to identify and apply credits to reduce the Corporation's share of costs.

9. Funds budgeted for Member costs were expended in other categories of expense without approval of the Corporation.

GMSC transferred \$85,460 of funds budgeted for Member stipends and benefits to fund excess operational costs, which included staff salaries and benefits. Federal regulations (OMB Circular A-110, subpart C, paragraph 25(c)(7)) prohibit GMSC from transferring funds allotted for payments to Members to other categories of expense. We found that GMSC incurred only \$233,018 of \$423,158 budgeted for Member stipends and benefits. However, costs for operations were recorded as \$412,332 where only \$326,872 was budgeted. Because only \$645,350 was expended in total, the excess operational costs were funded from the Member costs budget category. Federal regulations (OMB Circular A-110, Subpart C, paragraph 25 (f)) prohibit the transfer of funds between budget categories in amounts that exceed ten percent of the total budget without approval of the awarding agency. GMSC transferred \$85,460, which is greater than ten percent of the total budget of \$750,000. GMSC provided no support that the Corporation had approved the budget transfer.

As a result of our testing of GMSC's compliance with statutes, regulations or grant provisions, we noted the following *immaterial instances* of non-compliance:

10. Seven of nine required Financial Status Reports (FSR) and one of ten required Federal Cash Transaction Reports (FCTR) were submitted after the due dates.

We found that GMSC submitted the required FSRs and FCTRs each quarter. However, seven of nine FSRs were late for periods of time ranging from several days to two months. The FCTR due February 14 ,1995 was dated February 22, 1995, which is six days late. Federal regulations (OMB Circular A-110, subpart C, paragraph 52(a)) require FSRs be submitted within 30 days of the end of each quarter.

11. GMSC's assignment of a Member to an internship with the Metro Dade County Parks and Recreation Department resulted in the duplication of local government services and may have displaced potential workers.

DCAP general provision 10, Supplementation, Nonduplication and Nondisplacement, prohibits GMSC from duplicating services which are already provided by a State or local government or supplants the hiring of employed workers. We found that GMSC placed a Member into an internship working as a lifeguard at the swimming pool of a county recreational facility. GMSC received the wages earned by the Member as revenue and paid the Member a stipend with grant funds. We concluded that the Member displaced a worker and duplicated services because the nature of the internship was employment for wages, and that the county would have paid the wages to another Dade county citizen had GMSC not placed one of its participants in the county recreation internship.

RECOMMENDATIONS

We recommend that the Corporation require GMSC to:

- Reimburse the Corporation for the costs for stipends paid to ineligible participants (Finding 2).
- Reimburse the Corporation for costs not expended as required for the matching costs and the balance of the minimum training and education costs. (Findings 3 & 5).
- Provide a summary report of the post-award benefits provided to the Members who completed terms of service. The Corporation should review the report to determine if the Members received amounts required by Corporation regulations (Findings 6 and 7).
- Reimburse the Corporation for other unallowable and unallocable costs charged to the grant (Findings 4 and 8).

We further recommend that the Corporation verify GMSC has established policies and procedures to prevent instances of non-compliance as described in Findings 1, 9, 10, and 11 before future awards are made.

This report is intended solely for the information and use of the Office of the Inspector General, Corporation management, and GMSC. However, this report is a matter of public record and its distribution is not limited.

Tichenor & Associates

TICHENOR & ASSOCIATES

Woodbridge, Virginia

January 14, 1997

TICHENOR & ASSOCIATES

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

We have performed an audit of the funds awarded under the National and Community Service Act of 1990 by the Commission for National and Community Service (CNCS) to the Greater Miami Service Corps (GMSC) for Defense Conversion Assistance Program (DCAP) grant award number 93DCLOFL0001 in the amount of \$750,000 for the period September 30, 1993 through December 31, 1995.

Our audit was performed on the amounts claimed and disclosures contained in the final Financial Status Report (FSR) submitted by GMSC to the Corporation dated April 3, 1996. The FSR, as presented in Exhibit A, Schedule of Award Costs (Schedule), is the responsibility of GMSC's management. Our responsibility is to express an opinion on the Schedule based on our audit.

We performed our audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the grant award as presented in the Schedule are free of material misstatement.

In planning and performing our audit of the Schedule, we considered GMSC's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule and not to provide assurance on the internal control structure.

The management of GMSC is responsible for establishing and maintaining an internal control structure. In fulfilling their responsibility, estimates and judgments by management are required to assess the expected benefits and related costs on internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's

authorization and recorded properly to permit the preparation of financial schedules in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of the policies and procedures may deteriorate.

For our report, we classified the significant internal control structure policies and procedures in the following categories:

- General Ledger
- Cash Disbursements
- Cash Receipts
- Payroll/ time keeping
- Billings

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we have assessed control risk.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, possess, summarize and report financial data consistent with the assertions of management.

A *material weakness* is a reportable condition in which the design or operation of the specific internal control structure elements do not reduce to a relatively low level the risk that errors or irregularities in amounts, which 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.

We noted the following matters involving the internal control structure and its operations that we consider to be reportable conditions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not disclose all reportable conditions that were also considered to be material weaknesses as defined above. We believe the reportable conditions described below are material weaknesses.

- Practices for recruitment of AmeriCorps Members were not sufficient to detect applicants who were neither U.S. citizens nor permanent resident aliens. DCAP grant special provision 7, Age, Citizenship, and Other Criteria for Enrollment, requires all participants to be either citizens or permanent resident aliens of the United States. GMSC enrolled five ineligible participants who did not meet the citizenship standards of the grant provisions. As a result, GMSC disbursed the Corporation funds budgeted for Member costs to ineligible persons.
- GMSC staff did not prepare time sheets allocating incurred hours among the DCAP grant and other GMSC activities. Federal regulations (OMB Circular A-122, Attachment B, subparagraph 6 l (1)) require the grantee to prepare time sheets when salary costs must be allocated among separate grants and other activities. We found that GMSC did not require its staff to prepare time sheets. As a result, staff salary and benefits were charged to the grant based on the approved budget and not actual activity. Without time sheets, GMSC can not be certain that costs for staff salaries and benefits were charged to the DCAP grant in proportion to the benefit received.
- No written procedures were developed to identify unallowable or unallocable costs prior to claim for reimbursement. Federal regulations (OMB Circular A-110, subpart C, paragraph 21 (b)(6)) require grantees to have written procedures for determining allowability of costs. As a result, GMSC did not detect and remove unallowable costs from the claim for reimbursement by Corporation funds.
- No standard cost allocation plan had been developed for Federal grants. Federal regulations (OMB Circular A-110, subpart C, paragraph 21 (b)(6)) require a plan that defines an equitable allocation base and provides for a consistent treatment of allocated costs. As a result, the allocation method GMSC used to allocate indirect costs to the Corporation grant was not consistent for like costs in like circumstances.
- Procedures to retain supporting documentation for Member service hours were not adequate. We found that records of time and attendance (Project Activity Logs) to document claimed Member service hours were either incomplete or were not signed by Members or the supervisory staff member as required by Federal regulations (OMB Circular A-110, subpart C, paragraph 21(b)(7)). Therefore, the Corporation is unable to determine that stipends were paid for Member service as claimed by GMSC.

RECOMMENDATIONS

We recommend that the Corporation examine the allocation of staff salaries between the concurrent Corporation grants and require GMSC to develop and report an allocation of staff salaries and benefits based on the number of Members enrolled under each grant. The staff salaries claimed may ultimately be determined to be allocable to the Corporation's share but the allocation between the grants will be more equitable.

We further recommend that the Corporation verify that these internal control weaknesses are corrected before any future grants are awarded to GMSC.

This report is intended solely for the information and use of the Office of the Inspector General, Corporation management, and GMSC. However, this report is a matter of public record and its distribution is not limited.

Tichenor & Associates

TICHENOR & ASSOCIATES

Woodbridge, Virginia

January 14, 1997

APPENDIX I

**Response of the Corporation for National Service
Dated September 22, 1997**



September 22, 1997

Mr. Jonathan D. Crowder
Tichenor & Associates
12531 Clipper Drive, Suite 202
Woodbridge, VA 22192

RE: Grant Number 93DCLOFL0001

Dear Mr. Crowder:

Thank you for the opportunity to review the draft report. Our review was primarily limited to information contained in the report. We have not yet conducted a more comprehensive review and analysis, obtained comments from the awardee, nor considered other information, factors or alternatives to the recommendations. Therefore we are unable to provide detailed comments or specifically concur with the report's findings or recommendations at this time. Nevertheless, we have no objection to the report being issued.

Sincerely,

A handwritten signature in cursive script, appearing to read "Alexandra W. Rollins".

Alexandra W. Rollins
Senior Grants Officer

cc. Donna Cunninghame
William Anderson

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