

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

**AUDIT OF CORPORATION FOR NATIONAL
AND COMMUNITY SERVICE GRANTS
AWARDED TO THE LOUISIANA SERVE
COMMISSION**

OIG REPORT NUMBER 05-17



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

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This report was issued to Corporation management on July 7, 2005. 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 January 7, 2006, and complete its corrective actions by July 7, 2006. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of Inspector General
Corporation for National and Community Service
Audit Report 05-17

Audit of Corporation for National and Community Service Grants Awarded to the
Louisiana Serve Commission

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Cotton & Company LLP (Cotton) to perform an incurred-cost audit of grants awarded to the Louisiana Serve Commission (Commission).

For the grants audited, the Commission claimed costs of \$5,679,673 of which the auditors questioned \$426,611 as unallowable costs and \$30,889 of education awards. Overall, the auditors questioned approximately 7.5 percent of claimed costs. Costs questioned for allowability represent amounts for which documentation shows that recorded costs were expended in violation of regulations or specific grant award conditions, or costs that require an interpretation of allowability by the Corporation. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions. In addition, the auditors noted three internal control findings that are considered material weaknesses.

The Commission disagreed with the \$4,845,375, of questioned costs for the value of public service announcements (PSA) aired in Louisiana that were claimed as administrative match. It believed the Corporation had provided approval to charge this expense as administrative match. We disagree because the Commission did not receive specific approval for the full amount of the claimed cost. Also, the Commission did not include PSA costs in its grant application budget; and the costs are not ordinary and necessary for the operation or the performance of the Federal award, in accordance with OMB Circular A-87.

The Commission concedes that questioned labor and consultant costs did not have the required supporting documentation, but believes the costs are allowable. The Commission generally agreed with the remaining auditors' conclusions and it has addressed many of the identified weaknesses. These comments and the Commission's corrective actions will be reviewed by the Corporation as part of the audit resolution process.

In accordance with our statutory responsibilities, we reviewed Cotton's report and related audit documentation, interviewed their representatives, and performed other procedures as we deemed appropriate in the circumstances to provide reasonable assurance that the audit was performed in accordance with generally accepted government auditing standards. Our review was not intended to enable us to express, and we do not express, opinions on the Commission's Consolidated Schedule of Award Costs, internal controls or conclusions on compliance with laws and regulations. Cotton is responsible for the attached reports dated January 24, 2005, 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.

The Office of Inspector General provided officials of the Serve Louisiana Commission and the Corporation with a draft of this report for their review and comment. Their responses are included as Appendices A and B, respectively.

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
INCURRED-COST AUDIT OF GRANTS AWARDED TO THE
LOUISIANA SERVE COMMISSION**

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- A: Commission's Response to Draft Audit Report
- B: Corporation's Response to Draft Audit Report

AUDIT SCOPE

Cotton & Company LLP was contracted by the Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), to perform an incurred-cost audit of costs claimed by the Louisiana Serve Commission (Commission) for Program Years (PYs) 2001-2002, 2002-2003, and 2003-2004. Our audit included costs claimed under the following grants for the periods specified below. Our audit covered financial transactions, compliance, and internal control testing of the following awards funded by the Corporation:

Program	Award No.	Award Period	Audit Period
Administrative	01SCSLA018	01/01/01-12/31/03	01/01/01-12/31/03
Administrative	04CAHLA001	01/01/04-12/31/06	01/01/04-06/30/04
Program Development Assistance and Training (PDAT)	02PDSLA018	01/01/02-12/31/04	01/01/02-06/30/04
AmeriCorps Competitive	00ASCLA019	09/01/00-03/31/04	09/01/01-03/31/04
AmeriCorps Competitive	03ACHLA001	09/05/03-09/04/06	09/05/03-03/31/04
AmeriCorps Formula	00ASFLA019	09/01/00-03/31/04	09/01/01-03/31/04
AmeriCorps Formula	03AFHLA001	09/05/03-09/04/06	09/05/03-03/31/04
AmeriCorps Promise Fellows*	01APSLA019	10/01/01-09/30/04	10/01/01-06/30/04

* This grant is a fixed-amount award for which the Commission is not required to submit Financial Status Reports (FSRs). Our audit scope was limited to testing compliance with member eligibility and staffing requirements.

Our objectives were to determine if:

- The Commission's financial reports presented financial award results fairly.
- Internal controls were adequate to safeguard Federal funds.
- The Commission and its subrecipients had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions.
- The Commission documented award costs reported to the Corporation, and these costs were allowable in accordance with award terms and conditions.
- The Commission established adequate financial and program management oversight of its subrecipients.

State commissions provide oversight, training, and technical assistance, but do not directly administer programs. State commissions select subrecipients that then design programs to meet community needs.

BACKGROUND

The Louisiana Serve Commission was established in the Office of the Lieutenant Governor (OLG) in 1993. It relies on the Office of Management and Finance (OMF) within OLG to perform fiscal management over Corporation grants. Sixteen volunteers, including the current governor of Louisiana, form the Louisiana Serve Board of Commissioners. The Commission has six full-time employees: executive director, deputy director, Learn and Serve director, Learn and Serve America program assistant, AmeriCorps program officer, and administrative secretary. The Commission has experienced turnover of the executive director position three times since January 2004. The Commission's subrecipients had approximately 496 AmeriCorps members in PY 2003 and 137 members in PY 2004.

The Corporation administers education awards through a database of all members that is updated by each State commission and reported to the Corporation's National Service Trust (Trust). Members then submit requests to the Trust to redeem their awards, which are paid by the Corporation directly to higher educational institutions or other holders of members' education award. The Commission does not directly administer AmeriCorps programs. AmeriCorps funding flows through the Commission to subgrantees. The Commission does, however, directly incur expenses for the Administrative and PDAT grants. The Promise Fellows grant is an annual, fixed, unit-price grant to the Commission based on the number of planned/budgeted Promise Fellows. The Commission incurs minor expenses to monitor the Promise Fellows program, but passes the majority of funds on to the entities housing the Fellows.

The Corporation requires the Commission to provide matching funds (as specified in the award agreement) toward program support as a condition of AmeriCorps and Administrative grants. The Commission meets its AmeriCorps matching requirement using subgrantee contributions.

OLG was included as part of the overall Louisiana State Single Audit for years ended June 30, 2001, 2002, and 2003. Corporation grants were not, however, identified as major programs to receive grant-specific testing. Furthermore, no Federal awards to OLG were selected for testing, although Corporation grants are properly identified in the Schedule of Expenditures under Federal Awards.

In addition to the State Single Audit, OLG received Special Purpose audits in PY 2001 and PY 2002 and an agreed-upon-procedures review in PY 2003. These audits included financial statements and opinions on internal control and compliance. A review of those reports and supporting workpapers identified internal control testing with no weaknesses or identified issues that required our follow up.

The Commission had the following subrecipients during the program years included in our audit scope:

Full Name	Abbreviated Name
AmeriCorps on the Bayou	Bayou
CENLA Serve	CENLA
Impact Lake Charles	Impact
EBR School Board Systems (Serve Baton Rouge)	SERVE
Jumpstart	Jumpstart
Southwest Louisiana Area Health Education Center	SWLAHEC
North Baton Rouge Learning Center	NBRLC
Louisiana Department of Education (LA Literacy)	LA Literacy
SEE Corps (City of West Monroe)	SEE
ShrevCorps	ShrevCorps
Teach for America	Teach
University of Louisiana-Lafayette	UL-Lafayette
Volunteers of America (New Orleans Community Connections)	VOA
YMCA Yes AmeriCorps	YMCA
Trinity Christian Community	Trinity
Big Brothers Big Sisters of Acadiana	BBBS
The Extra Mile, Region IV, Inc.	Extra Mile
Louisiana Association of Nonprofit	LA Association
United Way of Acadiana	United Way
LSF Foundation Named Desire, Inc.	LSF
Young Leaders' Academy	Young Leaders

SUMMARY OF RESULTS

Our audit report expresses a qualified opinion on the Commission's Consolidated Schedule of Claimed and Questioned Costs, based on questioned costs detailed below. Compliance and internal control findings and cost findings are also summarized below.

Compliance and Internal Control Findings

We have issued a report titled Independent Auditors' Report on Compliance and Internal Control, which is applicable to the audit of the Consolidated Schedule of Claimed and Questioned Costs. In that report, we identified findings required to be reported under generally accepted government auditing standards. These findings are as follows:

1. The Commission did not have adequate financial monitoring procedures or other procedures to ensure that subrecipients had adequate financial management and reporting systems.
2. The Commission claimed unallowable costs and costs for which no documentation was provided to support allowability.
3. The Commission's financial management system was not adequate to account for and support all costs claimed.
4. The Commission did not have adequate procedures to ensure member eligibility and proper payment of member support.

5. The Commission did not have procedures to ensure that subrecipients adequately documented member activities.
6. The Commission did not have procedures to ensure that subrecipients complied with all grant compliance provisions.

Cost Findings

The Commission claimed \$5,679,673 in PYs 2001-2002, 2002-2003, and 2003- 2004. Of this amount, we questioned \$426,611. Costs questioned are those for which documentation shows that recorded costs were incurred in violation of laws, regulations, or specific award conditions; costs that require interpretation of allowability by the Corporation; or costs that require additional documentation to substantiate that the cost was incurred and is allowable. Questioned costs include \$347,058 for unmet matching funds related to the Commission’s Administrative Grant No. 01SCSLA018. The Commission’s claimed matching funds for this grant were primarily the value of television public service announcements (PSAs) created and paid for by the Corporation and aired by Louisiana TV stations. We questioned the PSA amount because 1) the Commission did not include PSA costs in its grant application budget; and 2) the costs are not necessary for Commission operations or grant performance.

Grant participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards from the National Service Trust. These award amounts are not funded by Corporation grants and thus are not included in claimed costs. As part of our audit, however, we determined the effect of audit findings on education award eligibility. Using the same criteria described above, we questioned education awards of \$30,889, detailed in the following table:

Questioned for	Costs	Education Awards
Unmet match	\$347,058	
Costs recovered under other awards	9,572	
Costs not applicable to this grant	5,580	
Excessive travel costs claimed	304	
Unallocable office expenses	5,015	
Unallocable staff labor costs	20,576	
Claimed costs exceeded actual costs	885	
Unallowable unemployment insurance	886	
Member eligibility, missing proof of citizenship	16,025	\$7,975
Clerical error	5	
Unsupported costs	996	
No support for claimed costs	585	
Living allowance in excess of ceiling	8,344	
Member eligibility, no time sheets	2,193	1,310
No documentation for claimed costs	1,912	
Costs not adequately allocated to program	63	
Unnecessary costs claimed	32	
Member eligibility, no background checks	5,726	3,363
Member eligibility, no member file	854	
No compelling circumstances to earn award		1,982
Not enough service hours to earn award		<u>16,259</u>
Questioned Costs	<u>\$426,611</u>	<u>\$30,889</u>

Details of questioned costs and education awards appear in the Independent Auditors' Report. Schedules A through E detail cost and education exceptions by award and are summarized below:

Grant No.	Federal Costs Questioned	Education Awards Questioned	Schedule
01SCSLA018	\$362,362		A
00ASCLA019	28,123	\$1,000	B
03ACHLA001	585		C
00ASFLA019	35,465	29,889	D
03AFHLA001	<u>76</u>	<u> </u>	E
Total	<u>\$426,611</u>	<u>\$30,889</u>	

COTTON & COMPANY LLP

auditors ♦ advisors

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January 24, 2005

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT

We have audited costs claimed by the Louisiana Serve Commission for Program Years (PYs) 2001-2002, 2002-2003, and 2003-2004 for the awards listed below. These costs, as presented in the Consolidated Schedule of Claimed and Questioned Costs and grant-specific Schedules of Claimed and Questioned Costs (Schedules A through E), are the responsibility of Commission management. Our responsibility is to express an opinion on the consolidated and grant-specific schedules based on our audit.

Program	Award No.	Award Period	Audit Period
Administrative	01SCSLA018	01/01/01-12/31/03	01/01/01-12/31/03
Administrative	04CAHLA001	01/01/04-12/31/06	01/01/04-06/30/04
Program Development Assistance and Training (PDAT)	02PDSLA018	01/01/02-12/31/04	01/01/02-06/30/04
AmeriCorps Competitive	00ASCLA019	09/01/00-03/31/04	09/01/01-03/31/04
AmeriCorps Competitive	03ACHLA001	09/05/03-09/04/06	09/05/03-03/31/04
AmeriCorps Formula	00ASFLA019	09/01/00-03/31/04	09/01/01-03/31/04
AmeriCorps Formula	03AFHLA001	09/05/03-09/04/06	09/05/03-03/31/04
AmeriCorps Promise Fellows*	01APSLA019	10/01/01-09/30/04	10/01/01-06/30/04

* This grant is a fixed-amount award for which the Commission is not required to submit Financial Status Reports (FSRs). Our audit scope was limited to testing compliance with member eligibility and staffing requirements.

Except as described below, 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 the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial schedules. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion on costs claimed.

The Consolidated Schedule of Claimed and Questioned Costs and grant-specific Schedules of Claimed and Questioned Costs are intended to present allowable costs incurred under the awards in accordance with Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, other applicable OMB circulars, and award terms and conditions. Therefore,

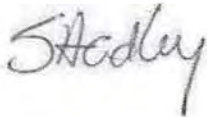
these are not intended to be complete presentations of the Commission's revenues and expenses. These schedules also identify certain questioned education awards. These awards are not funded by Corporation grants and thus are not included in claimed costs. As part of our audit, however, we determined the effect of all member-eligibility issues on these awards.

In our opinion, except for questioned costs in the Consolidated Schedule of Claimed and Questioned Costs, the financial schedules referred to above present fairly, in all material respects, costs claimed by the Commission for Program Years 2001-2002, 2002-2003, and 2003-2004, in conformity with OMB Circular A-87, other applicable OMB circulars, and award terms and conditions.

In accordance with generally accepted government auditing standards, we have also issued a report, dated January 24, 2005, on our consideration of the Commission's internal controls and compliance with laws and regulations. This 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 for the information and use of the Office of Inspector General, management of the Corporation for National and Community Service, the Louisiana Serve Commission and its subgrantees, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

COTTON & COMPANY LLP

A handwritten signature in cursive script that reads "S Hadley".

Sam A. Hadley, CPA, CGFM
Partner

EXHIBIT A

LOUISIANA SERVE COMMISSION
 CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS

Award No.	Program	Approved Budget	Claimed Costs	Questioned Federal Costs	Education Award Questioned	Schedule
01SCSLA018	Administrative	\$712,765	\$712,083	\$362,362		A
04CAHLA001	Administrative	177,728	88,141			
02PDSLA018	PDAT	317,364	200,021			
00ASCLA019	AmeriCorps Competitive	2,464,608	2,118,693	28,123	\$1,000	B
03ACHLA001	AmeriCorps Competitive	530,135	262,778	585		C
00ASFLA019	AmeriCorps Formula	3,165,205	1,915,053	35,465	29,889	D
03AFHLA001	Formula	568,926	259,284	76		E
01APSLA019	Promise Fellows	170,400	123,620			
	Total	<u>\$8,107,131</u>	<u>\$5,679,673</u>	<u>\$426,611</u>	<u>\$30,889</u>	

LOUISIANA SERVE COMMISSION
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 01SCSLA018
ADMINISTRATIVE GRANT
JANUARY 1, 2001, TO DECEMBER 31, 2003

Administrative Grant	Amount	Notes
Approved Budget (Federal Funds)	\$712,765	
Claimed Federal Costs	\$712,083	
Claimed Match Costs	\$4,848,038	
Questioned Federal Costs:		
Costs recovered under other awards	\$9,572	1
Costs not applicable to this grant	5,580	2
Excessive travel costs claimed	152	3
Unmet match	<u>347,058</u>	4
Total Questioned Costs	<u>\$362,362</u>	
Questioned Match Costs:		
Unallowable match	<u>\$4,845,375</u>	4

1. The Commission claimed direct labor costs for several State Office of Management and Finance (OMF) employees who provided accounting, human resource, and information technology services. OMF supports all agencies within the Lieutenant Governor’s Office in this manner. The Commission could not provide documentation to support claimed costs or effort expended on this grant, such as time sheets or periodic effort reporting. Rather, the Commission based claimed amounts on estimates of employee time spent on AmeriCorps-related activities. OMB Circular A-87, Attachment B, Paragraph 8(h)(4), *Compensation for personal services, Support of salaries and wages*, requires salary distributions based on personnel activity reports for employees working on multiple activities. These are to be signed by each employee and must account for all time worked.

We noted that all labor costs for OMF employees are included in the indirect cost rate that is applied to certain Federal grants within the Lieutenant Governor’s Office. Therefore, all labor costs for these employees are recovered through the application of the rate to costs included in the denominator of the rate calculation. AmeriCorps programs are not included in the rate calculation, and it is therefore inappropriate to recover these costs through the application of that rate to these programs.

We therefore questioned \$9,572 of claimed administrative costs that lacked adequate support and had been recovered elsewhere.

2. The Commission claimed \$5,580 for two payments to a consultant of the Mid-South Partnership, an organization jointly developed by State commissions in Louisiana, Mississippi, and Arkansas. The consultant supervised VISTA and other members from the three State commissions. The Louisiana Commission did not, however, identify the amount of the payment applicable to this grant.

OMB Circular A-87, Attachment A, Section C(3)(a), *Allocable costs*, states "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received."

We therefore questioned the \$5,580 claimed, because we could not determine which portion is applicable to this grant.

3. We questioned \$152 as follows:
 - a. The Commission claimed car rental costs for an employee who also claimed personal-vehicle mileage costs for the same trip. We therefore questioned \$78 of unallowable travel costs.
 - b. The Commission claimed unallowable car rental costs. One employee submitted a claim for \$250, which was the amount of the "hold" put on the employee's credit card, rather than the \$176 rental fee that was actually charged to the credit card. We therefore questioned the \$74 balance.
4. The Commission claimed \$4,845,375 as match for in-kind television Public Service Announcements (PSA) created and paid for by the Corporation. The Commission prepared a letter requesting that television stations air the PSA. The Corporation included this letter when it distributed the PSA to the stations. The Commission did not include PSA costs as match in its approved grant budget.

AmeriCorps Provisions, Section B(13)(a), *Matching Obligation*, state that the grantee must provide and account for matching funds as agreed upon in the approved application and budget.

OMB Circular A-87, Attachment A, Section C(1)(a), *Factors affecting allowability of costs*, states that costs must "be necessary and reasonable for proper and efficient performance and administration of Federal awards."

Further, Section C(2)(a), states that in determining the reasonableness of a given cost, consideration must be given to "Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award."

The claimed PSA amount of \$4,845,375 was not necessary for the Commission's operation and/or its grant performance. This results in questioned Federal costs, because the Commission was required to meet a matching requirement of 50 percent for this grant. We calculated questioned Federal costs of \$347,058 resulting from the unmet match requirement as follows:

Administrative Grant	Amount	Notes
Total Claimed Project Costs	\$5,560,121	
Less Questioned Costs:		
Unallowable labor	\$9,572	1
Costs not applicable to this grant	5,580	2
Excessive travel costs claimed	152	3
Unallowable match	<u>4,845,375</u>	4
	<u>\$4,860,679</u>	
Net Allowable Costs	\$699,442	
Eligible Federal costs (\$699,442 x 50%)	<u>\$349,721</u>	
Questioned Federal Costs	<u>\$347,058</u>	

SCHEDULE B

LOUISIANA SERVE COMMISSION
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
 AWARD NO. 00ASCLA019
 AMERICORPS-COMPETITIVE
 SEPTEMBER 1, 2001, TO MARCH 31, 2004

	Approved Federal Budget	Federal Claimed Costs	Questioned Federal Costs	Questioned Match Costs	Questioned Education Awards	Reference
SERVE	\$498,874	\$474,513	\$27,122	\$17,010	\$1,000	Schedule B-1
UL-Lafayette	513,462	455,078	1,001	94,812		Schedule B-2
Others	<u>1,452,272</u>	<u>1,189,102</u>				
Total	<u>\$2,464,608</u>	<u>\$2,118,693</u>	<u>\$28,123</u>	<u>\$111,822</u>	<u>\$1,000</u>	

**LOUISIANA SERVE COMMISSION
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
 AWARD NO. 00ASCLA019
 AMERICORPS-COMPETITIVE
 SEPTEMBER 1, 2001, TO MARCH 31, 2004**

SERVE

	Amount	Notes
Approved Budget (Federal Funds)	\$498,874	
Claimed Federal Costs	\$474,513	
Claimed Match Costs	\$218,271	
Questioned Federal Costs:		
Unallocable office expenses	\$5,015	1
Unallocable staff labor costs	20,576	2
Claimed costs exceeded actual costs	885	3
Unallowable unemployment Insurance	646	4
	<u>\$27,122</u>	
Questioned Match Costs:		
Incurred costs not claimed	\$(790)	5
Donation claimed with no expenses	1,000	6
Claimed match could not be supported	<u>16,800</u>	7
	<u>\$17,010</u>	
Questioned Education Awards	<u>\$1,000</u>	8

- SERVE claimed office expense costs for rent, copying, telephone, postage, and supplies for Program Years 2001-2002 and 2002-2003, but did not allocate expenses to its other activities and programs. OMB Circular A-122, Attachment A, Section A(4), *Allocable costs*, requires a cost to be distributed to awards based on benefits received.

We requested that SERVE allocate office expenses using a reasonable estimate of program activity. We questioned the \$5,015 difference between claimed costs for these expenses and the amount of SERVE's allocation of the costs to all program activities.

- SERVE claimed 100 percent of the executive director's labor for Program Years 2001-2002 and 2002-2003, but did not provide adequate documentation to support claimed costs. OMB Circular A-122, Attachment B, Paragraph 8(m), *Compensation for personal services, Support for salaries and wages*, requires that claimed labor costs be supported by an after-the-fact record of the actual activity for each employee. SERVE did not maintain after-the-fact records of labor activity.

Additionally, the executive director did not work solely on the AmeriCorps program. During the audit, we requested that SERVE estimate the executive director's labor allocation percentage for each of the program years. We questioned the difference between claimed labor and fringe benefit costs and the percentage of those costs estimated by SERVE, or \$8,553 in PY 2001-2002 and \$12,023 in PY 2002-2003.

3. SERVE overclaimed \$905 in PY 2001-2002 and underclaimed \$20 in PY 2002-2003 on its Periodic Expense Reports (PER) and FSRs. SERVE did not have complete accounting reports that summarized grant activity. It relied on a complicated manual process to prepare its financial reports, which required obtaining information from two accounting systems as well as identifying transactions that should be claimed. We noted numerous instances during our review of filed financial reports and SERVE's accounting system in which items were either claimed more than once or were not claimed. We therefore questioned the \$885 difference between claimed costs and amounts supported by accounting records.
4. SERVE claimed unemployment insurance for its members in all program years. Unemployment insurance costs are unallowable in accordance with AmeriCorps Provisions Section B(11)(d)(iv), *Unemployment Insurance*, which states:

“The U.S. Department of Labor ruled that federal unemployment compensation law does not require coverage for members because no employer-employee relationship exists. The Grantee can not charge the costs of unemployment insurance taxes to the Grant unless mandated by state law. Programs are responsible for determining the requirements of state law by consulting their State Commission, legal counsel or the applicable state agency.”

SERVE representatives said they thought that the East Baton Rouge School Board required SERVE to pay unemployment insurance to members. The school board performs accounting services for SERVE, including payroll, although SERVE is not a school district entity. Additionally, SERVE could not provide support to document its assertion that the school board required payment of unemployment insurance premiums for members. We therefore questioned claimed unemployment insurance costs of \$646.
5. SERVE underclaimed match costs on its PERs and FSRs. SERVE maintained manual records of in-kind match and reported those donated expenses on its financial reports. The net result of errors in underclaimed match costs was \$750 and \$40 in Program Years 2001-2002 and 2002-2003, respectively. We therefore questioned an under claim of \$790.
6. SERVE erroneously reported \$1,000 contributed by the Spirit of Louisiana Foundation as match expense, instead of reporting costs that were incurred from the funds donated. SERVE provided an estimate of the use of these funds, but did not provide documentation to support that costs were incurred, allowable, and not otherwise claimed as reimbursed costs on previous PERs or FSRs. We therefore questioned \$1,000.
7. SERVE claimed \$16,800 for donated classroom space as an in-kind match, but could not provide supporting documentation. We therefore questioned \$16,800.
8. SERVE did not provide documentation to show that it conducted a required background check for one member who served with children and who received a \$1,000 education award. AmeriCorps Provisions Section B(6)(h), *Eligibility, Recruitment, and Selection, Criminal Record Checks*, requires programs with members who have substantial direct contact with children to conduct criminal record checks on these members. Without a background check, the member was ineligible to serve and ineligible for the award. We therefore questioned the \$1,000.

LOUISIANA SERVE COMMISSION
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
 AWARD NO. 00ASCLA019
 AMERICORPS-COMPETITIVE
 SEPTEMBER 1, 2001, TO MARCH 31, 2004

UL-LAFAYETTE

	Amount	Notes
Approved Budget (Federal Funds)	\$513,462	
Claimed Federal Costs	\$455,078	
Claimed Match Costs	\$267,854	
Questioned Federal Costs:		
Clerical error	\$5	1
Unsupported costs	<u>996</u>	2
	<u>\$1,001</u>	
Questioned Match Costs:		
Unsupported match costs	<u>\$94,812</u>	3

1. UL-Lafayette claimed employee travel costs that exceeded actual travel costs by \$5, which it attributed to a clerical error. We questioned \$5.
2. We questioned \$996 that UL-Lafayette claimed for unsupported transactions, as follows:
 - UL-Lafayette provided no support for two entries, "EC/Duplicate Charges" for \$96, and "Kristen Jerry" for \$600.
 - For one entry, "Lane David" for \$300, UL-Lafayette could not provide invoices to show what services were provided. A contract in the amount of \$240 was provided, but there was no assurance that the payment we sampled related to that contract. The payment also exceeded the stated contract amount.
3. UL-Lafayette did not have adequate support for certain claimed match costs. It claimed three types of match costs: in-kind support, cash match for member living allowance, and UL-Lafayette incurred costs to support the program. It did not, however, segregate and identify incurred costs in its accounting system. UL-Lafayette was able to support its cash match for member living allowances (Category A on the FSR). Program operating costs claimed (Category B-F), however, are estimates for costs such as telephone, rent, utilities, and labor. Claimed amounts do not represent actual expenses and lack adequate support. Many of the claimed costs are recovered through UL-Lafayette's Negotiated Indirect Cost Rate Agreement.

Additionally, some costs were not adequately valued, such as claimed rent costs, which were not based on actual usage costs. Finally, costs claimed for labor did not identify specific persons who worked on the project, and labor distribution reports or other support were not provided. Without segregation and identification of costs, we cannot determine if similar costs were recovered on other federal programs.

We questioned the excess of claimed match costs that was estimated, and partially or fully recovered through UL-Lafayette's indirect cost rate in excess of costs, that would have been recovered through the application of the approved indirect cost rate to direct program costs. We questioned \$94,812 as follows.

	Amount
Claimed Match	\$267,854
Less: Supported Match	<u>67,163</u>
Unsupported Match	<u>\$200,691</u>
Claimed Federal Costs (B-F)	\$240,635
44% Indirect Cost Rate (Department of Health and Human Services)	<u>44%</u>
Allowable Match Based Application of Indirect Cost Rate	105,879
Total Unsupported Match	<u>\$94,812</u>

SCHEDULE C

LOUISIANA SERVE COMMISSION
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
 AWARD NO. 03ACHLA001
 AMERICORPS-COMPETITIVE
 SEPTEMBER 5, 2003, TO MARCH 31, 2004

	Approved Federal Budget	Federal Claimed Costs	Questioned Federal Costs	Questioned Match Costs	Reference
SWLAHEC	\$312,542	\$155,432	\$585	\$7,392	Schedule C-1
Others	<u>217,593</u>	<u>107,346</u>	—	—	
Total	<u>\$530,135</u>	<u>\$262,778</u>	<u>\$585</u>	<u>\$7,392</u>	

**LOUISIANA SERVE COMMISSION
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
 AWARD NO. 03ACHLA001
 AMERICORPS-COMPETITIVE
 SEPTEMBER 5, 2003, TO MARCH 31, 2004**

SWLAHEC

	Amount	Notes
Approved Budget (Federal Funds)	\$312,542	
Claimed Federal Costs	\$155,432	
Claimed Match Costs	\$128,257	
Questioned Federal Costs:		
No support for claimed costs	<u>\$585</u>	1
Questioned Match Costs:		
Credit adjustment was not applied	\$113	2
Claimed costs exceed costs incurred	<u>7,279</u>	3
	<u>\$7,392</u>	

1. SWLAHEC did not maintain adequate supporting documentation for \$585 of claimed costs. It could provide only credit card statements to support costs claimed for several transactions. We could not determine the allowability, reasonableness, or necessity of the expense from a monthly credit card statement. AmeriCorps Provisions, Section C(22)(b), *Source Documentation*, requires that adequate supporting documentation be maintained for all expenditures, including a receipt, travel voucher, bill, or similar document. We therefore questioned \$585.
2. SWLAHEC did not apply a \$113 credit applicable to this program to an employee travel voucher. It processed an employee travel reimbursement and noted on the voucher that the reimbursement should be net of a credit from a credit card. SWLAHEC applied the credit when payment was made to the employee, but did not apply the credit to claimed program costs. OMB Circular A-122, Attachment A, Section A.5, *Applicable credits*, states that allowable costs must be net of applicable credits. We therefore questioned \$113.
3. SWLAHEC could not support claimed match costs. We could not reconcile claimed costs to costs incurred and reported on its accounting system for several months of the reporting period. SWLAHEC did not have an adequate financial management system to accumulate and report incurred match costs. Match costs were not separately identified and accumulated from other organization costs. AmeriCorps Provisions, Section C(22)(a), *General*, requires financial management systems to be capable of distinguishing expenditures attributable and not attributable to a grant. Also, the individual preparing the financial report documenting match amounts did not verify with the accounting department that the amounts were correct. We therefore questioned the \$7,279 difference between amounts claimed and amounts identified on SWLAHEC's accounting system.

SCHEDULE D

**LOUISIANA SERVE COMMISSION
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
 AWARD NO. 00ASFLA019
 AMERICORPS-FORMULA
 SEPTEMBER 1, 2001, TO MARCH 31, 2004**

	Approved Federal Budget	Federal Claimed Costs	Questioned Federal Costs	Questioned Match Costs	Questioned Education Awards	Reference
SERVE	\$70,205	\$59,022	\$164			Schedule D-1
Jumpstart	439,899	292,875	8,344	\$252,460	\$3,000	Schedule D-2
SWLAHEC	382,906	320,121	20,225	34,103	7,285	Schedule D-3
LA Literacy	640,004	236,222	6,732	1,604	19,604	Schedule D-4
Others	<u>1,632,191</u>	<u>1,006,813</u>	_____	_____	_____	
Total	<u>\$3,165,205</u>	<u>\$1,915,053</u>	<u>\$35,465</u>	<u>\$288,167</u>	<u>\$29,889</u>	

**LOUISIANA SERVE COMMISSION
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
 AWARD NO. 00ASFLA019
 AMERICORPS-FORMULA
 SEPTEMBER 1, 2001, TO MARCH 31, 2004**

SERVE

	Amount	Reference
Approved Budget (Federal Funds)	\$70,205	
Claimed Federal Costs	\$59,022	
Claimed Match Costs	\$17,006	
Questioned Federal Costs	<u>\$164</u>	Note

Note. SERVE claimed unemployment insurance costs for its members in all program years. Unemployment insurance costs are unallowable in accordance with AmeriCorps Provisions Section B (11)(d)(iv), *Unemployment Insurance*, which states: "The U.S. Department of Labor ruled that federal unemployment compensation law does not require coverage for members because no employer-employee relationship exists. The Grantee can not charge the costs of unemployment insurance taxes to the Grant unless mandated by state law. Programs are responsible for determining the requirements of state law by consulting their State Commission, legal counsel or the applicable state agency."

SERVE representatives thought that the East Baton Rouge School Board required SERVE to pay unemployment insurance premiums for members. The school board performs accounting services for SERVE, including payroll, although SERVE is not a school board entity. Additionally, SERVE could not provide support to document its assertion that the school board required payment of unemployment insurance premium for members. We therefore questioned \$164 of claimed unemployment insurance costs.

LOUISIANA SERVE COMMISSION
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
 AWARD No. 00ASFLA019
 AMERICORPS-FORMULA
 SEPTEMBER 1, 2001, TO MARCH 31, 2004

JUMPSTART

	Amount	Notes
Approved Budget (Federal Funds)	\$439,899	
Claimed Costs	\$292,875	
Claimed Match Costs	\$487,756	
Questioned Federal Costs	<u>\$8,344</u>	1
Questioned Match Costs	<u>\$252,460</u>	2
Questioned Education Awards	<u>\$3,000</u>	3

1. Jumpstart claimed member living allowances that exceeded the maximum allowed. AmeriCorps Provisions Section B(11)(a)(ii), *Living Allowance*, states that if members serve less than full time, the living allowance should be prorated based on the member's service. Additionally, Jumpstart used the payroll systems of two universities, which paid members living allowances hourly, based on number of hours worked, instead of paying a fixed allowance. We therefore questioned the difference between the allowable living allowance and the amount paid, based on the hourly rate, or \$8,344.

Jumpstart did not include living allowances in its AmeriCorps budget. It intended to pay all member living allowances through the Federal Work Study program. It did, however, pay living allowances to certain members with Corporation funds, using the staff salaries (Category C) budget. It recorded these costs as Category C on the PERs instead of Category A (Member Living Allowance), thereby misrepresenting the source of living allowance payments and reported expenditures. Also, it did not obtain a budget modification from the Commission to allow Category A expenditures.

2. Jumpstart claimed unallowable living allowances as match. It claimed as match the amounts paid to members from the Federal Work Study program and any expense paid with Federal Work Study funds. Additionally, for members not receiving living allowances, it claimed the value of member service time at either \$6.30 per hour or \$7.50 per hour (depending on the member site).

AmeriCorps Provisions Section B(13)(d), *Exceptions for Donated Professional Services*, states that the purpose of this grant is to enable community services, and the grantee may not include the value of service performed by volunteers. Further, AmeriCorps Provisions Section B(13)(b), *Cash Match for Member Support Costs*, states that match costs must be in non-Federal monies, and match costs claimed in Category A must be paid in cash. This precludes in-kind or donated goods and any expenditures paid with Federal Work Study funds. We therefore questioned all claimed match costs for Category A (Member Living Allowance) of \$252,460.

3. We questioned \$3,000 of education awards as follows:
 - a. Jumpstart could not provide documentation supporting U.S. citizenship or legal status for three of its members. According to 45 CFR § 2522.200, every AmeriCorps participant must be a citizen, national, or lawful permanent resident alien of the United States. Jumpstart noted that it reviewed member datasheets maintained online by the university with which it is affiliated. Required documents to prove citizenship are not, however, maintained online. We therefore questioned education awards of \$2,000 received by the three members.
 - b. Recorded hours of 166 on the time sheets of one member did not support the required 300 service hours for the \$1,000 education award that the member was awarded. Jumpstart, however, claimed 303 hours for that member. We therefore questioned the \$1,000 education award.

**LOUISIANA SERVE COMMISSION
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD No. 00ASFLA019
AMERICORPS-FORMULA
SEPTEMBER 1, 2001, TO MARCH 31, 2004**

SWLAHEC

	Amount	Notes
Approved Federal Budget	\$382,906	
Claimed Federal Costs	\$320,121	
Claimed Match Costs	\$280,829	
Questioned Federal Costs:		
Member eligibility, missing proof of citizenship	\$16,025	1
Member eligibility, no time sheets	2,193	2
Living allowance, excess payment	0	3
No documentation for claimed costs	1,912	4
Costs not adequately allocated to program	63	5
Unnecessary costs claimed	<u>32</u>	6
	<u>\$20,225</u>	
Questioned Match Costs:		
Member eligibility, missing proof of citizenship	\$8,296	1
Member eligibility, no time sheets	1,654	2
Living allowance, excess payment	0	3
No documentation for claimed costs	10,307	4
Costs not adequately allocated to program	1,871	5
Unnecessary costs claimed	65	6
Claimed costs exceed costs incurred	<u>11,910</u>	7
	<u>\$34,103</u>	
Questioned Education Awards:		
Member eligibility, missing proof of citizenship	\$5,975	1
Insufficient service hours	<u>1,310</u>	2
Total Questioned Education Awards	<u>\$7,285</u>	

- SWLAHEC could not provide documentation supporting U.S. citizenship or national status for three of its members. According to 45 CFR § 2522.200, every AmeriCorps participant must be a citizen, national, or lawful permanent resident alien of the United States. With several member sites, SWLAHEC representatives stated that it is difficult to ensure that all sites maintain necessary documentation. We therefore questioned living allowances of \$24,321 (\$16,025 claimed as Federal costs and \$8,296 claimed as match) and earned education awards of \$5,975.

2. SWLAHEC claimed member service hours for 14 members that were not supported by time sheets or whose time sheet hour totals exceeded those reported on WBRS. Actual hours on time sheets for three members did not support necessary service hours for the education awards they earned. Also, time sheets were not available for one member. We questioned \$2,560 of education awards provided to these four members, less an education award of \$1,250 previously questioned in Note 1, above. We therefore questioned net costs of \$1,310. We also questioned \$3,847 of a living allowance for the member with no time sheets (\$2,193 claimed as Federal costs and \$1,654 claimed as match costs).
3. SWLAHEC claimed a living allowance for one member that exceeded the maximum allowed. AmeriCorps Provisions Section B(11)(a), *Living Allowance*, states that if members are less than full time, the living allowance should be prorated based on the member's service. We therefore questioned the difference between the allowable living allowance and the amount that was paid to one member, or \$300 (\$201 claimed as Federal and \$99 claimed as match); however these costs have all been questioned in note 1, above.
4. SWLAHEC did not maintain adequate supporting documentation for \$12,219 of claimed costs. It could provide only credit card statements to support costs claimed for several transactions. We could not determine allowability, reasonableness, or necessity of the expense from the monthly credit card statement. AmeriCorps Provisions Section C(22)(b), *Source Documentation*, requires that adequate supporting documentation be maintained for all expenditures, including a receipt, travel voucher, bill, or similar document. We therefore questioned \$12,219 (\$1,912 claimed as Federal and \$10,307 claimed as match).
5. SWLAHEC did not provide support for its allocated costs to the AmeriCorps grant program. It charged the program for one month of online Internet service and one month of rent and two phone bills. It did not, however, allocate these costs to the benefiting programs. OMB Circular A-122 Attachment A, Section A(4), *Allocable costs*, requires that costs benefiting multiple awards be distributed in reasonable proportion to benefits received. We therefore questioned \$63 claimed as Federal and \$1,871 claimed as match.
6. SWLAHEC claimed costs for unnecessary items. It claimed \$20 for a gift, \$12 for basic cable TV charges, and \$65 for a training registration fee for a member who had exited the program before the training was held. OMB Circular A-122 Attachment A, Section A(3), *Reasonable costs*, states that to be allowable, claimed costs must be necessary for program operation. We therefore questioned \$97 (\$32 claimed as Federal and \$65 claimed as match).
7. SWLAHEC could not support all claimed match costs. We could not reconcile claimed costs to costs incurred and reported on its accounting system for several months of the reporting period. SWLAHEC did not have an adequate financial management system to accumulate and report incurred match costs. Match costs were not separately identified and accumulated from other organization costs. AmeriCorps Provisions Section C(22)(a), *General*, requires financial management systems to be capable of distinguishing expenditures attributable and not attributable to a grant. Also, the individual preparing the financial report documenting match amounts did not verify with the accounting department that amounts were correct. We therefore questioned the \$11,910 difference between amounts claimed and amounts identified on SWLAHEC's accounting system.

LOUISIANA SERVE COMMISSION
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
 AWARD NO. 00ASFLA019
 AMERICORPS-FORMULA
 SEPTEMBER 1, 2001, TO MARCH 31, 2004

LA LITERACY

	Amount	Notes
Approved Federal Budget	\$640,004	
Claimed Federal Costs	\$236,222	
Claimed Match Costs	\$86,974	
Questioned Federal Costs:		
Member eligibility, no background checks*	\$5,726	1
Member eligibility, no member file*	854	2
Excessive travel costs claimed	<u>152</u>	3
	<u>\$6,732</u>	
Questioned Match Costs:		
Member eligibility, no background checks*	\$1,364	1
Member eligibility, no member file*	<u>240</u>	2
	<u>\$1,604</u>	
Questioned Education Awards:		
Member eligibility, no background checks	\$2,363	1
Not enough service hours to earn award	15,259	4
No compelling circumstance to earn award	<u>1,982</u>	5
	<u>\$19,604</u>	

* We questioned the living allowance based on the budgeted amount. LA Literacy did not provide actual living allowance amounts paid to individual members.

1. LA Literacy did not provide documentation to show that it conducted required criminal background checks for two members. AmeriCorps Provisions Section B(6), *Eligibility, Recruitment, and Selection*, requires programs with members who have substantial direct contact with children to conduct criminal record checks on these members. Without required background checks, these members were ineligible. LA Literacy noted that this program has closed, and the program director is no longer available to explain why the documentation was not available. We therefore questioned living allowances of \$5,726 and \$1,364 for the Federal share and match costs, respectively, as well as \$2,363 of earned education awards for these two members.

2. LA Literacy could not locate one member file. Therefore, we could not verify eligibility requirements, such as citizenship, and background check; or compliance requirements, such as completing time sheets and attending training. We therefore questioned the member's living allowance of \$854 and \$240 for the Federal share and match costs, respectively.
3. LA Literacy paid \$152 for mileage reimbursements that were not adequately supported. In two instances, the number of miles reimbursed was not supported by trip details. In the third instance, the member claimed mileage reimbursement for a trip to a tutoring session, but her name was not on the session sign-in sheet, and no other documentation was available to support the member's attendance. We questioned \$152.
4. LA Literacy claimed member service hours for four members that were not supported by time sheets or whose time sheet hours were greater than those reported to WBRS. Recorded time sheet hours did not support required service hours for education awards that were earned. We questioned \$15,259 of education awards provided to these four members.
5. Two members who were released early for compelling personal circumstances received partial education awards, although member files did not document the early releases. In accordance with AmeriCorps Provisions, Section B(9)(a), *Compelling Circumstances*, the grantee is responsible for determining if a member's personal circumstance is sufficiently compelling to justify release on this basis. Additionally, 45 CFR § 2522.230 states that to receive partial education awards, a member must be released for a compelling personal circumstance and complete at least 15 percent of the required service term to earn a pro-rated education award. We questioned \$5,428 of education awards for these two members; we questioned \$3,446 of this amount in Note 4 above, resulting in \$1,982 of questioned costs.

SCHEDULE E

LOUISIANA SERVE COMMISSION
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 03AFHLA001
AMERICORPS-FORMULA
SEPTEMBER 5, 2003, TO MARCH 31, 2004

	Approved Federal Budget	Federal Claimed Costs	Questioned Federal Costs	Questioned Match Costs	Reference
SERVE	\$113,624	\$60,431	\$76	\$12,472	Schedule E-1
UL-Lafayette	127,836	\$66,809		43,184	Schedule E-2
Others	<u>327,466</u>	<u>132,044</u>	—	—	
Total	<u>\$568,926</u>	<u>\$259,284</u>	<u>\$76</u>	<u>\$55,656</u>	

**LOUISIANA SERVE COMMISSION
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
 AWARD NO. 03AFHLA001
 AMERICORPS-FORMULA
 SEPTEMBER 5, 2003, TO MARCH 31, 2004**

SERVE

	Amount	Notes
Approved Budget (Federal Funds)	\$113,624	
Claimed Federal Costs	\$60,431	
Claimed Match Costs	\$22,771	
Questioned Federal Costs	<u>\$76</u>	1
Questioned Match Costs	<u>\$12,472</u>	2

1. SERVE claimed unemployment insurance premium costs for its members in all program years. Unemployment insurance costs are unallowable in accordance with AmeriCorps Provisions Section B(11)(d), *Unemployment Insurance*, which states, "The U.S. Department of Labor ruled that federal unemployment compensation law does not require coverage for members because no employer-employee relationship exists. The Grantee can not charge the costs of unemployment insurance taxes to the Grant unless mandated by state law. Programs are responsible for determining the requirements of state law by consulting their State Commission, legal counsel or the applicable state agency."

SERVE representatives thought that the East Baton Rouge School Board required SERVE to pay unemployment insurance premiums for members. The school board performs accounting services for SERVE, including payroll, although SERVE is not a school district entity. Additionally, SERVE could not provide support to document its assertion that the school board required payment of unemployment insurance premiums. We therefore questioned \$76 of claimed unemployment insurance.

2. SERVE claimed salaries of \$12,472 for two education specialists, but paid these costs from another Federal grant. SERVE later credited these costs against a future PER when it was discovered that costs had been previously charged to another Federal program. It did not, however, adjust the credit until after our audit period. As a result, the \$12,472 was still included in claimed costs as of March 31, 2004.

LOUISIANA SERVE COMMISSION
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
 AWARD No. 03AFHLA001
 AMERICORPS-FORMULA
 SEPTEMBER 5, 2003, TO MARCH 31, 2004

UL-LAFAYETTE

	Amount	Reference
Approved Budget (Federal Funds)	\$127,836	
Claimed Federal Costs	\$66,809	
Claimed Match Costs	\$80,972	
Questioned Match Costs	<u>\$43,184</u>	Note

Note. UL-Lafayette did not have adequate support for certain claimed match costs. It claimed three types of match costs: in-kind support, cash match for member living allowances, and UL-Lafayette-incurred costs to support the program. It did not, however, segregate and identify incurred costs in its accounting system. UL-Lafayette was able to support its cash match for member living allowances (Category A on the FSR). Program operating costs claimed (Category B-F), however, are estimates for costs such as telephone, rent, utilities, and labor. Claimed amounts do not represent actual expenses and lack adequate supporting documents, and many of the claimed costs are recovered through UL-Lafayette's Negotiated Indirect Cost Rate Agreement.

Additionally, some costs were not adequately valued, such as claimed rent costs, which were not based on actual usage costs. Finally, costs claimed for labor did not identify the specific persons who worked on the project, and labor distribution reports or other support were not provided. Without segregation and identification of costs, we cannot determine if similar costs were recovered from other Federal programs.

We questioned the excess of claimed match costs that was estimated and partially or fully recovered through UL-Lafayette's indirect cost rate, in excess of costs that would have been recovered through the application of the approved indirect cost rate to direct program costs. We questioned \$43,184, as follows:

	Amount
Claimed Match	\$80,972
Less: Supported Match	<u>25,475</u>
Unsupported Match	<u>\$55,498</u>
Claimed Federal Costs (B-F)	27,987
44% Indirect Cost Rate (Department of Health and Human Services)	<u>44%</u>
Allowable Match Based Application of Indirect Cost Rate	12,314
Total Unsupported Match	<u>\$43,184</u>

COTTON & COMPANY LLP

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January 24, 2005

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL

We have audited costs claimed by the Louisiana Serve Commission to the Corporation for National and Community Service for the following awards and have issued our report thereon dated January 24, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards.

Program	Award No.	Award Period	Audit Period
Administrative	01SCSLA018	01/01/01-12/31/03	01/01/01-12/31/03
Administrative	04CAHLA001	01/01/04-12/31/06	01/01/04-06/30/04
Program Development Assistance and Training (PDAT)	02PDSLA018	01/01/02-12/31/04	01/01/02-06/30/04
AmeriCorps Competitive	00ASCLA019	09/01/00-03/31/04	09/01/01-03/31/04
AmeriCorps Competitive	03ACHLA001	09/05/03-09/04/06	09/05/03-03/31/04
AmeriCorps Formula	00ASFLA019	09/01/00-03/31/04	09/01/01-03/31/04
AmeriCorps Formula	03AFHLA001	09/05/03-09/04/06	09/05/03-03/31/04
AmeriCorps Promise Fellows*	01APSLA019	10/01/01-09/30/04	10/01/01-06/30/04

* This grant is a fixed-amount award for which the Commission is not required to submit Financial Status Reports (FSRs). Our audit scope was limited to testing compliance with member eligibility and staffing requirements.

COMPLIANCE

As part of obtaining reasonable assurance about whether financial schedules are free of material misstatements, we performed tests of compliance with certain provisions of laws, regulations, and grants, noncompliance with which could have a direct and material effect on the 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. Results of our tests disclosed instances of noncompliance that are required to be reported under generally accepted government auditing standards (all findings discussed below).

INTERNAL CONTROLS OVER FINANCIAL REPORTING

In planning and performing our audit, we obtained an understanding of the Commission's internal controls 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 controls over financial reporting. We noted, however, certain matters involving internal controls over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal controls over financial reporting that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with assertions of management in the financial schedules (Finding Nos. 1, 2, and 3 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 the structure of internal controls would not necessarily disclose all matters in the structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable conditions in Finding Nos. 1, 2, and 3 to be material weaknesses.

FINDINGS

1. **The Commission did not have adequate financial monitoring procedures or other procedures to ensure that subrecipients had adequate financial management and reporting systems. We noted that:**
 - a. The Commission did not obtain and review subrecipient OMB Circular A-133 reports, perform necessary reconciliations, and follow up on issues affecting Corporation funds. OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, Subpart D.400 (d), *Pass-through Entity Responsibilities*, requires grantees to ensure that subrecipients undergo audits meeting requirements of the circular. According to 45 CFR § 2541.260(b)(4), recipients must consider whether subrecipient audits necessitate adjustment of the grantee's own records.

The grant agreements between the Commission and its subrecipients stipulated that audits be performed in accordance with OMB Circular A-133, but the Commission did not have procedures to ensure that these were performed, if applicable, and to review and follow-up on these reports. Furthermore, the Commission did not obtain and review these reports in evaluating applications for subawards.
 - b. The Commission did not perform regular monitoring site visits of its AmeriCorps subrecipients. It performed no subrecipient site visits in PY 2002-2003 and conducted only two visits in PY 2003-2004. According to 45 CFR § 2541.400 (a), *Monitoring by grantees*:

“Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to ensure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.”

We also noted that the Commission's site visit monitoring tool did not sufficiently document the reviews that were performed. For example, the tool did not require explanations for sections of the monitoring that were not completed, and member interviews were not documented.

As a result of the Commission's failure to properly monitor its subrecipients, deficiencies in subrecipient financial management systems existed that could have been detected during monitoring. We identified the following deficiencies:

- SERVE employees did not prepare time sheets reflecting hours worked by activity. Instead, SERVE claimed labor costs based on estimated percentages of time worked that were not supported by time distribution reports. OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, Paragraph 8(m), *Support of Salaries and Wages*, requires that salaries charged to awards be supported by personnel activity reports signed by the employee and/or supervisor and reflect actual time worked on the award.
- SWLAHEC employees did not properly segregate and identify hours on their time sheets that were spent on unallowable activities. SWLAHEC claimed 100 percent of an employee's salary as match for the AmeriCorps grant. Other documents, however, indicated that some of this employee's time was spent on such activities as writing grant proposals. AmeriCorps Provisions Section B(5), *Fund Raising*, states that "[a]n AmeriCorps staff member's time and related expenses may not be charged to the Corporation or Grantee share of the Grant while engaged in organized fund raising."
- Subrecipients did not have procedures in place to ensure that member and employee time sheets were properly maintained, and that all time sheet entries and corrections were adequately documented. Specifically, we noted that:
 - Time sheet changes were not initialed (SERVE, Jumpstart, SWLAHEC, LA Literacy, UL-Lafayette, BBBS, Young Leaders, Extra Mile, United Way).
 - Original time sheets were not maintained (SERVE, SWLAHEC, LA Literacy, UL-Lafayette).
 - Time sheets were prepared using pencil rather than ink (SERVE, Jumpstart, LA Literacy, UL-Lafayette).
 - Time sheets were not always signed by the member, employee, or supervisor (SERVE, Jumpstart, SWLAHEC, LA Literacy). All PY 2002-2003 time sheets for one SWLAHEC member's entire term were signed by the member and approved by the member's supervisor on the same day.

In accordance with AmeriCorps Provisions Section C(22)(c), *Financial Management Provisions, Time and Attendance Records*, the grantee (or subrecipient) must keep time-and-attendance records on all AmeriCorps members to document eligibility for in-service and post-service benefits. Time-and-attendance records must be signed by both the member and an individual with oversight responsibilities for the member.

- Jumpstart claimed living allowances paid to team leaders as staff salaries on its FSR. AmeriCorps Provisions Section B(6)(f), *Member Classification*, states that AmeriCorps members are not employees of the program. In addition, AmeriCorps Provisions Section

B (13), *Matching Requirements*, stipulates different matching requirements for member support costs (including living allowances) and program operating costs (including staff salaries). Jumpstart officials were not aware that living allowances should not be claimed as salaries.

- Subrecipients did not account for and report matching in accordance with grant requirements. We noted that:
 - Jumpstart and SERVE did not have controls in place to ensure that the same costs were not claimed as matching on multiple Federal awards. Their accounting systems did not identify and segregate costs claimed as matching on the AmeriCorps grant. AmeriCorps Provisions Section B(13), *Matching Requirements*, states that matching amounts must not be included as contributions for any other Federally-assisted program.
 - Subrecipients claimed ineligible costs as matching. Jumpstart claimed as matching living allowances paid to work-study students funded by a Federal grant. It also claimed the value of AmeriCorps volunteer time. SERVE claimed in-kind labor costs of two education specialists whose salaries were funded by another Federal grant. AmeriCorps Provisions Section B(13), *Matching Requirements*, states that grantee matching must be in non-Federal monies, and that grantees may not include the value of direct community service provided by volunteers. The subrecipients were not aware that these costs were ineligible for matching.
 - Jumpstart, SERVE, UL-Lafayette and SWLAHEC claimed incorrect amounts and could not provide supporting documentation for a number of match transactions. In addition, SWLAHEC claimed matching amounts that did not reconcile to its accounting records. AmeriCorps Provisions Section C(22)(b), *Source Documentation*, states: "The grantee must maintain adequate supporting documentation for its expenditures (Federal and non-Federal) and in-kind contributions made under this grant. Costs must be shown in books or records... and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher or similar document."
 - LA Literacy did not meet minimum grant matching requirements. AmeriCorps Provisions Section B(13)(a), *Matching Obligation*, states that programs must match a minimum of 15 percent of member support costs and 33 percent of program operating costs. LA Literacy reported a 13.08 percent share of member support and 25.93 percent share of program operating costs on its March 2004 PER in PY 2002-2003. In addition, LA Literacy reported a zero percent share of program costs on its final PER in PY 2001-2002, filed for the period ending December 31, 2002.
- SERVE made numerous errors in reporting program costs on its PY 2001-2002 PERs. SERVE did not prepare the PERs directly from its general ledger and made several errors and omissions in identifying and adjusting costs to be claimed. SERVE did not have control procedures to review PERs for accuracy before submission. AmeriCorps Provisions Section C(21)(a), *General*, states that subrecipients must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary.

- UL-Lafayette, Jumpstart, LA Literacy, SWLAHEC, and SERVE did not submit FSRs and/or PERs on a timely basis. The grant agreements established quarterly due dates for subrecipient FSRs and required that PERs be submitted by the 10th day of the month following the preceding reporting period. We reviewed all FSRs and PERs submitted by these subrecipients within the audit period, and identified a number that were submitted after the due date. Subrecipients attributed late submissions to technical difficulties, access to WBRS and time conflicts. FSRs and PERs were submitted after grant-stipulated dates, as follows:

Subrecipient	Program Year	FSRs Submitted Late	PERs Submitted Late	Number of Days Late*
SERVE	2001-2002	5		5-51
SERVE	2002-2003	12		1-60
SERVE	2003-2004	3		2-60
UL-Lafayette	2001-2002	1	10	1-53
UL-Lafayette	2002-2003	1	11	5-121
UL-Lafayette	2003-2004	1	5	1-60
Jumpstart	2001-2002	1		564
Jumpstart	2002-2003	3		12-60
Jumpstart	2003-2004	4		2-60
SWLAHEC	2001-2002	4		8-237
SWLAHEC	2002-2003	2		12-60
SWLAHEC	2003-2004	3		31-59
LA Literacy	2001-2002	4		5-145
LA Literacy	2002-2003	3		3-142

* Includes all FSRs and PERs submitted late as detailed above.

The Commission is responsible for ensuring that its subrecipients have adequate financial management systems and are accurately reporting financial results. The Commission should have detected the conditions described above in its periodic review of subrecipient expense reports and in its site visits. The Commission's failure to identify the above conditions and require corrective action indicates that it is not adequately monitoring its subrecipients.

Recommendation: We recommend that the Commission:

- Obtain and review subrecipient OMB Circular A-133 reports, perform necessary reconciliations, and follow up on issues affecting Corporation funds.
- Perform on-site reviews of its subrecipients at least annually, and ensure that all procedures performed are adequately documented.

Commission Response: The Commission agrees with our recommendations. Starting in September 2004, the Commission implemented policies and procedures for:

- Obtaining Financial Reports
- Reviewing Financial Reports
- Monitoring Subrecipients

Auditors' Additional Comments: The Commission's corrective actions, as described in its response, are responsive to our recommendations. No additional comments are necessary.

2. The Commission claimed unallowable costs and costs for which no documentation was provided to support allowability.

The notes to Schedules A through E describe questioned federal costs of \$426,611, which are summarized in the table included in the Summary of Results, in addition to questioned matching costs of \$5,308,412. These questioned costs consist of amounts claimed by the Commission for which there is documentation that recorded costs were expended in violation of laws, regulations, specific conditions of awards, costs that require interpretation of allowability by the Corporation, or unsupported costs claimed by the Commission that require additional supporting documentation.

Recommendation: We recommend that the Corporation:

- Follow up with the Commission to determine if questioned and unsupported amounts should be disallowed and recovered. Also, the Corporation should apply the five percent administrative rate to any costs deemed unallowable and recover these costs as well.
- Ensure that the Commission provides better training to its staff and its subrecipients on the allowability of costs and the documentation required to support claimed costs.

Commission's Response: Since the departure of the previous executive director, who maintained sole responsibility for management of the grants, the current staff has worked diligently to ensure all Commission operations follow required provisions, circulars, and regulations. The Commission will continue to work closely with the Corporation and utilize the resources of training and technical assistance providers to determine the appropriate training for staff and the subrecipients. The Commission disagrees with the auditors on three items questioned on Administrative Grant (Schedule A):

- \$9,572 of claimed direct labor costs for several OMF employees providing services to the Commission. The Commission agrees that the claimed labor costs did not have the required documentation to support the claimed costs or effort expended on the grant (such as time sheets or periodic effort reporting). However, the Commission does not agree that the costs were unallowable. OMF is the fiscal agency that provides the fiscal oversight for the Commission (including budget management, financial status report submission, staff time sheet review, travel expenditure approval, etc.). The Commission is working with OMF to finalize the proper use of the Federal indirect cost rate.
- \$5,580 for payment to a consultant of the Mid South Promise Partnership. The Commission acknowledges that the two documents provided to the auditors did not contain enough information to determine that the payment was applicable to the grant. However, the Commission maintains that the payment to the consultant was allowable. The \$45,000 was provided by the Corporation, as a special initiative under the administrative grant, to engage a consultant to evaluate national service in the Delta Region, specifically the work of Promise Fellows. The Commission notes that, because the modification was for a tri-state initiative, the payments are allowable.

- \$4,845,375 of claimed match for in-kind public service announcements. On July 8, 2004, an electronic communication with the Corporation indicated approval of the use of public service announcements as Commission administrative match. Furthermore, the training and technical assistance provider assisted the Commission in determining various avenues to retrieve match. One of the recommendations was to research, verify, and document the public service announcements aired in Louisiana. It is important to point out that once the Commission received approval to use the public service announcement, further research into possible undocumented match ceased and the final Financial Status Report was submitted to the Corporation.

Auditors' Additional Comments: While it is apparent from the Commission's submission that a Corporation employee indicated that costs associated with PSA's are permissible as a general matter, we note that the Commission did not inform nor receive specific approval from the Corporation for the full amount of the costs they intended to attribute as their required match.

Costs related to recruitment of personnel required for the performance by the grantee are allowable under OMB Circular A-87, Attachment B, Section 1. *Advertising and public relations costs*. However, allowability of costs under the Circular is governed by the principle of reasonableness and allocability. A cost is reasonable if "it does not exceed that which would be incurred by a prudent person" and "is of a type generally recognized as ordinary and necessary for the operation the government unit." A cost is allocable if "the services involved are chargeable or assignable to such cost objective in accordance with the relative benefit received." OMB Circular A-87, Attachment A, General Principles for Determining Allowable Costs, Section C. Basic Guidelines.

Based on these principles, it stands to reason that the amount claimed, \$4,845,375, for the objective of recruitment of AmeriCorps members fails to meet these criteria. Moreover, even were the Corporation to have approved the full amount beforehand, under these principles we would have been compelled to question the total cost.

3. The Commission's financial management system was not adequate to account for and support all costs claimed.

The Commission did not have a labor distribution system that supported claimed administrative labor costs, did not have procedures to document matching, did not revise its FSRs for subsequent adjustments recorded in its accounting system, and did not submit FSRs and other program reports on a timely basis. Specifically, we noted that:

- a. The Commission claimed direct labor costs on the Administrative Grant for accounting, human resource, and information technology staff. It based amounts claimed on estimates of time spent on AmeriCorps activities, and not on actual time distribution records. OMB Circular A-87, Attachment B, Paragraph 8(h), *Support of salaries and wages*, requires salary distributions based on personnel activity reports for employees working on multiple activities. These are to be signed by each employee and should specifically account for all time worked. The Commission was not aware that its system did not meet the OMB requirements.
- b. The Commission did not have adequate procedures to properly calculate, document and record matching amounts. The Commission was unable to document matching funds in the amounts required by the grant. In addition, amounts claimed as match included unallowable and unsupported costs. AmeriCorps Provisions Section B(13), *Matching Requirements*, require that grantees provide matching in accordance with the approved grant budget and that the match share be verifiable from the grantee's records.

- c. Subgrantees did not report PER cost adjustments to the Commission. Therefore, information on the Commission's FSRs did not match financial data in its accounting system. 45 CFR § 2541.200, *Standards for financial management systems*, requires that grantee financial management systems provide for accurate, current, and complete disclosure of financial results of financially assisted activities. Failure to adjust FSRs for subsequent cost adjustments could result in over- or underclaimed reimbursement costs.
- d. The Commission did not submit its FSRs and its progress reports on a timely basis. AmeriCorps Provisions Section B(22)(a), *Financial Status and Progress Reports*, establishes due dates for quarterly reporting and states that grantees must submit FSRs and progress reports by these dates. We reviewed all FSRs and progress reports which the Commission submitted during the audit period. The Commission submitted the final progress report on its AmeriCorps Administrative Grant after the due date. We also noted that the following FSRs were submitted after the dates stipulated in the AmeriCorps provisions:

Grant	Program Year	FSRs Submitted Late	Number of Days Late
AmeriCorps Formula	2001-2004	4	5-177*
AmeriCorps Competitive	2001-2003	2	70-125

* The final FSR for the grant was due on July 30, 2004. As of the date of this report, the Commission had not submitted this report.

Recommendation: We recommend that the Commission:

- Require employees to keep time distribution records in accordance with applicable OMB Circulars and other grant regulations.
- Develop procedures to properly document and record all matching costs.
- Reconcile cumulative costs reported on its FSRs to its accounting system on a regular basis and adjust FSRs as necessary.
- Ensure that it submits FSRs within the stipulated time periods.

Commission's Response: The Commission agrees that the claimed costs were not properly accounted for and supported by the financial management system. The Commission documented its new procedures that will remedy this finding.

Auditors' Additional Comments: The Commission's corrective actions, as described in their response, are responsive to our recommendations. No additional comments are necessary.

4. The Commission did not have adequate procedures to ensure member eligibility and proper payment of member support.

The Commission did not adequately monitor and train subrecipients to ensure that all members were eligible, performed only allowable service, and were eligible for their living allowances and education awards. The Commission also did not have procedures to ensure that members were given living allowances in accordance with grant requirements. We noted the following:

- a. Member files at several subrecipients did not contain proof of citizenship. According to 45 CFR § 2522.200(c), *Participant Eligibility, Requirements, and Benefits*, a member must provide documentation of status as a U.S. citizen. Subrecipients did not, however, have procedures to ensure that this documentation was maintained in member files. Member files did not include proof of citizenship, as follows:

Subrecipient	Files Tested	Missing Information
SWLAHEC	21	7
SERVE	19	1
UL-Lafayette	21	1
Jumpstart	25	5
LA Literacy Corps	10	1*

* The entire member file was missing.

- b. Member files at several subrecipients did not always include high school diplomas or equivalent records. According to 45 CFR § 2522.200(a)(2), members must have, or agree to obtain, a high school diploma or equivalent. Member files did not include this information as follows:

Subrecipient	Files Tested	Missing Information
SWLAHEC	21	7
SERVE	19	2
UL-Lafayette	21	7
LA Literacy Corps	10	5*

* Includes one entire missing member file.

- c. SERVE failed to obtain a criminal background check for one of its members working with children in PY 2001-2002. LA Literacy Corps could not provide documentation that it obtained background checks for three of its members. Failure to perform these background checks could result in children being placed in harm's way.

AmeriCorps Provisions Section B(6)(h), *Criminal Record Checks*, requires programs with members who have substantial direct contact with children or other vulnerable persons to conduct criminal record checks on these members and to maintain this documentation.

- d. SWLAHEC included holiday time toward the 1,700-hour minimum service requirement for three members in PYs 2001-2002 and 2002-2003. Subrecipient representatives said they thought that these members might have been providing off-site community services during holidays, but could not provide documentation to support such service. Holiday hours are not allowable as service hours, in accordance with AmeriCorps Provisions Section B(7), *Training, Supervision, and Support (2002)*, which requires the grantee to account for holidays and other time-off and provide each member with sufficient opportunity to make up missed hours.

- e. Position descriptions and time sheets for two SWLAHEC members indicated that they were performing marketing and/or research activities. AmeriCorps Provisions Section B(8), *Member Training, Supervision, and Support*, states that: “[M]ember activities may not include clerical work, research, or fund raising activities unless such activities are incidental to the member’s direct service activities.”
- f. LA Literacy granted partial education awards to two members who left the program early without documenting compelling personal circumstances. Subrecipients also did not have procedures to ensure that the reasons for early releases were properly documented. Without such procedures, members may earn partial education awards for which they are not eligible.

45 CFR § 2522.230(a) (4) states that “[T]he program must document the basis for any determination that compelling personal circumstances prevent a participant from completing a term of service.”

45 CFR § 2522.230(b) (3) states that “[A] participant who is released for cause may not receive any portion of the AmeriCorps education award or any other payment from the National Service Trust.”

- g. Jumpstart paid members living allowances based on an hourly rate. SWLAHEC paid one member a lump-sum living allowance payout when she exited the program and continued to pay three members living allowances after they stopped serving. Subrecipients did not understand the AmeriCorps Provisions Section B(11), *Living Allowances, In-Service Benefits, and Taxes*, which states: “The living allowance is designed to help members meet the necessary living expenses incurred while participating in the AmeriCorps Program. Programs must not pay a living allowance on an hourly basis. It is not a wage and should not fluctuate based on the number of hours members serve in a given period.”

Because the living allowance is designed to cover living expenses for members while they are participating in the program, payouts and catch-up amounts are not acceptable, even if the member has earned the maximum available award.

As part of its monitoring requirements, the Commission is responsible for ensuring that subrecipients are adequately trained in programmatic provisions and procedures to ensure that members are eligible to serve, are paid support costs in accordance with AmeriCorps provisions, and have met all eligibility requirements for earned awards.

Recommendation: We recommend that the Commission strengthen its program monitoring procedures to ensure that subrecipients meet the requirements of 45 CFR § 2541.400. Specifically, we recommend that the Commission ensure that subrecipients:

- Adequately document and ensure member citizenship and/or legal residency.
- Ensure that members obtain either a high school diploma or equivalent and document compliance in members’ files.
- Obtain criminal background checks when warranted.
- Ensure that only service hours are counted toward the member service requirement.
- Ensure that members are only performing allowable duties.

- Properly document compelling personal circumstances for early separation when approving partial education awards for members.
- Calculate and pay living allowances in accordance with program provisions.

Commission's Response: The Commission agrees with our recommendations to strengthen its subrecipient monitoring and has itemized its revised procedures.

Auditors' Additional Comments: The Commission's corrective actions, as described in their response, are responsive to our recommendations. No additional comments are necessary.

5. The Commission did not have procedures to ensure that subrecipients adequately documented member activities.

Subrecipients did not adequately document member activities in accordance with AmeriCorps provisions. Subrecipients did not maintain or complete member evaluations, enrollment forms, and exit forms, or completed those forms improperly or in an untimely manner. Subrecipients did not adequately document member attendance at orientation sessions or document required member training. Subrecipients could not support the number of claimed member hours in WBRS with member time sheets. Specifically:

- a. Member files at five subrecipients were missing documentation on mid-term and/or final evaluations. AmeriCorps Provisions Section B(7)(g), *Performance Reviews*, requires that grantees conduct at least mid-term and end-of-term evaluations of each member's performance, documenting that the member has:
 - Completed the required number of hours.
 - Satisfactorily completed assignments.
 - Met other performance criteria that were clearly communicated at the beginning of the service term.

Evaluations were missing from subrecipient files, were unsigned, or did not comply with AmeriCorps requirements, because they did not indicate if the member had met performance criteria. UL-Lafayette did not perform final evaluations of its members in PYs 2001-2002 and 2002-2003. Subrecipients did not have procedures in place to ensure that all evaluations were properly completed and maintained in member files.

Evaluations are necessary to ensure that members are eligible for another term of service. According to 45 § CFR 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. Following is a summary of evaluations tested:

Subrecipient	Number of Evaluations			
	Tested	Missing	Unsigned	Not Performed or Did Not Comply
UL-Lafayette	62	7		24
Jumpstart	50	9	25	
LA Literacy	20	8		5
SERVE	38	3		
SWLAHEC	42	23		
BBBS	1	1		
Young Leaders	1	1		

- b. Member files at several subrecipients lacked sufficient information to document member enrollment and exit. AmeriCorps Provisions Section B(16)(b), *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/end-of-term-of-service forms be submitted no later than 30 days after a member exits the program.

LA Literacy did not submit an exit form for a PY 2002-2003 member before its program ended in March 2004. At that point, the subrecipient no longer had access to WBRs, and the member was still listed as active. Also, enrollment and end-of-term-of-service forms were missing from member files, were submitted late, or lacked member signatures when entered in WBRs as follows:

Subrecipient	Files Tested	Number of Forms		
		Missing	Late	Unsigned
SWLAHEC	21	14	17	
SERVE	19		14	
LA Literacy	10		5	
UL-Lafayette	21		18	
Jumpstart	25	2	17	1
Extra Mile	1		1	
United Way	1		1	

Subrecipients did not have procedures in place to ensure that these forms were completed and submitted in a timely manner and were retained in member files. Subrecipient failure to promptly obtain and submit this information results in inaccurate Corporation member enrollment records.

- c. Member files at several subrecipients lacked sufficient information to document member attendance at orientation and, in one case, member files did not contain training records. Specifically:
- UL-Lafayette could not provide agendas, sign-in sheets or any other documentation to support orientations for its members during the three program years we reviewed. Member time sheets did not distinguish between orientation and other training hours.

- SWLAHEC also could not provide agendas or sign-in sheets to support orientations, and member files did not contain training records. Some members had zero training hours reported in WBRS, indicating that an orientation was not conducted.
- LA Literacy could not provide orientation documentation for nine of its members.

AmeriCorps Grant Provisions Section B(7), *Training, Supervision, and Support*, requires that grantees conduct orientations for members covering member rights and responsibilities, including the code of conduct, prohibited activities, Drug to Free Workplace Act requirements, suspension and termination from service, grievance procedures, sexual harassment, other nondiscrimination issues, and other topics as necessary.

- d. Hours recorded by subrecipients in WBRS were not always properly supported by member time sheets. AmeriCorps Provisions Section C(22)(c), *Time and Attendance Records*, requires that grantees keep time-and-attendance records on 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 appropriate education awards. Subrecipient program personnel, however, made data-entry errors when recording member hours in WBRS. Total member hours supported by time sheets varied from total hours in WBRS, as follows:

Subrecipient	Files Tested	Files with Discrepancies
UL-Lafayette	21	1
LA Literacy	10	4
SWLAHEC	21	14
Jumpstart	25	11

Recommendation: We recommend that the Commission strengthen its program monitoring procedures to ensure that subrecipients meet AmeriCorps provisions 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.
- Maintaining orientation and training records.
- Recording member hours accurately and in accordance with program provisions.

Commission's Response: The Commission agrees with our recommendations to strengthen its subrecipient monitoring and has itemized its revised procedures.

Auditors' Additional Comments: The Commission's corrective actions, as described in their response, are responsive to our recommendations. No additional comments are necessary.

6. The Commission did not have procedures to ensure that subrecipients complied with all grant compliance provisions.

Several subrecipients did not comply with, or did not adequately document, compliance with grant provisions on member contracts, records-retention policies, and progress reporting. Specifically:

- a. LA Literacy, Jumpstart, and SWLAHEC did not include all required provisions in member contracts. AmeriCorps Provisions Section B(7), *Training, Supervision, and Support*, requires members to sign contracts that stipulate minimum number of service hours, suspension and termination rules, circumstances to be released for cause, position description, and grievance procedures. Subrecipients did not, however, have procedures to ensure that all member contracts included the required provisions. We noted that:
 - Several SWLAHEC member contracts did not specify the required minimum number of service hours and/or position descriptions.
 - Jumpstart member contracts for PYs 2002-2003 and 2003-2004 did not specify the minimum number of service hours required to earn an education award.
 - LA Literacy member contracts did not include position descriptions, suspension and termination rules, grievance procedures, or circumstances to be released for cause.
- b. UL-Lafayette, SERVE, LA Literacy, and SWLAHEC did not have written records-retention policies that complied with AmeriCorps Provisions Section C(26), *Retention of Records*, that requires that grantees retain all program and financial records for three years from the date of submission of the final FSR. UL-Lafayette and SERVE did not have written records-retention policies. LA Literacy’s policy is to retain records for up to five years. SWLAHEC’s documented policy is to retain records for at least four years. These periods may be insufficient if the final FSR is not submitted in a timely manner. Failure to implement a written policy conforming to grant requirements increases the likelihood that records might be destroyed before the required retention period has elapsed.
- c. SWLAHEC, Jumpstart, LA Literacy, and SERVE did not submit quarterly progress reports in a timely manner. SWLAHEC submitted only three progress reports for PYs 2001-2002, 2002-2003, and 2003-2004. The grant agreements established quarterly due dates for subrecipient progress reports. Some subrecipients attributed their late submissions to technical difficulties with WBRS and difficulty gathering necessary information. The following reports were not submitted in accordance with grant agreement due dates:

Subrecipient	Program Year	Late Progress Reports	Number of Days Late
SWLAHEC	2001-2002	1	1
SWLAHEC	2002-2003	2	208-392
Jumpstart	2001-2002	3	24-61
Jumpstart	2002-2003	2	5-13
LA Literacy	2001-2002	1	124
SERVE	2001-2002	1	40
SERVE	2002-2003	3	47-91

The Commission should improve oversight of subrecipient adherence to program requirements and ensure that subrecipients are familiar with these requirements. According to 45 CFR § 2541.400 (a), *Monitoring by grantees*:

“Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to ensure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.”

Recommendation: We recommend that the Commission strengthen its program monitoring procedures to ensure that subrecipients meet requirements of 45 CFR § 2541.400. Specifically, the Commission should ensure that subrecipients are:

- Using member contracts that include all required information.
- Retaining records in accordance with grant requirements.
- Reporting grant progress in a timely manner.

Commission’s Response: The Commission agrees with our recommendations to strengthen its subrecipient monitoring and has itemized its revised procedures.

Auditors’ Additional Comments: The Commission’s corrective actions, as described in their response, are responsive to our recommendations. No additional comments are necessary.

This report is intended for the information and use of the Office of Inspector General, the Corporation for National and Community Service, the Louisiana Serve Commission and its subgrantees, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

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STATUS OF FINDINGS FROM THE PRE-AUDIT SURVEY OF THE
LOUISIANA SERVE COMMISSION
OFFICE OF INSPECTOR GENERAL REPORT NO. 04-07

The findings listed below were included in Office of Inspector General Report No. 04-07 dated February 13, 2004. The status of each finding is addressed below.

1. **Conflict-of-Interest forms could not be located for certain subgrantee application reviewers at the Commission.**

Current Status: The Commission now has procedures that require application reviewers to sign conflict-of-interest forms and for maintaining such forms. We reviewed all conflict-of-interest forms for the application reviewers in PY 2002-2003 and PY 2003-2004. No issues were noted.

2. **The Commission rejected a Promise Fellow applicant whose application received a score that was higher than the three other applicants who received awards.**

Current Status: We reviewed a Promise Fellow application reviewer score summary sheet in PY 2002-2003 and confirmed that the highest four out of five applicants were selected as recommended by peer reviewers. The Commission indicated that the peer review selection process for Promise Fellow subgrantees was a voluntary procedure by the Commission, while the selection process of all other programs was a required procedure. The Commission no longer has the Promise Fellows program (the last one was in PY 2002-2003), and all the other programs have been selected based on results from the peer review process. No issues were noted.

3. **The Commission's financial records were not in agreement with certain Financial Status Reports (FSRs) that were submitted to the Corporation. Further, transactions associated with both the AmeriCorps formula and competitive grants were accounted for using a single organization code.**

Current Status: The Commission still accounts for AmeriCorps formula and competitive grants using a single organizational code. The Commission, however, segregates these grant costs by assigning a different reporting category to each formula and competitive subgrantee. During audit fieldwork, the Commission was able to reconcile its financial records to its FSRs. The Commission is in the process of developing additional procedures to reduce the amount of time it requires to reconcile its financial records to FSRs.

4. **The Commission has not developed adequate processes to determine the allowability and allocability of costs charged to its grants. Specifically,**

- **\$7,022 of expenditures was questioned because the costs were not allocable to the grant.**
- **\$17,502 of expenditures charged to the Administrative Grant was questioned for no supporting documentation.**
- **\$84,440 of match costs was questioned because the costs did not meet the requirements of applicable cost principles.**

- **\$31,300 of questioned costs was identified in the Commission’s Fiscal Year 1999 OMB Circular A-133 report. These costs related to the New Orleans Youth Action Corps, a subgrantee of the Commission under Grant No. 94ASCLA019. Since the subgrantee is no longer in operation, the Commission is responsible for paying this debt. The Commission had not repaid this debt at the time of the Pre-Audit Survey.**

Current Status: As discussed in Finding 2 in the Independent Auditors’ Report on Compliance and Internal Control, we identified claimed costs that were unallowable and costs that were not allocable. Additionally,

- The \$7,022 of questioned expenditures will be resolved by the Corporation in the resolution process.
 - The \$17,502 of expenditures charged to the Administrative Grant was questioned for no supporting documentation. As noted in Schedule A, we identified \$9,572 of expenditures charged to the Administrative Grant that we questioned for no supporting documentation.
 - The \$84,440 of questioned match costs was not claimed on the final FSR submitted by the Commission.
 - The Commission has appealed the \$31,300 of questioned costs related to the defunct New Orleans Youth Action Corps. The Corporation is still considering the disposition of the debt and will collect any amounts due when the appeal process is completed.
5. **The Commission has not implemented an adequate process for obtaining and reviewing OMB Circular A-133 audit reports for its subgrantees**

Current Status: As discussed in Finding 1 in the Independent Auditors’ Report on Compliance and Internal Control, the Commission still does not have adequate procedures for obtaining and reviewing the OMB Circular A-133 reports from subgrantees.

APPENDIX A
COMMISSION RESPONSE



MITCHELL J. LANDRIEU
LIEUTENANT GOVERNOR

State of Louisiana
OFFICE OF THE LIEUTENANT GOVERNOR

POST OFFICE BOX 44243
BATON ROUGE, 70804-4243

May 16, 2005

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

Dear Ms. Bates,

Enclosed please find the formal response of the Louisiana Serve Commission to the Audit Report Number 05-17, prepared by Cotton & Company LLP, dated April 18, 2005.

The Commission appreciates the opportunity to respond to the information contained in the audit report. The Commission has used the audit period as an opportunity to strengthen our procedures and build for a stronger future.

Our attached audit response captures both our concurrence, in many cases, with the auditor's recommendations and our respectful disagreement with certain findings. Additionally, we have outlined several corrective actions we have or will take as a result of this audit. In those few cases of disagreement, we are prepared to work collaboratively with the CNCS audit team to resolve differences. We remain available to answer any questions and to provide additional documentation for consideration.

It is our hope that this audit results in a stronger Louisiana Serve Commission better prepared to build and foster sustainable high quality programs that meet the needs of our citizens and promote an ethic of service.

Sincerely,

A handwritten signature in cursive script, appearing to read "Eugene Priestley".

Eugene Priestley
Chair
Louisiana Serve Commission

cc: Kathleen B. Blanco, Governor
Mitchell J. Landrieu, Lieutenant Governor
Steve Theriot, Legislative Auditor
Scott Shalett, Chief of Staff
Orlando C. Watkins, Executive Director

1. **Finding:** The Commission did not have adequate financial monitoring procedures or other procedures to ensure that subrecipients had adequate financial management and reporting systems.

Recommendation: We recommend that the Commission:

- Obtain and review subrecipient OMB Circular A-133 reports, perform necessary reconciliations, and follow up on issues affecting Corporation funds.
- Perform on-site reviews of its subrecipients at least annually, and ensure that all procedures performed are adequately documented.

Response: The Commission agrees with the recommendations. Since September 2004 the Commission implemented the following policies and procedures that address the aforementioned recommendations.

Procedure for Obtaining Financial Reports: Financial management reports (either OMB Circular A-133 reports or financial management reviews) are obtained during the application period from applicants (an application requirement), at the start of the program year (a grant agreement requirement), and during subrecipient site-visits.

All grant agreements between the Commission and subrecipients now include the following language:

“A sub-grantee that expends \$500,000 or more of total federal awards in a fiscal year is required to obtain a single audit for that year conducted by an independent auditor in accordance with the Single Audit Act, as amended, 31 U.S.C. 7501, et seq., and OMB Circular A-133. (If the sub-grantee expends federal awards under only one federal program, it may elect to have a program specific audit, if it is otherwise eligible.) A sub-grantee that does not expend \$500,000 in federal awards is exempt from the single audit requirements of OMB Circular A-133 for that year. However, it must continue to conduct financial management reviews of its programs, and records must be available for review and audit. Audit reports will be submitted within thirty (30) days of the completed report.”

As well, during a site-visit, the most recent financial report is obtained. An internal Commission spreadsheet tracks all audits received, reviewed, and actions taken.

Procedure for Reviewing Financial Reports: Within ten days of receipt, the Commission sends all financial management reports to the Office of Management and Finance (OMF) for review by the internal auditor and/or the budget analyst. An internal form is completed with the results and returned to the Commission for action to be taken (if necessary). OMF maintains all

original financial documents. If OMF determines the report is unfavorable for an existing program, payments are ceased until the resolution of the issue(s).

Procedure for Monitoring Programs: The Commission performs yearly monitoring site-visits for all programs. Any program that has not received Commission funds in the last three years receives two visits – an initial start up visit and a regular site-visit.

As of April 27, 2005, eleven visits have occurred at eight of the twelve programs, and three visits remain. All visits have been scheduled for the 2004-05 program year and notification sent to all programs. Any program with severe issues of non-compliance receives a follow-up visit during that program year to verify corrective actions.

The Commission has enhanced the site-visit tool to ensure adequate documentation of the site-visit. The site-visit tool is a ten-page document that covers compliance issues in the following areas: finance, reporting, communication, and member documentation. The deficiencies noted by the auditors under this finding are included in the tool.

All components of the site-visit tool are completed during the visit and reviewed with participants at the end of the visit. A report is submitted to the executive director within seven working days of the visit and a letter with the report is sent to the program within five working days of the executive director's approval. Programs have thirty days to respond to the report. A follow up visit is scheduled after the initial visit to verify implemented corrective actions (if necessary).

2. **Finding:** The Commission claimed unallowable costs and costs for which no documentation was provided to support allowability.

Recommendation: We recommend that the Corporation:

- Follow up with the Commission to determine if questioned and unsupported amounts should be disallowed and recovered. Also, the Corporation should apply the five percent administrative rate to any costs deemed unallowable and recover these costs as well.
- Ensure that the Commission provides better training to its staff and its subrecipients on the allowability of costs and documentation required to support claimed costs.

Response: The Commission will continue to work closely with the Corporation and utilize the resources of training and technical assistant providers to determine the appropriate training for staff and subrecipients. Below, please find the Commission's response to specific questioned and unsupported amounts:

Schedule A: Administrative Grant

- A. \$9,572 of claimed direct labor costs for several OMF employees providing services to the Commission without adequate support.

The Commission agrees that the claimed labor costs did not have the required documentation to support the claimed costs or effort expended on the grant (such as timesheets or periodic effort reporting). However, the Commission does not agree that the costs were unallowable. OMF is the fiscal agency that provides the fiscal oversight for the Commission (including budget management, financial status report submission, staff timesheet review, travel expenditure approval, etc). The Commission is working with OMF to finalize the proper use of the federal indirect cost rate.

- B. \$5,580 for payment to a consultant of the Mid South Promise Partnership because the auditors were unable to determine which portion was applicable to the grant.

The Mid South Promise Partnership, consisting of the Arkansas, Louisiana, and Mississippi Commissions, and the Foundation for the Mid South, came together to build on the momentum in the Mid South region started by America's Promise and the President's Summit held in 1997. The \$45,000 provided by the Corporation, as a special initiative under the Administrative grant, was to engage a consultant to evaluate national service in the Delta Region, specifically the work of Promise Fellows. Louisiana agreed to be the recipient and monitor of this funding while recognizing that this was an unprecedented use of administrative funding.

Initially, AmeriCorps Promise Fellows were placed in the region, but because of the costs required of Promise Fellow sites, the partnership transitioned to AmeriCorps VISTA members. Alternatively, sites hosting the VISTA members were not required to provide any costs for their placement. The responsibilities of the consultant for the Mid South Promise Partnership included providing supervision to the members, communicating with the partners, developing a youth director, and coordinating evaluation efforts.

The Commission understands that the auditors were unable to determine which portion was applicable to the grant but disagrees that cost are unallowable. The Commission acknowledges that the two documents provided to the auditors (attached as Addendum A and shown below as exhibits 1.1 –1.2) did not contain enough information to determine that the money was applicable to the grant. However, the Commission maintains that the payment to the consultant was allowable.

The Commission does not have an original copy of the application submitted and approved by the Corporation for the allowable use of these funds. However, the Commission did provide to the auditors a copy of the Grant Award (grant 01SCSLA018) from the Corporation noting the award of \$45,000 in special administrative funds in addition to the regular allocation. The other document source is an email between the Commission and the Corporation requesting and then receiving a two-year grant extension to spend the remaining balance of \$37,344.77. The approved request includes the following statement: "These funds are the remains of a (\$)45,000 special tri-state initiative that was attached to our Admin Grant in year one of the current Admin Grant." This documentation was also provided to the auditors and is included with this response (attached as Addendum A and shown below as exhibits 1.1 – 1.2).

Grant Award Corporation for National Service
1100 New York Avenue, NW
Washington, DC 20005
202-462-6066

Admin PDAT : State : Admin EIN: 1720807104A2

Grantee
 Louisiana Serve Commission
 30 Third Street, Suite 610-B • Baton Rouge, LA 70801

Award Information

Agreement No.:	01SC00419	Fiscal Period:	11/0201 - 10/31/0203
Assessment No.:	0	Budget Period:	10/0201 - 10/31/0204
CFDA No.:	84.085	Accounting Classification:	991-20305-085-4191

Purpose
 The purpose of this award is to award the grantee support in carrying out a national service program as authorized by the National and Community Service Act of 1990, as amended (42 U.S.C. §12501 et seq.).

Budget Information

2000 Program	Previous Funds	This Award Amendment	Total 2000
Comptroller	0	0	0
Formula	0	0	0
Total Obligated	0	275,536	275,536
Carryover	0	0	0
Budget	0	275,536	275,536
Previous Year's Funding			0
Total DHS Funds Awarded to Date			275,536

Special Conditions / Other
 This award includes \$45,000 in Special Administrative funds in addition to the regular allocation of \$230,536. This award is conditioned on submission of an adjusted budget to DHS within 30 days which is based on the actual funded amounts.

Terms of Awardment: By accepting this award, the grantee agrees to comply with all terms and conditions in the Notice of Grant Award, the Financial Grant Description (FSD), the Grants of Program Fund of application, all attachments and attachments to the FSD application, and all applicable federal, state, regulatory and local laws. The grantee agrees to submit the annual report in accordance with the approved grant application and budget, reporting documents, and other information made a part of the approved Grant award.

DEC 22 2000
 James E. Phipps, Sr. Grants Officer
 Director of National and Community Service

Melinda Wilson, (225) 383-5000, ext. 424
 Grants Officer
 Melinda Wilson, (225) 383-5206, ext. 182
 Program Officer

Louisiana Serve Commission
 Audit Response: Addendum A

Exhibit 1.1

Heather Reggie

From: Carolyn Ray
 Sent: Monday, May 24, 2004 3:40 PM
 To: Heather Reggie
 Subject: FW: Grant extension

-----Original Message-----
 From: Shawn Wilson
 Sent: Tuesday, July 09, 2002 3:20 PM
 To: Carolyn Ray
 Subject: FW: Grant extension

Carolyn,
 Here is the approval for us to spend the remaining balance. Call me with questions.

Shawn

-----Original Message-----
 From: Phipps, James [mailto:jphippa@ncs.gov]
 Sent: Tuesday, July 09, 2002 2:51 PM
 To: Shawn Wilson
 Subject: RE: Grant extension

Shawn,
 Your request is approved. Do not count those funds as unexpended carryover when completing your continuation application in the fall.

James Phipps
 Sr. Grants Officer

> -----Original Message-----
 > From: Shawn Wilson [SMTP:swilson@ncs.state.la.us]
 > Sent: Tuesday, July 09, 2002 2:51 PM
 > To: Jim Phipps
 > Subject: Grant extension
 >
 > Jim,
 >
 > As per our conversation, I am requesting approval for a two year extension
 > (until 12/31/2002) to spend the remaining balance of \$37,944.77 as shown
 > in
 > PMS. These funds are the remains of a 45,000 special tri-state initiative
 > that was attached to our Admin Grant in year one of the current Admin
 > grant.

1 Louisiana Serve Commission
 Audit Response: Addendum A

> These funds were committed, but not expended within that program year as
 > Kellogg match funding is a three year award. The funds that were awarded
 > in
 > this prior admin grant is strictly for the Louisiana Serve Commission's
 > operation.
 >
 > Please respond to this email which will serve as documentation for this
 > extension request.
 >
 > Shawn D. Wilson
 > Executive Director Louisiana Serve Commission
 > Office of Lt. Governor Kathleen Babineaux Blanco
 > 263 Third St Suite 610-B
 > Baton Rouge, LA 70801
 >
 > (225) 343-3208
 > (225) 343-0106 Fax
 >
 > The Louisiana Serve Commission envisions a future where the people of
 > Louisiana are inspired to serve and are actively engaged in improving the
 > quality of life for their fellow citizens. This vision drives our mission,
 > which is to build and sustain high quality programs that meet the needs of
 > Louisiana's citizens and promote an ethic of service.
 >

2 Louisiana Serve Commission
 Audit Response: Addendum A

Exhibit 1.2

Since the time of the audit, the Commission has also located an electronic copy of the budget narrative (dated September 21, 2000) for this grant which states that the funds would be used to engage a consultant to evaluate national service in the Delta Region, for necessary travel based on the regional scope of the research, and for regional communication strategies (attached as Addendum B and shown below as exhibit 2.1 – 2.3).

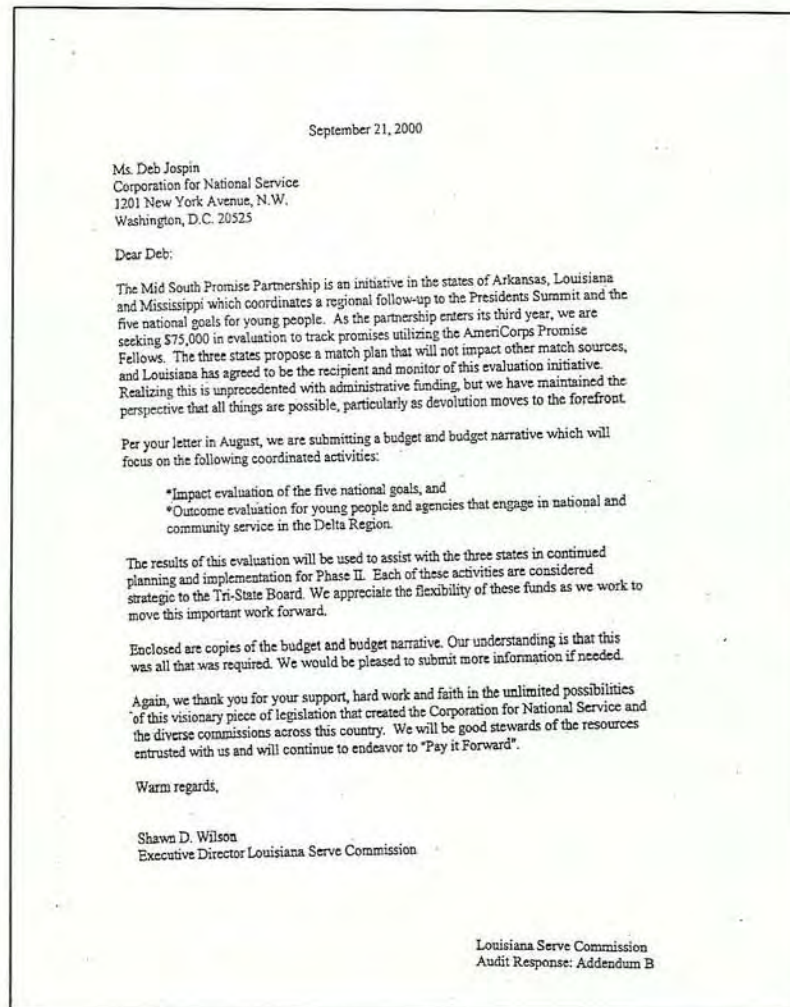


Exhibit 2.1

Budget narrative

The Mid south promise partnership, consisting of the Arkansas, Louisiana, and Mississippi Commission, with fiscal support being provided by the Foundation for the Mid South has been in a successful partnership for more than two years impacting the Promise initiatives of the Region. The partnership has received generous support and recognition from the W.K. Kellogg Foundation, and recognition by the National Americas Promise Organizations, Points of Light, and several state entities. Throughout this partnership, we have successfully leveraged national service dollars and energy with private sector resources, and uniquely the programmatic benefits of previous work in the Delta, with the help of the foundation for the Mid South.

This application is requesting CNS funding to engage a consultant to evaluate National Service in the Delta Region, specifically the work of Promise Fellows. This partnership placed Four Fellows in a geographically contiguous area of the region. This evaluation will provide quantitative and qualitative outcome data on the impact of national service when integrated with America's Promise. It will be proposed in the RFP that a control group consist of other national service implementation models (Learn and Serve America, AmeriCorps, and Senior Service Corps) in the region.

The benefit of supporting this partnership rests with the work of the Foundation as it has ten years of research on the region that would be helpful in design and implementation. The integration of the myriad of research that has been accumulated is sure to produce results beyond our current expectations.

Louisiana Serve Commission
 Audit Response: Addendum B

This partnership continues to be in close communication with America's Promise on new and innovative approaches to evaluation. Furthermore, this effort will provide valuable information to the states and the Corporation for National Service on select cross-state collaboration and its regional impacts.

Management and support of this program will be structured as the partnership has been managed for more than two years, with Commission Executive Directors and the Foundation President providing level management in the spirit of collaboration.

The match for this endeavor will be a multi-state effort. The \$75,000 match will come primarily with resources from the Kellogg Foundation Phase II funding, and the evaluation efforts of the Foundation for the Mid South. It is anticipated that the Commissions will, where needed, provide additional support.

Louisiana Serve Commission
 Audit Response: Addendum B

Exhibit 2.2

Budget

	CNS	Grantee Share	Total	Specific Narrative
Staffing	25,000	50,000	75,000	Supports a team of evaluators and coordinator to manage the Project in Phase II.
Travel	7,500	7,500	15,000	Significant travel will be needed based on the Regional scope of the research to be conducted.
Operational	42,500	17,500	60,000	Supports the design and development, and/or secures appropriate tools needed to retrieve outcome data for youth and organizations. This line item will also support regional communication strategies identified by the partnership.
Total	75,000	75,000	150,000	

Exhibit 2.3

C. \$4,848,038 of claimed match for in-kind public service announcements because it was not necessary for the Commission's operation and/or its grant performance.

The Commission disagrees with this questioned cost. At the beginning of 2004, it was brought to the current staff's attention that there was not enough required and documented match to close the Administrative grant. Over the course of eight months, while the Commission underwent an administrative and leadership change (turnover of the executive director position three times), the office worked diligently to locate, determine allowability, and document the required match for the three-year period (2001-2003). This included removing unallowable items, verifying support from donors, seeking guidance from a national training and technical assistance provider, and communicating with the Corporation. On July 8, 2004, an electronic communication with the Corporation indicated approval of the use of counting public service announcements as Commission administrative match (attached as Addendum C and shown below as exhibit 3.1).

Heather Reggio

From: Pamela Davis
Sent: Thursday, July 08, 2004 1:24 PM
To: Heather Reggio
Subject: FW: In-Kind

Importance: High

Here are some of the answers we have been waiting for! Hurray!

-----Original Message-----
From: Bishop, Stacy [mailto:SBishop@lscns.gov]
Sent: Thursday, July 08, 2004 1:08 PM
To: Pamela Davis
Subject: RE: In-Kind

Yes, you are correct.

-----Original Message-----
From: Pamela Davis [mailto:pdavis@ert.state.la.us]
Sent: Thu 7/8/2004 1:35 PM
To: Bishop, Stacy
Cc:
Subject: RE: In-Kind

Sorry, another question. The three year rule is for each program and also would the same apply for Admin and PDAT for the reimburse rule?

Thanks for your prompt response and expertise on the earlier e-mail.

Pam

-----Original Message-----
From: Bishop, Stacy [mailto:SBishop@lscns.gov]
Sent: Thursday, July 08, 2004 12:32 PM
To: Pamela Davis
Cc: Morsies, Ralph
Subject: RE: In-Kind

Pam:

I hope you are well. Ralph forwarded your e-mail and asked me to respond.

1 - Can we count our AC programs coverage in in-kind as the Commission's in-kind?
No you may not count this as Commission match. The in-kind has specific documentation rules that a vendor/program must donate a good or service to the Commission for a purpose and it must be signed, dated and valued.

2 - Can we count the CNCS PSAs as Commission Admin In-kind?
Yes this can be counted.

1 Louisiana Serve Commission
Audit Response: Addendum C

3 - What are the rules for record retention or where can we find the guidance. I believe this is in the Provisions, but you must retain your records for a period of 3 years following the submission of a (clearly marked) final FSR.

I hope this is helpful. If you need additional information or clarification, please let me know.

-----Original Message-----
From: Morsies, Ralph
Sent: Thu 7/8/2004 12:24 PM
To: Bishop, Stacy
Cc: Pamela Davis
Subject: FW: In-Kind

Stacy,

Could you please review these questions and respond to Pam. While I do know the responses I would prefer that you reply since you are most informed in this area.

Thanks,

Ralph

-----Original Message-----
From: Pamela Davis [mailto:pdavis@ert.state.la.us]
Sent: Thursday, July 08, 2004 11:49 AM
To: Morsies, Ralph
Cc: Heather Reggio
Subject: In-Kind
Importance: High

In our conversation yesterday we discussed in-kind. The two questions and comments were as follows:

Can we count our AC programs coverage in in-kind as the Commission's in-kind?
No

Can we count the CNCS PSAs as Commission Admin In-kind?
Yes

Could you please respond via e-mail so we can have the responses for our files.

Not in our conversation yesterday, but something we need clarified: What are the rules for record retention or where can we find the guidance.

As always, thanks for your assistance and guidance.

Pam Davis
Program Officer
Louisiana Serve Commission
263 3rd St., Ste 610-B
Baton Rouge, LA 70801
Phone : 225-342-0280
Fax: 225-342-0106

2 Louisiana Serve Commission
Audit Response: Addendum C

Exhibit 3.1

Furthermore, the training and technical assistance provider assisted the Commission in determining various avenues to retrieve match. One of the recommendations was to research, verify, and document the public service announcements aired in Louisiana.

It is important to point out that once the Commission received approval to use the public service announcements, further research into possible undocumented match was ceased and the final Financial Status Report was submitted to the Corporation.

Additionally, the current Commission staff experienced a steep learning curve beginning in 2004. The previous executive director maintained sole responsibility for the management of the federal grants housed at the Commission. Since departure of that executive director, staff has worked diligently to ensure all Commission operations follow required provisions, circulars, and regulations.

3. **Finding:** The Commission's financial management system was not adequate to account for and support all costs claimed.

Recommendation: We recommend that the Commission:

- Require employees to keep time distribution records in accordance with applicable OMB Circulars and other grant regulations.
- Develop procedures to properly document and record all matching costs.
- Reconcile cumulative costs reported on its FSR's to its accounting system on a regular basis and adjust FSR's as necessary.
- Ensure that it submits FSR's within the stipulated time periods.

Response: The Commission agrees that the claimed costs were not properly accounted for and supported by the financial management system. As described below, the Commission continues to implement new procedures to remedy this finding.

The Commission, as stated in the audit report, was unaware that the labor distribution system for OMF did not meet federal requirements. The Commission agrees that there is no labor distribution system that supported the claimed administrative labor costs. OMF provides fiscal oversight and support for the Commission that includes budget management, financial status report submission, staff timesheet review, travel expenditure approval, etc. The Commission is in the process of researching and determining the proper use of the federal indirect cost rate.

In regards to matching costs, the leadership at the Commission has developed a procedure to properly document and record all matching costs. The Commission's process for tracking match contributions is handled the same as expenditures. An official document from the contributor must be obtained to verify the contribution. An internal in-kind form is only used in instances when the contributor cannot supply an official document. This is for rare cases only. All contributions are forwarded to a designated Commission staff person within two weeks from the contribution date.

An in-kind supplemental receiving report is attached to the official document from the contributor. The designated staff person is responsible for ensuring the match is allowable. The completed in-kind supplemental receiving reports with the contribution form are due to the executive director for signature one week before the OMF deadline. Signed reports are due to OMF two weeks before the Financial Status Report deadline. The originals are sent to OMF with a cover memo. The memo includes the list of contributions, date of contributions, contributor, and donation amount. Copies are maintained at the Commission.

Contributions are tracked in a spreadsheet. The spreadsheet tracks contributions, event information, lead staff, amount, and if it has been documented. Once required documentation is received from contributor, the spreadsheet is updated. Updates on verified, allowable, and completed match are communicated to staff at the first staff meeting of each month.

In 2004 the Commission incorporated the following procedures and safeguards to eliminate the issues with the Financial Status Reports:

Commission-Level Safeguards

The FSR's are completed by OMF using an agency transaction monthly listing report that is part of the Integrated Statewide Information Systems. In addition, a Reporting Category Transactions Detail Accounting report is attached to the FSR. Each grant has its own set of distinct reporting categories. Reconciliation between the agency transaction report and the transactions detail report are completed to insure proper coding. The reconciliations are attached to each FSR for easy accessibility.

OMF also submits the monthly expenditure reports to the Commission for review. These reports are used to double check correct entry of expenditures. The first staff meeting of each month is dedicated to financial updates with a representative from OMF present. During the meeting, both the Commission and OMF provide financial reports to the executive director. Any differences are discussed and resolved.

Additionally, the Commission has created a budget tracking spreadsheet template reflective of the Corporation's budgets for all grants. This will ensure proper management to the grants and proper coding for OMF. The Commission is also in the process of creating a grants management system for all grants. This system organizes and ensures information is readily available and reporting requirements are met.

Subrecipient Safeguards

Reconciliations are completed quarterly between WBRS and the state's integrated information system to ensure all PER's have been processed in the state accounting system. The Reporting Category by Object report is used to reconcile these payments with WBRS. Any difference is reported by OMF to the AmeriCorps program officer and corrections are made within ten days. Additionally, the AmeriCorps grant agreement provides specific reporting requirements for all

subrecipients. Programs are informed that once a FSR is submitted, PER's cannot be changed. Adjustments must be made in the following quarters' reports.

Lastly, on page 35 of the draft audit report, it states: "The final FSR for the grant was due on July 30, 2004. As of the date of this report, the Commission had not submitted this report." Although the report correctly cites the non-submission of the final FSR, the circumstances surrounding this grant should be noted. The grant in reference, AmeriCorps Formula Grant 00ASFLA019 (grant period 09/1/2000 - 12/31/2003) could not be closed on the required date because one program, (operating site number 00ASFLA0191801) received the first year of funding during the second year of this three year grant. The program completed the third year of funding at the end of 2004, therefore not allowing the Commission to submit a final FSR on July 30, 2004. Although the Commission did not receive a formal extension from the Corporation, the Commission maintained communication with the Corporation regarding this situation. The Commission was informed that this was not uncommon and that the final FSR can be submitted once the program ended. Commission and OMF staff has verified balances and submitted the final FSR.

Findings 4, 5, and 6 specifically address oversight of subrecipients. Following these three findings, the Commission is providing one detailed response.

4. **Finding:** The Commission did not have adequate procedures to ensure member eligibility and proper payment of member support.

Recommendation: We recommend that the Commission strengthen its program monitoring procedures to ensure that they meet requirements of 45 CFR §2541.400. Specifically, we recommend that the Commission ensure that subrecipients:

- Adequately document and ensure member citizenship and/or legal residency.
- Ensure that members obtain either a high school diploma or equivalent and document compliance in members' files.
- Obtain member background checks when warranted.
- Ensure that only service hours are counted toward the member service requirement.
- Ensure that members are only performing allowable duties.
- Properly document compelling personal circumstances for early separation when approving partial education awards for members.
- Calculate and pay living allowances in accordance with program provisions.

5. **Finding:** The Commission did not have procedures to ensure that subrecipients adequately documented member activities.

Recommendation: We recommend that the Commission strengthen its program monitoring procedures to ensure that subrecipients meet AmeriCorps Provision 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.
- Maintaining orientation and training records.
- Recording member hours accurately and in accordance with program provisions.

6. **Finding:** The Commission did not have procedures to ensure that subrecipients complied with all grant compliance provisions.

Recommendation: We recommend that the Commission strengthen its program monitoring procedures to ensure that subrecipients meet requirements of 45 CFR §2541.400. Specifically, the Commission should ensure that subrecipients are:

- Using member contracts that include all required information.
- Retaining records in accordance with grant requirements.
- Reporting grant progress on a timely basis.

Response: The Commission agrees with the recommendation to strengthen the monitoring of subrecipients and is confident it now has in place systems to adequately address the concerns of the findings stated in 4, 5, and 6. As stated in the response to the first finding, the Commission has implemented the following site-visit procedure:

The Commission performs yearly monitoring site-visits for all programs. Any program that has not received Commission funds in the last three years receives two visits – an initial start up visit and a regular site-visit.

As of April 27, 2005, eleven visits have occurred at eight of the twelve programs, and three visits remain. All visits have been scheduled for the 2004-05 program year and notification sent to all programs. Any program with severe issues of non-compliance receives a follow-up visit during that program year to verify corrective actions.

The Commission has enhanced the site-visit tool to ensure adequate documentation of the site-visit. The site-visit tool is a ten-page document that covers compliance issues in the following areas: finance, reporting, communication, and member documentation. The deficiencies noted by the auditors under these findings are included in the tool (Addendum D).

All components of the tool are completed during the visit and reviewed with participants at the end of the visit. A report is submitted to the executive director within seven working days of the visit and a letter with the report is sent to the program within five working days of the executive director's approval. Programs have thirty days to respond to the report. A follow up visit is scheduled after the initial visit to verify implemented corrective actions (if necessary).

The Commission also requires all subrecipients to complete a member file checklist and new programs receive a self-assessment tool prior to a visit. The member file checklist lists all of the required documents with a signature and date line for the program director. The self-assessment tool is currently a seven-page document completed by new programs. All of these procedures help to ensure that subrecipients are aware of and are meeting the proper requirements.

Additionally, the AmeriCorps provisions are provided to all subrecipients with the executed grant agreement. The grant agreement also clearly states that the subrecipient agrees to abide by the federal funding regulations as stated in the provision and applicable Office of Management and Budget Circulars. All of the circulars are listed and the website is provided. Additionally, as part of the grant agreement, both the reporting requirements and the retention of records are clearly defined.

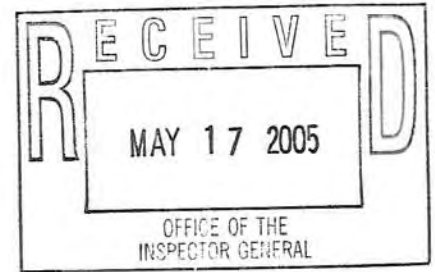
Appendix B

Response of the Corporation for National and Community Service

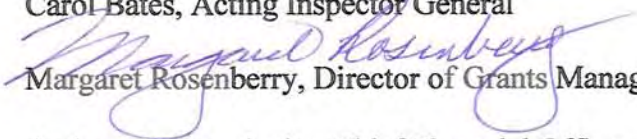
APPENDIX B

CORPORATION RESPONSE

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 



To: Carol Bates, Acting Inspector General

From: 
Margaret Rosenberry, Director of Grants Management

Cc: Andrew Kleine, Acting Chief Financial Officer
Rosie Mauk, Director of AmeriCorps
Tory Willson, Audit Resolution Coordinator

Date: May 17, 2005

Subject: Response to OIG Draft Audit Report 05-17, Audit of Corporation for National and Community Service Grants Awarded to the Louisiana Serve Commission

We have reviewed the draft audit of Corporation for National and Community Service Grants awarded to the Louisiana Serve Commission and the Commission's response to the draft. Due to the limited timeframe for response, we have not thoroughly reviewed the report or the documentation in the Commission's response. The Commission reports that they agree with and have taken action to implement the audit recommendations related to internal controls and compliance issues. We will work with the Commission to confirm implementation of the recommendations and will resolve the questioned costs when the audit is issued.



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