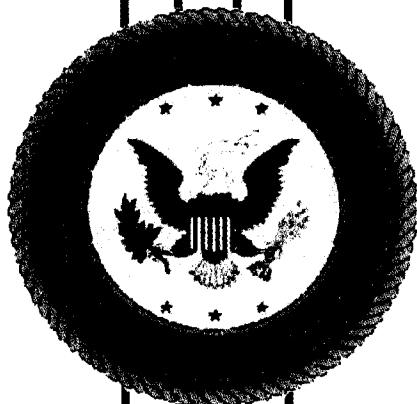



**Office of Inspector General
Corporation for National and
Community Service**

**AUDIT OF CORPORATION FOR NATIONAL
AND COMMUNITY SERVICE GRANTS
AWARDED TO THE GOVERNOR'S OFFICE ON
SERVICE AND VOLUNTEERISM (GO SERV)**

OIG REPORT NUMBER 05-24



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

Conrad & Associates L.L.P.
2301 Dupont Drive, Suite 200
Irvine, California 92612

This report was issued to Corporation management on September 22, 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 March 22, 2006, and complete its corrective actions by September 22, 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 of Corporation for National and Community Service Grants Awarded to the
Governor's Office on Services and Volunteerism,
GO SERV
Audit Report 05-24

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Conrad and Associates, L.L.P. (Conrad) to perform an incurred-cost audit of grants awarded to the Governor's Office on Services and Volunteerism (GO SERV).

For the grants audited, GO SERV claimed costs of \$72,023,330 of which the auditors questioned \$1,041,476 as unallowable costs and \$414,260 of education awards. Overall, the auditors questioned approximately 1.4 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, some of which are considered material weaknesses.

In GO SERV's response to the draft report, it acknowledged appreciation for the recommendations made by the auditors to improve certain areas of operations but believe that some of the auditors' conclusions were unfounded. These differences will be resolved with the Corporation during the audit resolution phase.

In accordance with our statutory responsibilities, we reviewed Conrad'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 GO SERV's Consolidated Schedule of Award Costs, internal controls or conclusions on compliance with laws and regulations. Conrad is responsible for the attached reports dated March 16, 2005, and the conclusions expressed therein. However, our review disclosed no instances where Conrad did not comply, in all material respects, with generally accepted government auditing standards.

The Office of Inspector General provided officials of GO SERV and the Corporation with a draft of this report for review and comment. Their responses are included as Appendices A and B, respectively. We also removed a finding on excess training hours from the draft report because the Corporation clarified the AmeriCorps 20 percent training calculation.

**Audit of Corporation for National and Community Service
Grants Awarded to
Governor’s Office on Services and Volunteerism
GO SERV
Sacramento, California**

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REPORT SUMMARY AND HIGHLIGHTS

Office of Inspector General
Corporation for National and Community Service

This report is issued under an Office of Inspector General (OIG) engagement with Conrad and Associates, L.L.P. to audit the costs claimed by the Governor's Office on Services and Volunteerism (GO SERV) and its subgrantees from January 1, 2001, through March 31, 2004, under the grants awarded by the Corporation for National and Community Service (Corporation). This report focuses on the audit of claimed costs, instances of noncompliance with Federal laws, applicable regulations or award conditions, and internal control weaknesses disclosed during the audit of GO SERV and its subgrantees.

Executive Summary

As a result of our audit, we are questioning costs totaling \$1,455,736 (\$1,041,476 of grant costs and \$414,260 of Education Awards). In addition, we are questioning some match costs claimed; some of the questioned match costs were claimed in excess of the minimum match required. The grant costs questioned are approximately 1.4 percent of the total \$72,023,330 in costs claimed by GO SERV. Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the award, or those costs which require additional support by the grantee or require interpretation of allowability by the Corporation. Costs questioned include living allowances for which key eligibility documentation could not be located, excess living allowance charges, miscellaneous reclassifications and adjustments, and related administrative expenses. Details related to questioned costs appear in the Independent Auditor's Report.

Background

The Corporation, pursuant to the authority of the National Community Service Trust Act of 1993, as amended, awards grants and cooperative agreements to State commissions, such as GO SERV, and other entities to assist in the creation of full-time and part-time national and community service programs.

GO SERV is a State agency, originally known as Commission on Improving Life Through Service (CILTS), which was created by Executive Order in early 1994. GO SERV is headquartered in Sacramento, California, and has recently been renamed as the California Service Corps (CSC). It was named GO SERV during the period covered by this audit.

GO SERV has received approximately \$113.5 million in funding and exercised \$73.9 million in drawdowns from Corporation funds for the period audited, including AmeriCorps Competitive and Formula Funds, Governor’s Initiative Funds, Administrative Funds, Program Development and Training (PDAT) Funds, Homeland Security Funds, Learn & Serve Funds, America Reads Funds, Promise Fellows Funds, Disability Funds, and Education Award Funds. Of this amount, approximately \$70 million was distributed to subgrantees. The majority of GO SERV’s subgrantees were State entities or nonprofit organizations. Authorized funding, grantee claimed expenditures and drawdowns by grant are as follows:

	<u>Funding Authorized</u>	<u>Claimed within Audit Period</u>	<u>Drawdowns During Audit Period</u>
00ASCCA005 – AmeriCorps – Competitive	\$ 52,422,121	\$ 37,681,439	\$39,606,716
00ASFCA005 – AmeriCorps – Formula	28,576,577	21,725,337	23,251,354
03ACHCA001 – AmeriCorps – Competitive	6,903,928	2,179,307	1,262,980
03AFHCA002 – AmeriCorps – Formula	6,319,136	1,975,416	1,071,281
Total AmeriCorps Funds	<u>94,221,762</u>	<u>63,561,499</u>	<u>65,192,331</u>
99ASHCA005 – Governor’s Initiative	<u>2,037,460</u>	<u>1,809,518</u>	<u>1,809,518</u>
01SCSCA005 – Administrative	<u>2,492,000</u>	<u>2,492,000</u>	<u>2,492,000</u>
95PDCA005 – PDAT	1,588,494	422,237	473,194
02PDCA005 – PDAT	330,135	308,233	260,480
Total PDAT Funds	<u>1,918,629</u>	<u>730,470</u>	<u>733,674</u>
02AHHCA005 – Homeland Security	<u>698,136</u>	<u>196,461</u>	<u>129,696</u>
00LCSCA005 – Learn & Serve	711,000	684,102	627,054
03KCHCA005 – Learn & Serve	310,549	-	-
Total America’s Promise Funds	<u>1,021,549</u>	<u>684,102</u>	<u>627,054</u>
98ARCCA001 – America Reads	<u>8,541,876</u>	<u>1,165,554</u>	<u>1,814,408</u>
99APSCA005 – Promise Fellows	314,629	314,633	314,629
01APSCA005 – Promise Fellows	563,400	222,084	169,696
Total Promise Fellows	<u>878,029</u>	<u>536,717</u>	<u>484,325</u>
97DSCCA005 – Disability	<u>1,463,648</u>	<u>746,226</u>	<u>627,751</u>
00EDSCA015 – Education Awards	<u>208,600</u>	<u>100,783</u>	<u>12,609</u>
TOTALS – Grants Administered by GO SERV	<u>\$113,481,689</u>	<u>\$ 72,023,330*</u>	<u>\$73,923,366*</u>

* The differences between the amount claimed and amount drawn down are generally due to timing issues.

Purpose and Scope of Audit

Our audit covered the costs claimed under the Corporation Grant Nos. and for the grant periods detailed on page 4.

The objectives of our audit were to determine whether:

- financial reports prepared by GO SERV presented fairly the financial results of the awards;
- internal controls were adequate to safeguard Federal funds;
- GO SERV and its subgrantees had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, award conditions, and that member services were appropriate to the programs;
- award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions; and
- GO SERV had established adequate oversight and informed subgrantees of the Corporation's Government Performance and Results Act (GPRA) goals.

We performed the audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the awards, as presented in the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A through D), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibits A through D. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. Our audit included reviews of audit reports and working papers prepared by the independent public accountants for GO SERV and its subgrantees in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. Our audit also followed up on the findings and recommendations in the OIG Pre-Award Survey Report of Commission on Improving Life Through Service (CILTS) dated October 13, 2000 (OIG Report 01-18). We believe our audit provides a reasonable basis for our opinion.

With regard to GPRA, AmeriCorps grantees and subgrantees provide progress reports that are maintained in the Corporation's Web-Based Reporting System (WBRs). The Corporation develops program reporting guidelines that cascade from its Federal reporting requirements. GO SERV does not make continuation grants available to subgrantees that do not meet program objectives, unless extenuating circumstances prevented the subgrantee from meeting its objectives. Evaluation reports from consultants are utilized to monitor and assess program accomplishments. In summary, the process appears to be operating as intended. GO SERV is interested in obtaining useful reports from its subgrantees to forward to the Corporation. GO SERV takes corrective action on identified reporting deficiencies.

We performed our audit during the period August 2004 through March 2005. The contents of this report were disclosed to and discussed with GO SERV at an exit conference on June 16, 2005. In addition, we provided a draft of this report to GO SERV and to the Corporation for comment on July 14, 2005, and received responses from both GO SERV and the Corporation on August 31, 2005 and August 16, 2005, respectively. Their responses are included in their entirety as appendices A and B, respectively. Based on the AmeriCorps Rules which clarify the 20 percent aggregate training requirement, we removed the original Finding No. 8 from the draft report.

Grant Programs Audited

Our audit of GO SERV covered financial transaction, compliance and internal controls testing of the following program awards funded by the Corporation:

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
AmeriCorps	00ASCCA005	08/01/00 to 12/31/03	07/01/01 to 12/31/03
AmeriCorps	00ASFCA005	07/01/00 to 04/30/04	07/01/01 to 03/31/04
AmeriCorps	03ACHCA001	09/24/03 to 09/23/06	09/24/03 to 03/31/04
AmeriCorps	03AFHCA002	09/24/03 to 09/23/06	09/24/03 to 03/31/04
Governor's Initiative	99ASHCA005	07/01/00 to 12/31/01	10/15/01 to 12/31/01
Administrative	01SCSCA005	01/01/01 to 12/31/03	01/01/01 to 12/31/03
PDAT	95PDSCA005	11/01/95 to 12/31/02	01/01/01 to 12/31/02
PDAT	02PDSCA005	01/01/02 to 12/31/04	01/01/02 to 12/31/03
Homeland Security	02AHHCA005	07/01/02 to 12/31/02	07/01/02 to 12/31/02
Learn & Serve	03KCHCA005	11/01/03 to 10/31/06	11/01/03 to 03/31/04
Learn & Serve	00LCSCA005	09/01/00 to 12/31/03	09/01/00 to 12/31/03
America Reads	98ARCCA001	07/01/98 to 12/31/02	07/01/01 to 12/31/02
Promise Fellows	99APSCA005	11/30/99 to 06/30/04	07/01/01 to 03/31/04
Promise Fellows	01APSCA005	01/01/02 to 12/31/02	07/01/02 to 12/31/02
Disability	97DSCCA005	02/01/97 to 12/31/04	07/01/01 to 03/31/04
Education Awards	00EDSCA015	07/01/00 to 12/31/03	07/01/01 to 03/31/04

Our audit of the costs claimed by GO SERV under these awards disclosed the following:

	<u>Amount</u>	<u>Percentage of Budget/Claimed</u>
Award Budget	\$113,481,689	-
Claimed Costs	72,023,330	63.5 percent
Questioned Grant Costs	1,041,476	1.4 percent
Questioned Education Awards	414,260	

Costs Questioned

The following summarizes the costs questioned on these awards:

AmeriCorps and America Reads Grants

Living allowances	\$ 204,489
Costs inadequately documented to determine allowability	94,596
Costs with no supporting documentation	181,049
Costs reviewed and determined to be unallowable	288,596
Administrative costs related to questioned costs	<u>10,325</u>
Sub-total	<u>779,055</u>

Administrative Grant

Costs reviewed and determined to be unallowable	<u>1,469</u>
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PDAT Grant

Costs inadequately documented to determine allowability	<u>260,952</u>
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Total questioned grant costs	<u>\$1,041,476</u>
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Education Awards Questioned	<u>\$ 414,260</u>
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Our audit also disclosed certain questioned costs that we considered immaterial for GO SERV and the subgrantees we selected for audit.

In most cases, we used a random sampling method to test the costs claimed. Based upon this sampling plan, questioned costs in this report may not represent total costs that may have been questioned had all expenditures been tested. In addition, we have made no attempt to project such costs to total expenditures incurred, based on the relationship of costs tested to total costs. For a complete discussion of these questioned costs, refer to the Independent Auditor's Report.

Compliance

Our audit disclosed the following instances of noncompliance with Federal laws, applicable regulations and award conditions:

1. Documentation was inadequate for some costs charged to the Administrative grant, including match. Also, some of the claimed match is not considered reasonable (necessary for the commission's operation and/or its grant performance).
2. Questioned and inadequately documented costs were charged to the Administrative and PDAT grants.

3. Member living allowances and fringe benefits were paid to members found to be ineligible or whose files did not contain documentation to support AmeriCorps member eligibility.
4. Unsupported or inadequately documented other direct costs were identified at several subgrantees. In addition, Education Awards were provided to members who were ineligible to receive the benefits.
5. Member support, operational and administrative match costs were claimed for ineligible members or in instances where member eligibility could not be adequately documented.
6. Some subgrantees were not submitting required AmeriCorps documents within established time frames.
7. Some AmeriCorps member files were found to be missing required documentation.
8. Budgetary data instead of actual expenditures were used to report costs on Financial Status Reports (FSRs).
9. We found instances in which living allowances were paid to members on an hourly basis.

Internal Controls

Noncompliance findings numbered 1 through 5 and 8 are also considered material internal control weaknesses.¹

Report Release

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 California Service Corps and its subgrantees, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

¹ A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts, which would be material to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITOR'S REPORT

We have audited the costs incurred by GO SERV for the award numbers listed below. These costs, as presented in the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A through D) are the responsibility of GO SERV's management. Our responsibility is to express an opinion on the consolidated Schedule of Award Costs and Exhibits A through D based on our audit.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
AmeriCorps	00ASCCA005	08/01/00 to 12/31/03	07/01/01 to 12/31/03
AmeriCorps	00ASFCA005	07/01/00 to 04/30/04	07/01/01 to 03/31/04
AmeriCorps	03ACHCA001	09/24/03 to 09/23/06	09/24/03 to 03/31/04
AmeriCorps	03AFHCA002	09/24/03 to 09/23/06	09/24/03 to 03/31/04
Governor's Initiative Administrative	99ASHCA005	07/01/00 to 12/31/01	10/15/01 to 12/31/01
PDAT	01SCSCA005	01/01/01 to 12/31/03	01/01/01 to 12/31/03
PDAT	95PDSCA005	11/01/95 to 12/31/02	01/01/01 to 12/31/02
PDAT	02PDSCA005	01/01/02 to 12/31/04	01/01/02 to 12/31/03
Homeland Security	02AHHCA005	07/01/02 to 12/31/02	07/01/02 to 12/31/02
Learn & Serve	03KCHCA005	11/01/03 to 10/31/06	11/01/03 to 03/31/04
Learn & Serve	00LCSCA005	09/01/00 to 12/31/03	09/01/00 to 12/31/03
America Reads	98ARCCA001	07/01/98 to 12/31/02	07/01/01 to 12/31/02
Promise Fellows	99APSCA005	11/30/99 to 06/30/04	07/01/01 to 03/31/04
Promise Fellows	01APSCA005	01/01/02 to 12/31/02	07/01/02 to 12/31/02
Disability	97DSCCA005	02/01/97 to 12/31/04	07/01/01 to 03/31/04
Education Awards	00EDSCA015	07/01/00 to 12/31/03	07/01/01 to 03/31/04

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards. Those 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 the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant management estimates, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, except for the issues related to the \$1,041,476 in questioned grant costs discussed above, the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A through D and related Schedules) referred to above present fairly, in all material respects, the costs claimed for the period January 1, 2001, to March 31, 2004, in conformity with generally accepted accounting standards in the United States of America.

In accordance with the *Government Auditing Standards*, we have also issued our report, dated March 16, 2005, on compliance and on internal controls over financial reporting.

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 California Service Corps and its subgrantees, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

Conrad and Associates, L.L.P.

Conrad and Associates, L.L.P.
Irvine, California
March 16, 2005

**Corporation for National and Community Service Awards
GO SERV**

Consolidated Schedule of Award Costs

January 1, 2001, to March 31, 2004

<u>Award Number</u>	<u>Program</u>	<u>Approved Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Questioned Education Awards</u>	<u>Reference</u>
00ASCCA005	AmeriCorps	\$52,422,121	\$37,681,439	\$ 709,826	\$362,284	
00ASFCA005	AmeriCorps	28,576,577	21,725,337	14,735	37,800	
03ACHCA001	AmeriCorps	6,903,928	2,179,307	49,655	-	
03AFHCA002	AmeriCorps	<u>6,319,136</u>	<u>1,975,416</u>	<u>-</u>	<u>-</u>	
Total AmeriCorps		<u>94,221,762</u>	<u>63,561,499</u>	<u>774,216</u>	<u>400,084</u>	Exhibit A
99ASHCA005	Governor's Initiative	<u>2,037,460</u>	<u>1,809,518</u>	<u>-</u>	<u>-</u>	
01SCSCA005	Administrative	<u>2,492,000</u>	<u>2,492,000</u>	<u>1,469</u>	<u>-</u>	Exhibit B
95PDSCA005	PDAT	1,588,494	422,237	150,839	-	
02PDSCA005	PDAT	<u>330,135</u>	<u>308,233</u>	<u>110,113</u>	<u>-</u>	
Total PDAT Funds		<u>1,918,629</u>	<u>730,470</u>	<u>260,952</u>	<u>-</u>	Exhibit C
02AHHCA005	Homeland Security	<u>698,136</u>	<u>196,461</u>	<u>-</u>	<u>-</u>	
00LCSCA005	Learn & Serve.	711,000	684,102	-	-	
03KCHCA005	Learn & Serve	<u>310,549</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total Learn & Serve		<u>1,021,549</u>	<u>684,102</u>	<u>-</u>	<u>-</u>	
98ARCCA001	America Reads	<u>8,541,876</u>	<u>1,165,554</u>	<u>4,839</u>	<u>14,176</u>	Exhibit D
99APSCA005	Promise Fellows	314,629	314,633	-	-	
01APSCA005	Promise fellows	<u>563,400</u>	<u>222,084</u>	<u>-</u>	<u>-</u>	
Total Promise Fellows		<u>878,029</u>	<u>536,717</u>	<u>-</u>	<u>-</u>	
97DSCCA005	Disability	<u>1,463,648</u>	<u>746,226</u>	<u>-</u>	<u>-</u>	
00EDSCA015	Education Awards	<u>208,600</u>	<u>100,783</u>	<u>-</u>	<u>-</u>	
Totals		<u>\$113,481,689</u>	<u>\$72,023,330</u>	<u>\$1,041,476</u>	<u>\$414,260</u>	

**Corporation for National and Community Service Awards
GO SERV**

Notes to Consolidated Schedule of Award Costs

January 1, 2001, to March 31, 2004

Reporting Entity

The accompanying consolidated Schedule of Award Costs includes amounts budgeted, claimed, and questioned under AmeriCorps, Administrative, Program Development and Training and other grants awarded to GO SERV by the Corporation for the period from January 1, 2001, to March 31, 2004.

GO SERV awards its AmeriCorps grant funds to numerous subgrantees that administer AmeriCorps programs and report financial and programmatic results to GO SERV.

Basis of Accounting

The accompanying Schedule has been prepared to comply with the provisions of the grant agreements between the Corporation and GO SERV. The information presented in the Schedule has been prepared from the reports submitted by GO SERV to the Corporation. The basis of accounting used in preparation of these reports differs slightly from accounting principles generally accepted in the United States of America as follows:

Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the Schedule of Award Costs include the cost of equipment purchased during the period rather than a provision for depreciation. The equipment acquired is owned by GO SERV while used in the program for which it was purchased or in other future authorized programs. However, the Corporation has a reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds there from, is subject to Federal regulations.

Inventory

Minor materials and supplies are charged to expense during the period of purchase.

GO SERV
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers
00ASCCA005, 00ASFCA005, 03ACHCA001 and 03AFHCA002
(AmeriCorps)
July 1, 2001, to March 31, 2004

<u>Detailed Audits of AmeriCorps</u>	<u>Claimed Costs</u>	<u>Questioned Claimed Costs</u>	<u>Questioned Education Awards</u>	<u>Reference</u>
<u>Sub grantees</u>				
Child Abuse Prevention Council	\$ 9,128,503	\$ 299,956	\$ -	Schedule A-1
Chancellor’s Office, California Community Colleges	10,509,210	227,793	64,173	Schedule A-2
Bay Area Community Resources	3,191,270	-	45,425	Schedule A-3
City Year, Inc.	2,734,710	-	-	
East Bay Conservation Corps	2,677,183	210,525	3,534	Schedule A-4
Sonoma State University	2,206,864	-	-	
Los Angeles Conservation Corps	2,046,833	3,473	249,152	Schedule A-5
Imperial County Office Of Education	1,958,574	4,163	-	Schedule A-6
Redwood Community Action Agency	1,334,687	1,209	37,800	Schedule A-7
California Conservation Corps	<u>1,221,007</u>	<u>27,097</u>	<u>-</u>	Schedule A-8
Total – Detailed Audits	<u>\$37,008,841</u>	<u>\$ 774,216</u>	<u>\$400,084</u>	Note 1

Notes

1. The total claimed costs reported do not include costs claimed by subgrantees that were not tested as part of this audit. During the period covered by our audit, GO SERV had 54, 55 and 31 AmeriCorps program subgrantees in program years 2001-02, 2002-03 and 2003-04, respectively. We used a sampling approach at the selected field sites to test the costs claimed for Program Years 2001-02 to 2003-04.

GO SERV
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ASCCA0052601, 00ASCCA0057801,
00ASF0055601 and 03ACHCA0010004
July 1, 2001, to March 31, 2004

Child Abuse Prevention Council of Sacramento (CAPC)

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$12,757,091</u>	Note 1
Claimed Costs	<u>\$ 9,128,503</u>	Note 2
Questioned Costs		
Salaries and Fringe Benefits - Admin.	\$ 203,269	Note 3
Unallocable Administrative Costs	44,023	Note 4
Unsupported Other Direct Costs	40,105	Note 5
Living Allowances and Fringe Benefits	2,429	Note 6
Administrative Costs	<u>10,130</u>	Note 7
Total Questioned Costs	<u>\$ 299,956</u>	
Total Questioned Education Awards	<u>\$ -</u>	

Notes

1. The amount shown above as Approved Budget represents the total funding to CAPC for Program Years 2001-02 to 2003-04, according to budget schedules for the GO SERV grants.
2. Claimed costs represent CAPC's reported expenditures for the program years tested (2001-02 to 2003-04).
3. CAPC claimed administrative or overhead costs based on the rate allowable by AmeriCorps Provisions for each grant year under audit. The amounts claimed in this manner do not require documentation. However, the agency also claimed \$203,269 of direct costs during this period for salaries and fringe benefits for individuals and functions that we consider administrative in nature, such as executive salaries, human resources information systems and accounting. We have questioned claimed salaries and fringe benefit costs of \$203,269 by category, grant and program year as follows. (Also see Compliance Finding #4.)

<u>Category</u>	<u>Comp 2001 – 02</u>	<u>Formula 2001 - 02</u>	<u>Comp 2002 – 03</u>	<u>Comp 2003 – 04</u>	<u>Totals</u>
Executive Staff	\$34,398	\$1,816	\$ 17,386	\$ -	\$ 53,600
Executive Secretary	511	-	-	5,844	6,355
Human Resources Management	1,191	-	6,948	-	8,139
Information Systems	-	-	8,721	-	8,721
Accounting	-	-	16,969	-	16,969
Program Support	3,260	1,375	10,324	990	15,949
Temps	6,012	-	19,565	2,610	28,187
Salary – Other	-	-	-	27,165	27,165
Total Salaries	<u>45,372</u>	<u>3,191</u>	<u>79,913</u>	<u>36,609</u>	<u>165,085</u>
Fringe	<u>5,433</u>	<u>170</u>	<u>21,743</u>	<u>10,838</u>	<u>38,184</u>
Total Salary & Fringe	<u>\$50,805</u>	<u>\$3,361</u>	<u>\$101,656</u>	<u>\$47,447</u>	<u>\$203,269</u>

CAPC's time sheets during the audit period allowed for time to be charged to the following categories: Training, Prevention, Fund Development, Administrative, Finance and four leave categories. However, the forms did not provide the ability for staff to indicate the specific grant or program for which work was done, even though the agency received funding from other sources in addition to GO SERV. CAPC has attempted to justify the questioned expenditures as legitimate charges to the AmeriCorps grants, but did not submit adequate supporting documentation or a verifiable allocation methodology in support of this position.

- In addition to the non-program related salaries and fringe described in Note 3, we identified \$44,023 of non-salary administrative costs that CAPC charged to the AmeriCorps program as direct costs. We found computer and accounting training, general payroll processing costs and other miscellaneous non-program related administrative expenditures that had been claimed in addition to the percentage allowable by AmeriCorps Provisions. As a result, we have questioned \$44,023. (Also See Compliance Finding #4.)

Summary of Non-Salary Administrative Costs Questioned

<u>Program Year & Grant</u>	<u>Amount</u>
2002-03 Competitive	\$41,815
2003-04 Competitive	<u>2,208</u>
Total	<u>\$44,023</u>

Competitive 2002 – 03

<u>Description of Cost Claimed</u>	<u>Amount Questioned</u>
CAPC Board Retreat entertainment	\$ 3,484
Miscellaneous Board expenses	2,206
Payroll processing expenses and stop payment fees	19,793
General business insurance and fees	15,147
Staff accounting training – QuickBooks	885
Other staff training – 6/3/03	<u>300</u>
Total	<u>\$41,815</u>

Competitive 2003 – 04

<u>Description of Cost Claimed</u>	<u>Amount Questioned</u>
Payroll processing expenses and stop payment fees	<u>\$2,208</u>

CAPC is in general agreement that these expenditures are administrative in nature and has indicated that they will not be claimed as direct costs to the AmeriCorps program.

Subsequent to the conclusion of fieldwork, additional documentation for approximately \$160,000 was submitted by CAPC which, the agency asserts, represents allocable AmeriCorps program costs which were not booked in the general ledger as direct costs of the AmeriCorps program. CAPC requested that the additional costs submitted be substituted for the unallowable costs identified.

Most of the documentation submitted was for administrative-type costs that appeared to benefit CAPC as an entity, as opposed to benefiting the AmeriCorps program directly. In addition, some of the costs submitted lacked adequate documentation indicating the purpose of the expenditures and their relationship to AmeriCorps. Accordingly, we were unable to determine if any of the additional costs submitted were directly related to and benefited the AmeriCorps program, and would therefore be allocable. As a result, the \$44,023 of costs questioned remains unchanged.

5. We questioned \$40,105 of other direct costs selected for audit review because support provided was considered to be inadequate. These costs are scheduled by program year, as summarized in the following tables: (Also see Compliance Finding #4.)

Summary of Other Direct Costs Questioned

<u>Program Year & Grant</u>	<u>Amount</u>
2001-02 Formula	\$10,453
2002-03 Competitive	<u>29,652</u>
Total	<u>\$40,105</u>

Formula 2001 – 02

<u>Description of Cost Claimed</u>	<u>Amount Questioned</u>
Undocumented Memorandum of Understanding costs	<u>\$10,453</u>
Total	<u>\$10,453</u>

Competitive 2002-03

<u>Description of Cost Claimed</u>	<u>No Documentation</u>	<u>Inadequate Documentation</u>	<u>Total Questioned</u>	<u>Note</u>
Inadequate support allocated costs- Carlile	\$ -	\$ 2,571	\$ 2,571	(A)
Undocumented journal entry 12/31/02	1,381	-	1,381	
Undocumented journal entry 10/8/03	2,000	-	2,000	
Undocumented journal entry 12/31/02	1,649	-	1,649	
Undocumented journal entry 1/10/03	1,383	-	1,383	
Undocumented journal entry 1/15/03	1,502	-	1,502	
Cleaning fee for vacated office space	-	2,000	2,000	(B)
Inadequately documented MOU costs	-	4,916	4,916	(C)
Inadequately documented MOU costs	-	10,000	10,000	(D)
Consultant charges – Training 4/11/03	750	-	750	
Consultant charges – Training 4/28/03	<u>1,500</u>	<u>-</u>	<u>1,500</u>	
Total	<u>\$10,165</u>	<u>\$19,487</u>	<u>\$29,652</u>	

- (A) Amount questioned represents the allocated portion of payments made to the vendor for which support could not be determined. As a result, we could not determine if the amount allocated to AmeriCorps was reasonable.
- (B) A copy of a journal entry was the only supporting documentation initially provided. The subcontractor subsequently submitted documentation for \$1,634, indicating that the amount represented a portion of a security deposit forfeited for cleaning fees related to office space vacated in November 2002. A notation included with the additional documentation provided stated that CAPC wished to move the difference (\$366) from a direct AmeriCorps expense to an administrative expense.

Given that the vacated space appears to have been used for other programs, in addition to AmeriCorps, we are unable to determine that the allocation of 100 percent of the costs to AmeriCorps is reasonable. Accordingly, the costs have been questioned.

- (C) The subgrantee provided a Memorandum of Understanding (MOU) between the subgrantee and the Folsom/Cordova Unified School District (FCUSD) as support for the costs claimed. Under the terms of the MOU, FCUSD agreed to provide a Project Coordinator to the subgrantee for a fee not to exceed \$100,000. The \$4,916 questioned represented an amount allocated to the AmeriCorps program. From the information provided, we are unable to determine how the amount allocated to AmeriCorps was calculated. As a result, we are unable to determine if the amount claimed is reasonable.
 - (D) The subgrantee provided a MOU between the subgrantee and the FCUSD as support for the costs claimed. Under the terms of the MOU, FCUSD agreed to provide a project coordinator to the subgrantee for a fee not to exceed \$100,000. The \$10,000 questioned represented an amount allocated to the AmeriCorps program. From the information provided, we are unable to determine how the amount allocated to the AmeriCorps program was calculated. As a result, we are unable to determine if the amount claimed is reasonable.
6. A review of 59 member files disclosed 1 individual who was enrolled in the AmeriCorps program but was found to be ineligible. The member was paid living allowances and fringe benefits totaling \$2,429 that we have questioned in the table below. (Also see Compliance Finding #3.)

Summary of Living Allowances and Fringe Benefits Questioned

<u>Program Year</u>	<u>Living Allowance</u>	<u>Fringe Benefits</u>	<u>Total</u>	<u>Description</u>
2002-03	<u>\$1,964</u>	<u>\$465</u>	<u>\$2,429</u>	Citizenship or legal resident status not documented

7. We questioned administrative costs of \$10,130 because CAPC claimed an administrative percentage on the costs questioned in notes 3, 4, 5 and 6 above. The table below summarizes the administrative costs questioned by grant and program year. (Also see Compliance Finding #4.)

Summary of Administrative Costs Questioned

<u>Grant & Program Year</u>	<u>Amount</u>
Competitive 2001 – 02	\$ 2,219
Formula 2001 – 02	581
Competitive 2002 – 03	<u>7,330</u>
Total	<u>\$10,130</u>

GO SERV
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ASCCA005, 00ASF005, 03ACHCA001, 03AFHCA002
July 1, 2001, to March 31, 2004
Chancellor's Office
California Community Colleges

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$13,689,941</u>	Note 1
Claimed Costs	<u>\$10,509,210</u>	Note 2
Questioned Costs		
Compton Community College	\$ 167,348	Note 3
San Joaquin Delta College	30,084	Note 4
Glendale Community College	30,361	Note 5
Modesto Community College	-	Note 6
West LA Community College	-	Note 6
Irvine Valley College	-	Note 6
Chancellor's Office	<u>-</u>	Note 6
Total Questioned Costs	<u>\$ 227,793</u>	
Total Questioned Education Awards	<u>\$ 64,173</u>	Note 7
Total Questioned Match Costs	<u>\$ 3,946,541</u>	Note 8

Notes

1. The approved budget amount of \$13,689,941 represents total funding to the Chancellor's Office, California Community Colleges, for Program Years 2001-02 through 2003-04, per the budget schedules for GO SERV grants.
2. The claimed costs of \$10,509,210 represent the amount of reported expenditures of the Chancellor's Office for the Program Years tested (2001-02 through 2003-04).
3. Compton Community College (Compton)
Compton did not claim actual incurred costs on the monthly expense reports for its Early Childhood Literacy (ECEL) and Foster Youth Mentoring (FYMP) programs. Instead, the college allocated the approved budget in equal monthly amounts over the contract term, using this method for both costs reimbursed by the Chancellor's Office and match. Subsequent to the completion of on-site fieldwork, source documentation was submitted in support of a portion of the direct costs claimed. The additional documentation was considered when preparing the questioned costs scheduled below. (Also see Compliance Findings #4 and #8.)

<u>Program</u>	<u>2001-02</u>	<u>2002-03</u>	<u>Total</u>	<u>Description</u>
ECEL	\$76,569	\$45,546	\$122,115	Unsupported
FYMP	<u>21,590</u>	<u>23,643</u>	<u>45,233</u>	Unsupported
Total Questioned	<u>\$98,159</u>	<u>\$69,189</u>	<u>\$167,348</u>	

4. San Joaquin Delta College (Delta)

Delta reimbursed ECEL members for textbooks without adequate supporting documentation. Rather than obtaining receipts, the program estimated the cost of the books based on the members' class schedules. From the information provided, we are unable to determine the reasonableness of the estimate. Accordingly, we have questioned total claimed costs of \$27,394 (\$19,468 for Program Year 2001-02 and \$7,926 for Program Year 2002-03). We also note that the budget narratives do not include reimbursement for textbooks. The budget narratives include costs for office supplies, duplicating, printing and postage.

Delta also claimed costs of \$2,690 that are unallowable under AmeriCorps Provisions. In ECEL Program Year 2002-03 the college charged costs of \$374 for consultant fees over the \$443 daily maximum. In the same program year, excess fringe benefits of \$2,316 were allocated to Teacher Reading & Development Partnerships (TRDP) as a result of the use of an incorrect fringe benefit rate. We have questioned the \$2,690 of claimed costs.

Questioned costs are summarized as follows (also see Compliance Finding #4):

<u>Program Year</u>	<u>Reason Questioned</u>	<u>Amount</u>	<u>Explanation</u>
2001-02	Inadequate support	\$19,468	Costs claimed based on estimate
2002-03	Inadequate support	7,926	Costs claimed based on estimate
2002-03	Unallowable cost	2,316	Use of incorrect fringe benefit rate
2002-03	Unallowable costs	<u>374</u>	Consultant fees over daily maximum
Total questioned costs		<u>\$30,084</u>	

5. Glendale Community College (Glendale)

Glendale claimed member support costs of \$30,361 in TRDP Program Year 2002-03 for members who had exited the program or were enrolled in TRDP for Program Year 2003-04. Glendale was apparently unaware that costs from Program Year 2003-04 could not be charged to Program Year 2002-03. As a result, we have questioned as unallowable costs of \$30,361. (Also see Compliance Finding #3.) The Commission stated that Glendale has reimbursed the Chancellor's Office for these costs questioned.

6 We note that no costs were questioned as a result of audit testing at Irvine Valley College, Modesto Community College, West Los Angeles Community College and the Chancellor’s Office of the Community Colleges.

7. Questioned Education Awards

We have questioned Education Awards as follows (also see Compliance Finding #4):

	<u>Questioned Costs</u>	<u>Reference</u>
Compton Community College	\$10,149	(A)
Glendale Community College	24,014	(B)
Modesto Community College	<u>30,010</u>	(C)
Total	<u>\$64,173</u>	

(A) Our review of 20 member files disclosed that the service hours of 7 members reported in WBRS were not adequately supported by time sheets. Specifically, the hours reported in WBRS were greater than those on the time sheets. Accordingly, we have questioned ECEL Education Awards of \$8,899 and TRDP awards of \$1,250, for a total of \$10,149.

(B) We found 16 member files out of 40 files tested had insufficient documentation to support the total service and training hours reported in WBRS in Program Years 2001-02 and 2002-03. As a result, we have questioned total Education Awards of \$24,014 (\$16,752 for 2001-02 and \$7,262 for 2002-03).

(C) In our sample of 50 member files, we noted 43 files with no documentation to support eligibility. There were 20 members for whom we could not determine citizenship or legal resident status (6 of these members received an Education Award), and 23 members who did not have documentation of a high school diploma or had insufficient service hours (11 of these members received an Education Award). As a result, we questioned Education Awards of \$30,010 as detailed below:

<u>Finding</u>	<u>Amount</u>
High school diploma not documented	\$15,241
Service hours insufficient to obtain award	2,363
Unable to determine citizenship or legal resident status	<u>12,406</u>
Total Questioned	<u>\$30,010</u>

8. Questioned Match Costs

	<u>Questioned Match</u>	<u>Reference</u>
Compton Community College	\$3,641,108	(A)
San Joaquin Delta College	298,888	(B)
Modesto Community College	<u>6,545</u>	(C)
Total	<u>\$3,946,541</u>	

- (A) Compton did not claim actual incurred costs on the monthly expense reports for the Early Childhood Literacy (ECEL) and Foster Youth Mentoring (FYMP) programs. Instead, the college allocated the approved budget in equal monthly amounts over the contract term, using this method for both costs reimbursed by the Chancellor’s Office and for match. Source documentation was not provided to support the match costs claimed. We note that the claimed match exceeds the required match. We have questioned match costs claimed as detailed below (Also see Compliance Finding #5.):

<u>Program</u>	<u>2001-02</u>	<u>2002-03</u>	<u>Total</u>	<u>Description</u>
ECEL Match	\$1,531,774	\$1,128,211	\$2,659,985	Unsupported
FYMP Match	<u>617,455</u>	<u>363,668</u>	<u>981,123</u>	Unsupported
Total				
Questioned	<u>\$2,149,229</u>	<u>\$1,491,879</u>	<u>\$3,641,108</u>	

- (B) We have questioned match costs claimed by San Joaquin Delta College of \$298,888 for Program Years 2001-02 through 2003-04.

Supervisory hours were claimed based on members’ time sheets, as opposed to the supervisors’ time sheets. Furthermore, the rates applied to the supervisory hours claimed were based on estimates, rather than the actual amounts paid. Other program oversight and supervisory costs claimed were also based on estimates, with no documentation available to independently verify the costs charged. In addition, travel-related costs were claimed as match without adequate support. The match, which includes associated administrative costs questioned, is summarized as follows (Also see Compliance Finding #5.):

<u>Program</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>Total</u>	<u>Description</u>
ECEL Match	\$ 69,084	\$ 82,992	\$ -	\$152,076	Unsupported
TRDP Match	<u>48,162</u>	<u>93,019</u>	<u>5,631</u>	<u>146,812</u>	Unsupported
Total					
Questioned	<u>\$117,246</u>	<u>\$176,011</u>	<u>\$5,631</u>	<u>\$298,888</u>	

- (C) We determined that match claimed by Modesto was an allocation of the amounts that had originally been budgeted. We also found that, for 50 member files reviewed, a number of members did not complete their program requirements, including several who served only one hour or none. The Foster Youth Mentoring Program (FYMP) in particular had a dropout rate of 76 percent in one year and 48 percent in the other year. Based on this finding, we recalculated the match based on the number of members who received Education Awards. This recalculation resulted in questioned match costs claimed of \$6,545. (Also see Compliance Finding #5.)

GO SERV
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ASCCA0050601 and 03ACHCA0010003
July 1, 2001, to March 31, 2004

Bay Area Community Resources (BACR)

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$ 3,698,679</u>	Note 1
Claimed Costs	<u>\$ 3,191,270</u>	Note 2
Questioned Costs – Education Awards		
Missing High School Diploma Documentation	\$ 44,175	Note 3
Unsupported Member Hours	<u>1,250</u>	Note 4
Total Questioned Education Awards	<u>\$ 45,425</u>	
Unsupported Match Costs Questioned	<u>\$ 879,960</u>	Note 5

Notes

1. The approved budget amount represents total gross funding to BACR for Program Years 2001-02 through 2003-04, per the budget schedules for GO SERV grants.
2. The claimed costs represent the amount of reported expenditures of BACR for the Program Years tested (2001-02 through 2003-04).
3. Compliance testing of AmeriCorps member files determined that high school diploma documentation was missing for 34 of the 46 members in Program Year 2001-02. Consequently, we have questioned Education Awards totaling \$44,175. (Also see Compliance Finding #4.)
4. Our review of a sample of 100 member files disclosed that the service of 2 members reported on WBRS was not supported by time sheets. One of the members also received a partial Education Award in Program Year 2003-04. Because the member did not meet program requirements, we have questioned the partial Education Award amount of \$1,250. (Also see Compliance Finding #4.)

5. Our tests of claimed match costs disclosed that a portion were in-kind and had been contributed by other agencies. The only documentation supporting these contributions was spreadsheets from the agencies which certified the amounts for different periods of time by various cost categories, such as salaries, training, supplies, etc. No other source documentation such as general ledgers, payroll records, or invoices was provided. As a result, we have questioned the entire amount of claimed in-kind match. The grantee's claimed match exceeds the minimum match required by the AmeriCorps Grant provisions. (Also see Compliance Finding #5.)

<u>Program Year</u>	<u>In-Kind Match Questioned</u>	<u>Description</u>
2001-2002	\$225,853	Inadequate support
2002-2003	413,889	Inadequate support
2003-2004	<u>240,218</u>	Inadequate support
Total	<u>\$879,960</u>	

GO SERV
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00ASCCA0050501
July 1, 2001, to March 31, 2004

East Bay Conservation Corps (EBCC)

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$3,174,068</u>	Note 1
Claimed Costs	<u>\$2,677,183</u>	Note 2
Questioned Living Allowances		
Over-Claimed Living Allowances	\$ 168,014	Note 3
Living Allowances Paid to Non-Members	25,706	Note 4
Costs in Excess of General Ledger	10,160	Note 5
Member Paid While Working Another Job	<u>6,645</u>	Note 6
Total Questioned Costs	<u>\$ 210,525</u>	
Total Questioned Education Awards	<u>\$ 3,534</u>	Note 7

Notes

1. The amount shown above as Approved Budget represents the total funding to EBCC for Program Years 2001-02 to 2003-04, according to the budget schedules for GO SERV grants.
2. Claimed costs represent EBCC's reported expenditures for the Program Years tested (2001-02 to 2003-04).
3. Our review of 60 member files disclosed 38 cases in which a portion of the member's cumulative living allowance exceeded the 85 percent of minimum living allowance rule. As a result, we expanded our testing to the entire member population of 303 for Program Years 2001-02 and 2002-03 and found a total of 142 instances of over-claimed living allowances. As a result, we questioned living allowances and fringe benefits totaling \$168,014 as follows: (Also see Compliance Finding #3.)

<u>Program Year</u>	<u>Member Exceptions</u>	<u>Amount</u>		<u>Total</u>
		<u>Living Allowances</u>	<u>Fringe Benefits</u>	
2001-02	103	\$ 89,695	\$14,845	\$104,540
2002-03	<u>39</u>	<u>52,320</u>	<u>11,154</u>	<u>63,474</u>
Total	<u>142</u>	<u>\$142,015</u>	<u>\$25,999</u>	<u>\$168,014</u>

4. We found 14 members in Program Year 2001-02 and 17 in Program Year 2002-03 who were paid living allowances, but were not listed in WBRS as eligible. As a result, we questioned living allowances and fringe benefits totaling \$25,706 as follows: (Also see Compliance Finding #3.)

<u>Program Year</u>	<u>Member Exceptions</u>	<u>Amount</u>		<u>Total</u>
		<u>Living Allowances</u>	<u>Fringe Benefits</u>	
2001-02	14	\$ 7,973	\$1,320	\$ 9,293
2002-03	<u>17</u>	<u>13,530</u>	<u>2,883</u>	<u>16,413</u>
Total	<u>31</u>	<u>\$21,503</u>	<u>\$4,203</u>	<u>\$25,706</u>

5. EBCC's records for living allowances paid in Programs Years 2001-02 and 2002-03 were less than the amounts reported on the Financial Status Reports (FSRs). EBCC personnel were unable to account for these differences. As a result, we have questioned unsupported living allowances and fringe benefits totaling \$10,160 as follows: (Also see Compliance Finding #3.)

<u>Program Year</u>	<u>Amount</u>		<u>Total</u>
	<u>Living Allowances</u>	<u>Fringe Benefits</u>	
2001-02	\$5,185	\$ 859	\$ 6,044
2002-03	<u>3,393</u>	<u>723</u>	<u>4,116</u>
Total	<u>\$8,578</u>	<u>\$1,582</u>	<u>\$10,160</u>

6. Our review disclosed that one member charged hours to the AmeriCorps program while working another job. Specifically, the member was paid as a substitute teacher and charged 272 hours to both the AmeriCorps program and the school. We questioned living allowances and fringe benefits of \$8,531, of which \$6,645 was charged to the grant as follows: (Also see Compliance Finding #3)

Program Year	Amount		Total
	<u>Living Allowances</u>	<u>Fringe Benefits</u>	
2002-03	<u>\$5,477</u>	<u>\$1,168</u>	<u>\$6,645</u>

7. Out of 60 member files reviewed, 3 members who enrolled in Program Year 2001-02 exited early for compelling personal reasons and received a prorated Education Award. The reasons for the exits, however, did not qualify as or were not sufficiently supported as compelling circumstances, as required by AmeriCorps Provisions. As a result, we have questioned the members' prorated Education Awards totaling \$3,534 as follows: (Also see Compliance Finding #4.)

<u>Member Type</u>	<u>Early Exit Reason</u>	<u>Prorated Education Award</u>
Half Time	Due to illness without further explanation or supporting documentation.	\$ 942
Half Time	Due to illness without further explanation or supporting documentation.	1,302
Half Time	Not satisfied with the program and financial hardship.	<u>1,290</u>
	Total	<u>\$3,534</u>

GO SERV
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ASCCA0050201 and 98ARCCA0011301
July 1, 2001, to March 31, 2004

Los Angeles Conservation Corps (LACC)

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$2,449,752</u>	Note 1
Claimed Costs	<u>\$2,046,833</u>	Note 2
Questioned Costs		
Living Allowances and Fringe Benefits	\$2,731	Note 3
Unallowable Other Direct Costs	<u> 742</u>	Note 4
Total Questioned Costs	<u>\$ 3,473</u>	
Total Questioned Match Costs	<u>\$ 175,956</u>	Note 5
Total Questioned Education Awards	<u>\$ 249,152</u>	Note 6

Notes

1. The amount shown above as Approved Budget represents the total funding to LACC for Program Years 2001-02 to 2003-04, according to the budget schedules for GO SERV grants.
2. Claimed costs represent LACC's reported expenditures for the Program Years tested (2001-02 to 2003-04).
3. Out of 83 member files reviewed, we noted 2 members who were not eligible because they were not U. S. citizens or legal residents. In addition, it was also noted that a living allowance and fringe benefit was paid to a member after that member's termination. As a result, we questioned members' living allowances and fringe benefits totaling \$2,731 as follows: (Also see Compliance Finding #3.)

<u>Program Year</u>	<u>Member Exceptions</u>	<u>Amount</u>		<u>Total</u>	<u>Description</u>
		<u>Living Allowances</u>	<u>Fringe Benefits</u>		
2001-02	2	\$2,302	\$202	\$2,504	Lack of citizenship or legal resident documentation
2001-02	<u>1</u>	<u>209</u>	<u>18</u>	<u>227</u>	Member had previously been terminated
Total	<u>3</u>	<u>\$2,511</u>	<u>\$220</u>	<u>\$2,731</u>	

4. LACC claimed costs of \$742 that were unallowable under AmeriCorps provisions:

	<u>Questioned Costs</u>		<u>Total</u>
	<u>2001-2002</u>	<u>2002-2003</u>	
Exception (A)	\$109	\$ 76	\$185
Exception (B)	<u>-</u>	<u>557</u>	<u>557</u>
Total	<u>\$109</u>	<u>\$633</u>	<u>\$742</u>

(A) Costs claimed by LACC exceeded the amount reflected in their accounting records by \$109. It was also noted that \$76 of finance and late charges were charged to the grant. As a result, we have questioned \$185 claimed as direct costs. (Also see Compliance Finding #4.)

(B) LACC claimed costs for training, provided by an outside consultant, which exceeded the maximum daily amount of \$443. The consultant charged \$1,000 for the session, which is \$557 more than the AmeriCorps provisions allow. As a result, we have questioned \$557 of consultant costs. (Also see Compliance Finding #4.)

5. In-kind AmeriCorps match costs of \$175,956 were questioned because LACC did not provide adequate documentation to support the amounts claimed. LACC only provided a spreadsheet for the costs claimed. As a result, we are unable to determine if the costs were allowable, reasonable, or necessary. (Also see Compliance Finding #5.)

<u>Program Year</u>	<u>Description</u>	<u>Amount</u>
2001-02	Inadequate documentation	<u>\$175,956</u>

6. We have questioned members' Education Awards as follows:

	<u>Questioned Costs</u>
Exception (A)	\$ 95,589
Exception (B)	148,838
Exception (C)	<u>4,725</u>
Total	<u>\$249,152</u>

- (A) Timesheets for 39 AmeriCorps members did not match the service hours reported in WBRS. In addition, according to the hours reported on the time sheets, these members did not serve the hours required to earn an Education Award. As a result, we have questioned \$95,589 of Education Awards. (Also see Compliance Finding #4.)

- (B) Files for 75 AmeriCorps members were not available for review during the audit. LACC believes that a box of member files may have been mistakenly destroyed. Without adequate member file documentation, we are unable to determine if the 75 members were eligible to participate in the program and earn an Education Award. These 75 members did not receive a living allowance so there are no member support costs questioned. We have questioned \$148,838 of Education Awards. (Also see Compliance Finding #4.)

- (C) One member file did not properly document the member's citizenship or legal resident status. We also noted one member file that did not document the member's age. Without properly documentation, we are unable to determine if the two members were eligible for the program. As result, we have questioned \$4,725 in Education Awards. (Also see Compliance Finding #4.)

GO SERV
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ASCCA0051201, 00ASF0051201 and 98ARCCA00141401
July 1, 2001, to March 31, 2004

Imperial County Office of Education (ICOE)

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$2,187,961</u>	Note 1
Claimed Costs	<u>\$1,958,574</u>	Note 2
Questioned Costs		
Unsupported Other Direct Costs	\$ 3,541	Note 3
Unallowable Other Direct Costs	282	Note 4
FSR Cost Greater than General Ledger	153	Note 5
Match Claimed as Direct	<u>187</u>	Note 6
Total Questioned Costs	<u>\$ 4,163</u>	
Total Questioned Education Awards	<u>\$ -</u>	

Notes

1. The amount shown above as Approved Budget represents the total funding to the ICOE for Program Years 2001-02 to 2003-04, according to the budget schedules for GO SERV grants.
2. Claimed costs represent ICOE's reported expenditures for the Program Years tested (2001-02 to 2003-04).
3. We identified five journal entries totaling \$3,541 that were not accompanied by supporting documentation. Accordingly, we cannot determine the allowability, reasonableness or necessity of the expenses claimed. (Also see Compliance Finding #4.)

<u>Program Year</u>	<u>Reference No.</u>	<u>Amount</u>
2001-02	JE-23132	\$ 186
2001-02	JE-22612	261
2001-02	JE-21118	728
2001-02	JE-21176	238
2001-02	JE-21257	<u>2,128</u>
Total		<u>\$3,541</u>

4. We found three items totaling \$282 that we questioned for allowability. Two expense items totaling \$235 for mileage and meals were claimed in Program Year 2002-03 for costs associated with obtaining the grant for Program Year 2003-04. Finally, a consultant was paid \$480 for a CPR training course. This exceeds the daily consultant limit of \$443 per day by \$47. (Also see Compliance Finding #4.)

<u>Program Year</u>	<u>Reference No.</u>	<u>Amount</u>
2002-2003	PV-34498	\$117
2002-2003	PV-34515	118
2002-2003	PO-35119	<u>47</u>
Total		<u>\$282</u>

5. The costs reported for grant 00ASFCA0051201 for Program Year 2001-02 exceeded the amounts in the general ledger by \$153. Accordingly, the costs are questioned as unallowable. (Also see Compliance Finding #4.)
6. ICOE erroneously charged \$187 as a direct cost to grant 00ASFCA0051201 for the match portion of one member's living allowances and fringe benefits in Program Year 2001-02. Accordingly, the costs claimed are questioned as unallowable. (Also see Compliance Finding #4.)

GO SERV
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00ASF0051401
July 1, 2001, to March 31, 2004

Redwood Community Action Agency (RCAA)

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$1,394,382</u>	Note 1
Claimed Costs	<u>\$1,334,687</u>	Note 2
Questioned Costs		
Excess Member Benefits Paid	\$ 965	Note 3
Travel Costs Paid In Excess of Allowable	<u>244</u>	Note 4
Total Questioned Costs	<u>\$ 1,209</u>	
Total Questioned Education Awards	<u>\$ 37,800</u>	Note 5

Notes

1. The amount shown above as Approved Budget represents the total funding to RCAA for Program Years 2001-02 to 2003-04, according to budget schedules for the GO SERV grants.
2. Claimed costs represent RCAA's reported expenditures for the Program Years tested (2001-02 to 2003-04).
3. Our review of the 63 member files disclosed 2 members who received living allowances after they had left the program. Accordingly, we have questioned \$965 as follows: (Also see Compliance Finding #3.)

<u>Program Year</u>	<u>Description</u>	<u>Amount</u>
2001-02	Unallowable living allowances paid	\$256
2002-03	Unallowable living allowances paid	<u>709</u>
Total		<u>\$965</u>

4. Three grantee personnel attended a conference in Program Year 2001-02 and charged a daily lodging rate in excess of the maximum allowable State of California rate of \$110. We have questioned the excess amount charged of \$244 as unallowable. (Also see Compliance Finding #4.)

<u>Program Year</u>	<u>Lodging Rate Per Night</u>			<u>No. of Nights Charged</u>	<u>Questioned Cost</u>
	<u>Daily Rate Charged</u>	<u>Maximum Allowable Rate</u>	<u>Over-Charged Amount</u>		
2001-02	\$158	\$110	\$48	4	\$192
2001-02	123	110	13	2	26
2001-02	123	110	13	2	<u>26</u>
Total					<u>\$244</u>

5. Our review of the 63 member files disclosed 14 files for Program Year 2001-2002 that did not have documentation supporting high school diplomas or the equivalent. Ten of the 14 members received an Education Award. As such, we have questioned Education Awards totaling \$37,800 awarded for these 10 members. (Also see Compliance Finding #4.)

GO SERV
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ASCCA0051530 and 03AFHCA0020024
July 1, 2001, to March 31, 2004

California Conservation Corps (CCC)

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$1,366,334</u>	Note 1
Claimed Costs	<u>\$1,221,007</u>	Note 2
Questioned Costs		
Inadequately Supported Other Direct costs	<u>\$ 27,097</u>	Note 3
Inadequately Supported Match Costs Questioned	<u>\$ 7,723</u>	Note 4
Inadequately Supported In-Kind Match Costs Questioned	<u>\$ 164,914</u>	Note 5

Notes

1. The amount shown above as Approved Budget represents the total funding to CCC for Program Years 2001-02 to 2003-04, according to budget schedules for the GO SERV grants.
2. Claimed costs represent CCC's reported expenditures for the Program Years tested (2001-02 to 2003-04).
3. Our review of Other Direct Costs for Program Year 2001-2002 disclosed a lack of adequate documentation to support some of the expenses claimed. Summary sheets were provided as support for these costs, however there was no detailed transaction listing to bridge the summaries to vendor invoices and other documentation. Without such detail, we were unable to determine which items were specifically charged to the grant. (Also see Compliance Finding #4.) As a result, we have questioned the following costs claimed:

	<u>Questioned Costs</u>	<u>Description</u>
January 2002	\$ 9,613	Inadequate supporting documentation
February 2002	8,810	Inadequate supporting documentation
April 2002	<u>8,674</u>	Inadequate supporting documentation
Total	<u>\$27,097</u>	

4. Questioned Match Costs

	<u>Questioned Costs</u>	<u>Note</u>
Missing source documentation	<u>\$7,723</u>	(A)

(A) Our review of Other Direct Costs for Program Year 2001-02 disclosed a lack of adequate documentation to support the expenses claimed. Summary sheets were provided as support for these costs, however there was no detailed transaction listing to bridge the summaries to vendor invoices and other documentation. Without such detail, we were unable to determine which items were specifically charged to the grant. (Also see Compliance Finding #5.) As a result, we have questioned the following match costs claimed:

	<u>Questioned Costs</u>	<u>Description</u>
January 2002 (Match)	\$2,977	Inadequate supporting documentation
February 2002 (Match)	2,509	Inadequate supporting documentation
April 2002 (Match)	<u>2,237</u>	Inadequate supporting documentation
Total	<u>\$7,723</u>	

5. We have questioned the entire amount of in-kind expenditures claimed for Program Year 2001-02 because of inadequate documentation. The only documentation supporting the transactions were contracts signed at the beginning of the year that stated what should be provided. However, no verification was performed by CCC to determine the actual amount provided. As a result, we have questioned \$164,914 of in-kind claimed match costs. (Also see Compliance Finding #5.)

<u>Program Year</u>	<u>Description</u>	<u>Amount</u>
2001-02	Inadequate supporting documentation	<u>\$164,914</u>

GO SERV
Schedule of Award Costs
Corporation for National and Community Service
Award Number 01SCSCA005
January 1, 2001, to December 31, 2003

ADMINISTRATIVE

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$ 2,492,000</u>	Note 1
Claimed Costs	<u>\$ 2,492,000</u>	Note 2
Questioned Costs		
Unallowable Costs	<u>\$ 1,469</u>	Note 3
Questioned Match Costs	<u>\$ 3,487,742</u>	Note 4

Notes

1. The amount shown above as approved budget represents the total funding to the 2001, 2002 and 2003 Administrative Grant for the grant periods per the budget schedules for GO SERV grants.
2. Claimed costs represent the amount of reported expenditures of the Administrative Grant for the years tested.
3. Invoices for router network services and other web-related costs included a notation that they could “contain non-allowable costs in the form of interest paid on long-term acquisitions, which cannot be included in reimbursement claims per U.S. Office of Management and Budget Circular A-87, and the Department of Health and Human Services.” The amounts at issue were clearly identified in separate calculations that accompanied each invoice and covered the months of November and December 2001 for \$1,050, and July and August 2002 for \$419. As a result, we have questioned \$1,469. (Also see Compliance Finding #2.)
4. We have questioned in-kind and direct match claimed of \$3,487,742 by GO SERV as discussed below. (Also see Compliance Finding #1.)

<u>Description</u>	<u>No Documentation</u>	<u>Inadequate Documentation</u>	<u>Unreasonable</u>	<u>Total</u>	<u>Note</u>
PSAs – In-Kind Contractor Expenses Miscellaneous Direct Costs	\$ - 7,851 <u>57,409</u>	\$ - - <u>16,891</u>	\$3,405,591 - <u>-</u>	\$3,405,591 7,851 <u>74,300</u>	(A) (B) (C)
Totals	<u>\$65,260</u>	<u>\$16,891</u>	<u>\$3,405,591</u>	<u>\$3,487,742</u>	

(A) GO SERV budgeted and claimed Public Service Announcements (PSAs) as follows:

<u>Grant Year</u>	<u>Grant Budget</u>	<u>Claimed</u>	<u>Questioned</u>
2001	\$78,000	\$1,085,425	\$1,007,425
2002	-	702,277	702,277
2003	<u>-</u>	<u>1,695,889</u>	<u>1,695,889</u>
Total	<u>\$78,000</u>	<u>\$3,483,591</u>	<u>\$3,405,591</u>

The amount questioned was not included in the grant budgets and is not considered reasonable (necessary for proper and efficient performance and administration of Federal funds) in accordance with OMB Circular A-87.

(B) GO SERV entered into Contract Number CILTS 00-06, in which subcontractors were employed to assist in the completion of the terms of the agreement. We have questioned \$7,851 for other subcontractor costs claimed under this contract for which no documentation was provided. Details of the costs questioned are as follows:

<u>Meetings, Travel & Misc. Category</u>	<u>No Documentation</u>
Senior Volunteer Pilot Study	\$5,577
Other Work Plan Items	1,185
Regional Assessment	65
Fees @ 15 percent	<u>1,024</u>
Total	<u>\$7,851</u>

- (C) Supporting documentation for match costs totaling \$57,409 for various expenditures could not be located. Documentation for other match costs of \$16,891 was not sufficient to meet the Corporation’s provisions for State Administrative Awards. Only a request for payment was provided. As a result, we could not determine the allowability, reasonableness, or necessity of the expense and have questioned match costs claimed of \$74,300. GO SERV indicated that since it was already significantly overmatched, it would not be attempting to substantiate the expenses as noted below.

<u>Description</u>	<u>No Documentation</u>
Miscellaneous Office Supplies	\$ 625
Cell Phones	1,530
Overhead/Administration	21,848
Meeting/Conferences/Exhibits, etc.	6,697
Rent/Building	13,709
Rent/Building	<u>13,000</u>
Total	<u>\$57,409</u>

<u>Description</u>	<u>Inadequate Documentation</u>
Commercial Contract	\$ 2,944
Other External Services	8,948
Consultant/Professional	<u>4,999</u>
Total	<u>\$16,891</u>

GO SERV
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 95PDSCA005 and 02PDSCA005
January 1, 2001, to December 31, 2003

PROGRAM DEVELOPMENT and TRAINING (PDAT)

			<u>Reference</u>
Approved Budget (Federal Funds)			
95PDSCA005	\$1,588,494		
02PDSCA005	<u>330,135</u>		
Total Budget – 3 Years		<u>\$ 1,918,629</u>	Note 1
Claimed Costs		<u>\$ 730,470</u>	Note 2
Questioned Costs			
Inadequate Documentation - Contracts	\$ 256,232		Note 3
Inadequate Documentation - CILTS 00-06	<u>4,720</u>		Note 4
Total Questioned Costs		<u>\$ 260,952</u>	

Notes

1. The amount shown above as approved budget represents the total funding to the PDAT Grant for the three-year grant period, 2001, 2002 and 2003 per the budget schedules for GO SERV grants.
2. Claimed costs represent the amount of reported expenditures of the PDAT grant for the years tested.
3. GO SERV entered into agreements with various agencies in California. The contracts included budgets by cost category and generally did not exceed \$10,000 per grant year. Reimbursements paid by GO SERV were based on statements, many of which merely reflected the budgets found in the agreements, with no supporting documentation or other means to verify the allowability of costs claimed. Without additional supporting documentation, we are unable to determine if the expenses were allowable, reasonable or necessary for the PDAT grant. Accordingly, we have questioned costs of \$256,232 paid to 28 agencies, detailed on the next page, which did not meet the documentation requirements for the provisions for State PDAT Awards. (Also see Compliance Finding #2.)

<u>Contract Number</u>	<u>Contractor/Agency</u>	<u>Inadequate Documentation</u>
CSCIY 3-03	Delta Sierra Regional Service Network	\$ 9,005
CSCIY 3-07	North Coast Regional Network	9,912
CSCIY 3-08	The Volunteer Center of San Diego County	10,000
CSCIY 3-11	The Service and Volunteerism Coalition	10,000
CSCIY 3-12	Building a Virtual Collaborative Community	10,000
CSCIY 3-16	San Pedro CSCI Collaborative	10,000
CSCIY 3-19	CA Institute of Human Services – Sonoma St.	10,000
CSCIY 3-22	Linking San Francisco	10,000
CSCIY 3-26	CONNECT – Central CA Regional Network	9,670
CSCIY 3-28	The Volunteer Center of Monterey County	9,350
CSCIY 3-29	The Volunteer Center of Solano County	7,000
CSCIY 3-30	Volunteer Center of the Inland Empire	8,466
CSCIY 3-31	LA Regional Collaborative Service Network	9,134
CSCIY 3-32	San Luis Obispo Co. Partners in Volunteerism	10,000
CSCIY 3-33	Volunteer Center of Sacramento	5,610
CSCIY 4-03	Delta Sierra Regional Service Network	2,828
		3,000
CSCIY 4-07	North Coast Regional Network	13,500
CSCIY 4-08	The Volunteer Center of San Diego County	3,500
		3,000
CSCIY 4-12	Volunteer Center of Orange County	7,000
CSCIY 4-16	San Pedro CSCI Collaborative	7,425
		6,500
CSCIY 4-17	Volunteer Centers of Santa Cruz	4,010
CSCIY 4-19	CA Institute of Human Services – Sonoma St.	7,000
		3,000
CSCIY 4-22	Linking San Francisco	3,500
CSCIY 4-26	CONNECT – Central CA Regional Network	7,000
		6,500
CSCIY 4-27	Santa Clarita Valley Resource Center	6,500
CSCIY 4-30	Volunteer Center of the Inland Empire	7,000
		7,321
CSCIY 4-32	CA Poly State University Foundation	12,501
CSCIY 4-33	Volunteer Center of Sacramento	<u>7,000</u>
	Total	<u>\$256,232</u>

4. We have questioned costs paid under Contract Number CILTS 00-06 of \$4,720 as noted in the following table: (Also see Compliance Finding #2.)

<u>Description</u>	<u>No Documentation</u>	<u>Note</u>
Unsupported Costs	<u>\$4,720</u>	(A)

(A) Other costs questioned include \$4,720 of miscellaneous costs claimed under the agreement for which no documentation was provided. As a result, we are unable to determine the allowability, reasonableness, or necessity of the expenses.

<u>Meetings, Travel & Misc. Category</u>	<u>No Documentation</u>
Senior Volunteer Pilot Study	\$3,353
Other Work Plan Items	712
Regional Assessment	39
Fees @ 15 percent	<u>616</u>
Total	<u>\$4,720</u>

GO SERV
Schedule of Award Costs
Corporation for National and Community Service
Award Number 98ARCCA001
July 1, 2001, to December 31, 2002

AMERICA READS

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$ 8,541,876</u>	Note 1
Claimed Costs	<u>\$ 1,165,554</u>	Note 2
Questioned Costs		
Living Allowances and Fringe Benefits	\$ 4,644	Note 3
Unallowable Other Direct Costs	<u>195</u>	Note 4
	<u>\$ 4,839</u>	
Questioned Match Costs	<u>\$ 31,670</u>	Note 5
Questioned Education Awards	<u>\$ 14,176</u>	Note 6

Notes

1. The amount shown above as approved budget represents the total funding to the America Reads grant for the grant period, per the budget schedules for GO SERV grants.
2. Claimed costs represent the amount of reported expenditures of the America Reads grant for the Program Years tested (2001-02 through 2003-04).
3. One member file was missing and unavailable for review. Without adequate documentation, we were unable to determine if the member was eligible for the program. As a result, we have questioned the member's living allowances and fringe benefits of \$4,644 claimed in Program Year 2001-02 as follows: (Also see Compliance Finding #3.)

<u>Program Year</u>	<u>Living Allowance</u>	<u>Fringe Benefits</u>	<u>Total</u>	<u>Description</u>
2001-02	<u>\$4,285</u>	<u>\$359</u>	<u>\$4,644</u>	No member file

4. As a result of the questioned costs noted above, we have also questioned \$195 of administrative costs that were claimed as a percentage of the costs. (Also see Compliance Finding #4.)

5. In-kind match costs of \$27,433 are questioned because LACC did not provide adequate documentation in support of the amounts claimed. LACC provided a spreadsheet, but supporting documentation for the spreadsheet was not provided. As a result, we were unable to determine if the costs were allowable, reasonable and necessary. In addition, we have questioned \$4,237 of matched living allowances paid to members because there were no member files for those members. (Also see Compliance Finding #5.)

<u>Program Year</u>	<u>Description</u>	<u>Amount</u>
2001-02	Inadequate documentation	\$27,433
2001-02	Missing member file	<u>4,237</u>
	Total	<u>\$31,670</u>

6. We have questioned members' Education Awards as follows:

	<u>Questioned Costs</u>	<u>Description</u>
Exception (A)	\$ 9,450	Unallowable costs
Exception (B)	2,363	No documentation
Exception (C)	<u>2,363</u>	High school equivalency documentation missing
Total	<u>\$14,176</u>	

- (A) Four AmeriCorps members' time sheets did not match the service hours reported in WBRS. Furthermore, according to the hours reported on the time sheets, the members did not complete the service hours required to earn an Education Award. As a result, we have questioned \$9,450 of Education Awards. (Also see Compliance Finding #4.)
- (B) The member file for one LACC member was not available for review during the audit. LACC believes that a box of member files may have been mistakenly destroyed. Without adequate member file documentation, we were unable to determine if the member was eligible for an Education Award. As a result, we have questioned the member's Education Award totaling \$2,363. (Also see Compliance Finding #4.)
- (C) LACC had 10 member files that lacked documentation of a high school diploma or the equivalent. Only 1 of the 10 members earned an Education Award. Due to lack of high school diploma or equivalent, we have questioned that award of \$2,363. (Also see Compliance Finding #4.)

Office of Inspector General
Corporation for National and Community Service

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROLS OVER FINANCIAL REPORTING**

We have audited the Schedules of Award Costs, as presented in Exhibits A through D, that summarize the claimed costs of GO SERV under the Corporation awards listed below, and have issued our report thereon, dated March 16, 2005.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
AmeriCorps	00ASCCA005	08/01/00 to 12/31/03	07/01/01 to 12/31/03
AmeriCorps	00ASFCA005	07/01/00 to 04/30/04	07/01/01 to 03/31/04
AmeriCorps	03ACHCA001	09/24/03 to 09/23/06	09/24/03 to 03/31/04
AmeriCorps	03AFHCA002	09/24/03 to 09/23/06	09/24/03 to 03/31/04
Governor's Initiative	99ASHCA005	07/01/00 to 12/31/01	10/15/01 to 12/31/01
Administrative	01SCSCA005	01/01/01 to 12/31/03	01/01/01 to 12/31/03
PDAT	95PDSCA005	11/01/95 to 12/31/02	01/01/01 to 12/31/02
PDAT	02PDSCA005	01/01/02 to 12/31/04	01/01/01 to 12/31/03
Homeland Security	02AHHCA005	07/01/02 to 12/31/02	07/01/02 to 12/31/02
Learn & Serve	03KCHCA005	11/01/03 to 10/31/06	11/01/03 to 03/31/04
Learn & Serve	00LCSCA005	09/01/00 to 12/31/03	09/01/00 to 12/31/03
America Reads	98ARCCA001	07/01/98 to 12/31/02	07/01/01 to 12/31/02
Promise Fellows	99APSCA005	11/30/99 to 06/30/04	07/01/01 to 03/31/04
Promise Fellows	01APSCA005	01/01/02 to 12/31/02	07/01/02 to 12/31/02
Disability	97DSCCA005	02/01/97 to 12/31/04	07/01/01 to 03/31/04
Education Awards	00EDSCA015	07/01/00 to 12/31/03	07/01/01 to 03/31/04

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

Compliance

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

Instances of noncompliance include non-adherence to requirements, or violations of prohibitions contained in statutes, regulations, and the award provisions.

Compliance Findings

The results of our tests of compliance disclosed the following instances of noncompliance:

Finding No. 1: Unreasonable and Inadequately Documented In-Kind and Direct Match Costs (GO SERV)

Unreasonable and inadequately documented in-kind and direct costs that were claimed as Administrative match as follows:

<u>Description</u>	<u>No Documentation</u>	<u>Inadequate Documentation</u>	<u>Unreasonable</u>	<u>Total</u>	<u>Note</u>
PSAs – In-Kind Contractor Expenses Miscellaneous Direct Costs	\$ - 7,851 <u>57,409</u>	\$ - - <u>16,891</u>	\$3,405,591 - <u>-</u>	\$3,405,591 7,851 <u>74,300</u>	(A) (B) (C)
Totals	<u>\$65,260</u>	<u>\$16,891</u>	<u>\$3,405,591</u>	<u>\$3,487,742</u>	

(A) GO SERV budgeted and claimed Public Service Announcements (PSAs) as follows:

<u>Grant Year</u>	<u>Grant Budget</u>	<u>Claimed</u>	<u>Questioned</u>
2001	\$78,000	\$1,085,425	\$1,007,425
2002	-	702,277	702,277
2003	-	<u>1,695,889</u>	<u>1,695,889</u>
Total	<u>\$78,000</u>	<u>\$3,483,591</u>	<u>\$3,405,591</u>

The Commission claimed \$3,483,591 as match for in-kind television Public Service Announcements (PSAs) created and paid for by the Corporation. The Commission only included \$78,000 of PSA costs as match in its approved grant budget.

We do not consider the amount claimed in excess of the amount approved in the budget, necessary for the Commission’s operation and/or its grant performance as required by OMB Circular A-87. (See also Exhibit B, Note 4.)

(B) GO SERV entered into Contract Number CILTS 00-06 in which subcontractors were employed to assist in the completion of the terms of the agreement. We have questioned \$7,851 for other subcontractor costs claimed under this contract for which no documentation was provided. (See also Exhibit B, Note 4.)

- (C) Supporting documentation for match costs of \$57,409 for various expenditures could not be located. Documentation for other match costs of \$16,891 was not sufficient to meet the Corporation's provisions for State Administrative Grant Awards as only a request for payment was provided. As a result, we could not determine the allowability, reasonableness or necessity of the expenses. (See also Exhibit B, Note 4.)

Criteria

- (A) The Administrative Grant Provisions, Section B, Item 4 states that changes to the program and budgets may only be made by the Corporation's grant officers, prior approval must be received and the changes must be in writing.

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

Further, Section C2(a) states that in determining the reasonableness of a given cost, consideration must be given to "[w]hether 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."

Although Provisions for State Administrative Grant Awards Section C(3)(h) states that "[t]he state entity as well as the Corporation, will develop mechanisms for the recruitment and placement of people interested in participating in national service programs," GO SERV has not documented such benefits, if any, as a result of the costs claimed as match.

- (B) OMB Circular A-87, Attachment B, Section 32. *Professional Services Costs*, subsection b., states that "[i]n determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant: (1) The nature and scope of the service rendered in relation to the service required."
- (C) OMB Circular A-87, Attachment A, Section C(1) regarding factors affecting allowability of costs states that "[t]o be allowable under Federal awards, costs must meet the following general criteria: . . . (j) Be adequately documented."

Costs charged to the Administrative grants as match costs have been questioned because the amount claimed for PSAs was unreasonable, or it was either not possible to locate documentation for certain other cost items requested, or the documentation provided was deemed to be inadequate.

This finding is also considered to be an internal control weakness.

Recommendation

We recommend that the Corporation determine the allowability of costs identified and recoup costs that are not allowable or allocable to the grant including excess Federal share that may result from match shortfalls.

We also recommend that the Corporation direct the Commission to establish policies, procedures and accounting practices that enable the Commission to properly support costs claimed under Corporation grants. The support for contractor and consultant costs should document the nature and scope of services rendered. This allows for verification that the cost is allowable, reasonable and necessary for the grant.

Commission's Response

(A) The Commission believes it received value for the PSAs and that they were an effective recruiting tool. Accordingly, the Commission believes that the contributed airtime was a reasonable and necessary expense of the program. They also noted that the Corporation's Public Affairs Office told the Commission that this was acceptable.

(B) The Commission stated that its invoicing instructions for subcontractors specifically state that an invoice and an expense report are the only requirements. Although the Commission does not require the submission of actual receipts, contractors are required to retain the information in their files and to provide such detail upon request. The Commission believes this finding unnecessarily raises the standard for documentation and is exceptionally burdensome.

(C) The Commission stated that it has identified the documentation in support of the questioned expenditures.

Auditor's Comment

We recommend that the issue of allowability and necessity of the claimed PSA costs, in excess of those included in Commission's approved budget, be reviewed by the Corporation. Notwithstanding the Commission's response to the inadequately documented costs questioned, without adequate supporting documentation a determination as to whether the costs were reasonable, allowable or necessary for the grants cannot be determined. Finally, we recommend that the Commission provide the additional documentation noted in part (C) of their response to the Corporation to determine the allowability, reasonableness and necessity of the expenses questioned.

Finding No. 2: Unallowable or Inadequately Supported Administrative and PDAT Costs

GO SERV charged unallowable or inadequately supported costs to the Administrative and PDAT grants totaling \$262,421. In order for costs to be reimbursable under Corporation grants, the charges must be allowable, allocable, reasonable and properly supported and in accordance with grant terms, conditions and governing provisions and regulations.

Review of these grants' other direct costs disclosed various items that were not allowable or were inadequately supported as follows:

Administrative Grant

Invoices for router network services and other web-related costs included a notation that they could "contain non-allowable costs in the form of interest paid on long-term acquisitions, which cannot be included in reimbursement claims per U.S. Office of Management and Budget Circular A-87, and the Department of Health and Human Services." The amounts at issue were clearly identified in separate calculations that accompanied each invoice and covered the months of November and December 2001 for \$1,050, and July and August 2002 for \$419. As a result, we have questioned \$1,469. (Also see Exhibit B, Note 3.)

PDAT Grant

GO SERV entered into agreements with community action agencies in California. The contracts included budgets by cost category and generally did not exceed \$10,000 per grant year. Reimbursements paid by GO SERV were based on statements, many of which merely reflected the budgets found in the agreements, with no supporting documentation detailing the nature and scope of services rendered. Without additional supporting documentation, we are unable to determine if the expenses were allowable, reasonable or necessary for the grant. Accordingly, we have questioned costs of \$256,232 that did not meet the documentation requirements for the provisions for State PDAT Awards. (See Exhibit C, Note 3 for details of questioned costs.)

Other costs questioned include \$4,720 of miscellaneous costs claimed under a subcontractor agreement for which no documentation was provided. As a result, we are unable to determine the allowability, reasonableness, or necessity of the expense from the statements provided. (See Exhibit C, Note 4 for details of questioned costs.)

Provisions for Program Development and Training, Disability Placement and State Administrative Awards, Section C(4)(a), *General*, requires that:

Financial management systems must be capable of distinguishing expenditures attributable to this grant from expenditures not attributable to this grant. This system must be able to identify costs by programmatic year and by budget category and to differentiate between direct and indirect costs or administrative costs.

OMB Circular A-87, Attachment B, Section 23, *Interest*, states that "[c]osts incurred for interest on borrowed capital or the use of a governmental unit's own funds, however represented, are unallowable."

OMB Circular A-87, Attachment B, Section 32. *Professional Services Costs*, subsection b., states that "[i]n determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:

(1) The nature and scope of the service rendered in relation to the service required.”

OMB Circular A-87, Attachment A, Section C(1) regarding factors affecting allowability of costs states that “[t]o be allowable under Federal awards, costs must meet the following general criteria: . . . (j) Be adequately documented.”

Unallowable and non-allocable costs may have been charged to the Administrative and PDAT grants.

This finding is also considered to be an internal control weakness.

Recommendation

We recommend that the Corporation determine the allowability of the costs questioned and recoup costs that are not allowable or allocable to the grants.

We also recommend that the Corporation direct the Commission to establish policies, procedures and accounting practices that enable it to identify unallowable and non-allocable costs so as to properly charge to grants only those costs that are reimbursable in accordance with Corporation Provisions.

Commission’s Response

The Commission stated that its invoicing instructions for grantees specifically state that an invoice and an expense report are the only requirements. Although the Commission does not require the submission of actual receipts, contractors are required to retain the information in their files and provide such detail upon request. The Commission believes this finding unnecessarily raises the standard for documentation and is exceptionally burdensome.

Auditor’s Comment

Notwithstanding the Commission’s response, without adequate supporting documentation a determination as to whether the costs were reasonable, allowable or necessary for the grants cannot be determined. The finding and recommendation remains as stated.

Finding No. 3: – Unallowable Living Allowances

During the audit of various subgrantees, we noted several instances where living allowances and fringe benefits were paid to AmeriCorps members who were either not eligible to participate in the program or whose member files did not document their eligibility to participate. Questioned costs by subgrantee were as follows:

<u>Sub-grantee</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>Total</u>	<u>Note</u>
Chancellor's Office, California Community Colleges:				
Glendale Community College	\$ -	\$ 30,361	\$ 30,361	(A)
Child Abuse Prevention Council	-	2,429	2,429	(B)
East Bay Conservation Corps	119,877	90,648	210,525	(C)
Los Angeles Conservation Corps	7,375	-	7,375	(D)
Redwood Community Action Agency	<u>256</u>	<u>709</u>	<u>965</u>	(E)
Total	<u>\$127,508</u>	<u>\$124,147</u>	<u>\$251,655</u>	

(A) Glendale Community College

Glendale claimed member support costs of \$30,361 for the Teacher Reading & Development Partnership (TRDP) in Program Year 2002-03 for members who had exited the program or were enrolled in TRDP for Program Year 2003-04. As a result, we have questioned living allowance and fringe benefit costs of \$30,361. (Also see Schedule A-2, Note 5.) The Commission stated that Glendale has reimbursed the Chancellor's Office for these costs questioned.

(B) Child Abuse Prevention Council

A review of 59 member files disclosed 1 individual who was enrolled in the AmeriCorps program but was found to be ineligible. In 2002-2003, the member's file had no documentation regarding the member's citizenship or legal resident status. The member was paid living allowances and fringe benefits totaling \$2,429 that we have questioned. (Also see Schedule A-1, Note 6.)

(C) East Bay Conservation Corps (EBCC)

- 1) Our review of 60 member files disclosed 38 cases in which a portion of the member's cumulative living allowance exceeded the 85 percent of minimum living allowance rule. As a result, we expanded our testing to the entire member population of 303 for Program Years 2001-02 and 2002-03 and found a total of 142 instances of over-claimed living allowances. As a result, we questioned living allowances and fringe benefits totaling \$168,014. (Also see Schedule A-4, Note 3.)
- 2) We found 14 members in Program Year 2001-02 and 17 in Program Year 2002-03 who were paid living allowances, but were not listed in WBRS as eligible. As a result, we questioned living allowances and fringe benefits totaling \$25,706. (Also see Schedule A-4, Note 4.)

- 3) EBCC's records for living allowances paid in Programs Years 2001-02 and 2002-03 were less than the amounts reported on the Financial Status Reports (FSRs). EBCC personnel were unable to account for these differences. As a result, we have questioned living allowances and fringe benefits totaling \$10,160. (Also see Schedule A-4, Note 5.)
- 4) Our review disclosed that one member charged hours to the AmeriCorps program while working another job. Specifically, the member was paid as a substitute teacher and charged 272 hours to both the AmeriCorps program and the school. We questioned living allowances and fringe benefits of \$8,531, of which \$6,645 was charged to the grant. (Also see Schedule A-4, Note 6.)

(D) Los Angeles Conservation Corps

- 1) The audit noted two AmeriCorps members who were not eligible because their files lacked documentation verifying that they were United States citizens or legal residents. In addition, it was also noted that a living allowance and fringe benefit was paid to a member after that member's termination. As a result, we have questioned members' living allowances and fringe benefits totaling \$2,731. (Also see Schedule A-5, Note 3.)
- 2) The audit also noted one selected member file for the America Reads program was missing and not available for review. As a result, we have questioned the member's living allowances and fringe benefits totaling \$4,644 for Program Year 2001-02. (Also see Exhibit D, Note 3.)

(E) Redwood Community Action Agency

Our review of 63 member files at Redwood Community Action Agency disclosed 2 members who received living allowances and fringe benefits after they had left the program. Accordingly, we have questioned \$965 paid to these members. (Also see Schedule A-7, Note 3.)

AmeriCorps Provisions (2002), Section C(21), *Financial Management Provisions*, states:

- a. General. The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. . . . This system must be able to identify costs by programmatic year and by budget category.
- b. Source Documentation. The Grantee must maintain adequate supporting documents for its expenditures (federal and non-federal) and in-kind contributions made under this Grant. Costs must be shown in book or records [e.g. a disbursement ledger or journal], and must be supported by a source document, such as a receipt, travel voucher, invoice bill, in-kind voucher, or similar document.

AmeriCorps Provisions (2002), Section B(11), *Living Allowances, Other In-Service Benefits and Taxes*, states:

a. Living Allowance. Unless otherwise agreed upon, a Grantee must provide a living allowance to full-time members in accord with the following:

i. Full-Time Requirements. . . .The Corporation will only fund up to 85% of the minimum living allowance. A minimum of 15% must be matched by non-federal sources.

ii. Less than full-time Requirements. If a Program chooses to pay less than full-time members, it should prorate the full-time living allowances based on the less than full-time member's service. The Corporation will fund up to 85% of the pro-rated living allowance.

AmeriCorps Provisions (2002), Section A. item 9 states that a "Member means an individual . . . [w]ho is a U.S. Citizen, U.S. National or lawful permanent resident alien of the United States.

Corporation funds may have been used to pay for living allowances and fringe benefits that were not allocable to the AmeriCorps program.

This finding is also considered to be an internal control weakness.

We recommend that the Corporation determine the allowability of the costs questioned and recoup costs that are not allowable or allocable to the grant, including administrative costs applied to the questioned costs.

In addition, given that sub grantee staff apparently was not fully aware of AmeriCorps provisions with respect to living allowances, we recommend that the Corporation instruct the Commission to develop training programs and monitor subgrantees to ensure the following:

1. Living allowances are only paid to eligible and enrolled members.
2. Living allowances are no longer paid to members who have exited the program.
3. The Corporation's share of living allowance is within 85 percent of the minimum.
4. Financial records are adequately maintained to support amounts claimed.

Commission's Response

The Commission noted that the bulk of the costs questioned related to only one subgrantee. It believes that this is an isolated case of non compliance on the part of that subgrantee and not evidence of a systemic problem.

The Commission also noted that it hosts comprehensive annual training for their subgrantees, conducts site visits, performs invoice validation desk reviews, and has just developed 24/7 on-line training in order to ensure that its subgrantees fully understand the AmeriCorps provisions and the essentials of program administration.

Auditor's Comment

Although the majority of the costs questioned related to only one subgrantee and may not be evidence of a systemic problem, we believe that even one subgrantee not fully understanding the AmeriCorps Provisions with respect to living allowances is one too many. Nonetheless, we believe that the proper implementation and development of a 24/7 on-line training tool could greatly assist subgrantees with an understanding of AmeriCorps Provisions and the essentials of program administration.

Finding No. 4: – Questioned Non-Member Support Costs and Education Awards

The audit noted several instances where non-member support costs charged to the AmeriCorps program were determined to be unallowable. In addition, the audit also noted instances for which documentation was not available to substantiate the fulfillment of the Education Award requirement. As such we have questioned \$537,722 of non-member support costs and \$414,260 of Education Awards as follows:

<u>Subgrantee</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>Total</u>	<u>Note</u>
Child Abuse Prevention Council	\$ 67,419	\$180,453	\$49,655	\$297,527	(A)
Chancellor's Office	117,627	79,805	-	197,432	(B)
Los Angeles Conservation Corps	304	633	-	937	(C)
Imperial County Office of Education	340	3,823	-	4,163	(D)
Redwood Community Action Agency	244	-	-	244	(H)
California Conservation Corps	<u>27,097</u>	<u>-</u>	<u>-</u>	<u>27,097</u>	(E)
Total	<u>\$213,031</u>	<u>\$264,714</u>	<u>\$49,655</u>	<u>\$527,400</u>	

<u>Subgrantee</u>	<u>Education Awards</u>	
Chancellor's Office	\$ 64,173	(B)
Bay Area Community Resources	45,425	(F)
East Bay Conservation Corps	3,534	(G)
Los Angeles Conservation Corps	263,328	(C)
Redwood Community Action Agency	<u>37,800</u>	(H)
Total	<u>\$414,260</u>	

(A) Child Abuse Prevention Council (CAPC)

- 1) CAPC claimed administrative or overhead costs based on the rate allowable by AmeriCorps Provisions for each grant year under audit. The amounts claimed using this procedure do not require documentation. However, the agency also claimed \$203,269 during this period for salaries and fringe benefits for individuals and functions that clearly appear to be administrative in nature, such as executive salaries, human resources, information systems and accounting.

CAPC's time sheets during the audit period allowed for time to be charged to the following categories: Training, Prevention, Fund Development, Administrative, Finance and four leave categories. However, the forms did not provide the ability for staff to indicate the specific grant or program for which work was done, even though the agency received funding from other sources, in addition to GO SERV. CAPC has attempted to justify the questioned expenditures as legitimate charges to the AmeriCorps grants, but did not submit adequate supporting documentation or a verifiable allocation methodology in support of this position. Accordingly, we have questioned salaries and fringe benefit costs claimed of \$203,269. (Also see Schedule A-1, Note 3.)

- 2) In addition to the non-program related salaries and fringe described in Exception 1, we identified \$44,023 of non-salary administrative costs that CAPC charged to the AmeriCorps program. We found computer and accounting training, general payroll processing costs and other miscellaneous non-program related administrative expenditures that had been claimed in addition to the percentage allowable by AmeriCorps Provisions. As a result, we have questioned \$44,023. (Also see Schedule A-1, Note 4.)
- 3) We questioned \$40,105 of other direct costs selected for audit review because the support documentation provided was considered to be inadequate. (See Schedule A-1, Note 5 for details.)
- 4) As a result of the questioned costs noted above, administrative costs of \$10,130 have also been questioned because CAPC claimed an administrative percentage on the costs questioned above. (Also see Schedule A-1, Note 7.)

(B) Chancellor's Office

- 1) Compton Community College did not claim actual incurred costs on its monthly expense reports for the Early Childhood Literacy (ECEL) and Foster Youth Mentoring (FYMP) programs. Instead, the college allocated the approved budget in equal monthly amounts over the contract term using this method for both costs reimbursed by the Chancellor's Office and match. Subsequent to completion of on-site fieldwork, some source documentation was submitted in support of a portion of the direct costs claimed. As a result, we have questioned \$167,348 of claimed costs that remained unsupported. (Also see Schedule A-2, Note 3.)
- 2) San Joaquin Delta College reimbursed ECEL members for textbooks without adequate supporting documentation. Rather than obtaining receipts, the program estimated the cost of the books based on the members' class schedules. From the information provided, we are unable to determine the reasonableness of the estimate. Accordingly, we have questioned total claimed costs of \$27,394 (\$19,468 for Program Year 2001-02 and \$7,926 for Program Year 2002-03). We also note that the budget narratives do not include reimbursement for textbooks. The budget narratives include costs for office supplies, duplicating, printing and postage.

Delta also claimed costs of \$2,690 that are unallowable under AmeriCorps Provisions. In ECEL Program Year 2002-03 the college charged costs of \$374 for consultant fees over the \$443 daily maximum. In the same program year, excess fringe benefits of \$2,316 were allocated to Teacher Reading & Development Partnerships (TRDP) as a result of the use of an incorrect fringe benefit rate. We have questioned the \$2,690 of claimed costs. (Also see Schedule A-2, Note 4.)

Education Awards:

- (1) Our review of 20 member files disclosed that the service hours of 7 members reported in WBRs were not adequately supported by time sheets. Specifically, the hours reported in WBRs were greater than those on the time sheets. Accordingly, we have questioned ECEL Education Awards of \$8,899 and TRDP awards of \$1,250 for a total of \$10,149. (Also see Schedule A-2, Note 7A.)
- (2) We found 16 member files out of 40 files tested had insufficient documentation to support the total service and training hours reported in WBRs in Program Years 2001-02 and 2002-03. As a result, we have questioned Education Awards totaling \$24,014 (\$16,752 for 2001-02 and \$7,262 for 2002-03). (Also see Schedule A-2, Note 7B.)

- (3) In our sample of 50 member files, we noted 43 files with no documentation to support eligibility. There were 20 members for whom we could not determine citizenship or legal resident status (6 of these members also received an Education Award) and 23 members who did not have documentation of a high school diploma or had insufficient service hours (11 of these members also received an Education Award).

(C) Los Angeles Conservation Corps (LACC)

- (1) Costs claimed by LACC exceeded the amount reflected in their accounting records by \$109. It was also noted that \$76 of finance and late charges were also charged to the grant. As a result, we have questioned \$185 claimed as direct costs. (Also see Schedule A-5, Note 4.)
- (2) LACC charged \$557 for consultant fees over the \$443 daily maximum. As a result, we have questioned \$557 of consultant costs. (See Schedule A-5, Note 4 for details.)
- (3) As a result of the questioned living allowances noted in Compliance Finding #3 for the America Reads program, we have also questioned \$195 of administrative costs that were claimed as a percentage of the claimed costs. (Also see Exhibit D, Note 4.)

Education Awards:

- 1) The audit noted 39 AmeriCorps members' and 4 America Read members' time sheets, which did not match the hours reported in WBRS. Furthermore, according to the hours reported on the time sheets, the members did not complete the service hours required to earn an Education Award. As a result, we have questioned \$105,039 of Education Awards. (Also see Schedule A-5, Note 6A and Exhibit D, Note 6A.)
- 2) Member files for 75 AmeriCorps members and 1 America Read member were not available for review during the audit. LACC believes that a box of member files may have been mistakenly destroyed. Without adequate member file documentation, we are unable to determine if the members were eligible to participate in the program and earn an Education Award. These members did not receive a living allowance so there are no member support costs questioned. As a result, we have questioned \$151,201 of Education Awards. (Also see Schedule A-5, Note 6B and Exhibit D, Note 6B.)
- 3) The audit also noted one member file that did not properly document the member's citizenship or legal resident status. We also noted one member file that did not document the member's age. Without properly documentation, we are unable to determine if these members were eligible for the program. As result, we have questioned Education Awards totaling \$4,725. (Also see Schedule A-5, Note 6C.)
- 4) The audit noted 10 member files that lacked documentation of a high school diploma or equivalent. Only 1 of the 10 members received an Education Award and we have questioned that member's award of \$2,363. (Also see Exhibit D, Note 6C.)

(D) Imperial County Office of Education (ICOE)

- 1) We identified five journal entries totaling \$3,541 that were not accompanied by supporting documentation. Without additional supporting documentation, we are unable to determine the allowability, reasonableness, or necessity of the expense. As a result, we have questioned \$3,541 claimed as non-member support costs. (Also see Schedule A-6, Note 3.)
- 2) We found three items totaling \$282 that we questioned for allowability. Two expense items totaling \$235 for mileage and meals were claimed in Program Year 2002-03 for costs associated with obtaining the grant for Program Year 2003-04. Finally, another item exceeded the daily consultant limit of \$443 per day by \$47. (Also see Schedule A-6, Note 4.)
- 3) The costs reported for grant 00ASFCA0051201 for Program Year 2001-02 exceeded the amounts in the general ledger by \$153. As a result, we have questioned \$153 claimed as non-member support costs. (Also see Schedule A-6, Note 5.)
- 4) ICOE erroneously charged \$187 as a direct cost to grant 00ASFCA0051201 for the match portion of one member's living allowances and fringe benefits in Program Year 2001-02. (Also see Schedule A-6, Note 6.)

(E) California Conservation Corps

Our review of Other Direct Costs disclosed a lack of adequate documentation to support some of the expenses claimed. Summary sheets were provided as support for these costs, however there was no detail transaction listing to bridge the summaries to vendor invoices and other documentation. Without such detail, we were unable to determine which items were specifically charged to the grant. As a result, we have questioned \$27,097 of non-member support costs for Program Year 2001-02. (Also see Schedule A-8, Note 3.)

(F) Bay Area Community Resources

- 1) Compliance testing of AmeriCorps member files determined that high school diploma documentation was missing for 34 of the 46 members in Program Year 2001-02. Consequently, we have questioned Education Awards totaling \$44,175. (Also see Schedule A-3, Note 3.)
- 2) Our review of a sample of 100 member files disclosed that the service of 2 members reported on WBRS was not supported by time sheets. One of the members also received a partial Education Award in Program Year 2003-04. Because the member did not meet program requirements, we have questioned the partial Education Award amount of \$1,250. (Also see Schedule A-3, Note 4.)

(G) East Bay Conservation Corps

Out of 60 member files reviewed, 3 members who enrolled in Program Year 2001-02 exited early for compelling personal reasons and received a prorated Education Award. The reasons for the exits, however, did not qualify as or were not sufficiently supported as compelling circumstances as required by AmeriCorps Provisions. As a result, we have questioned the members' prorated Education Awards totaling \$3,534. (Also see Schedule A-4, Note 7.)

(H) Redwood Community Action Agency

Three grantee personnel attended a conference and charged a daily lodging rate in excess of the State of California maximum allowable rate of \$110 per night. We have questioned the excess amount charged of \$244 as unallowable. (Also see Schedule A-7, Note 4.)

Our review of 63 member files disclosed 14 files for Program Year 2001-2002 that did not have documentation supporting high school diplomas or equivalent. Ten of the 14 members received an Education Award. As such, we have questioned Education Awards totaling \$37,800 awarded to these 10 members. (Also see Schedule A-7, Note 5.)

Criteria

AmeriCorps Provisions (2002), Section C(21), *Financial Management Provisions*, states:

b. Source Documentation. The Grantee must maintain adequate supporting documents for its expenditures (federal and non-federal) and in-kind contributions made under this Grant. Costs must be shown in books or records [e.g., a disbursement ledger or journal], and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

c. Time and Attendance Records. . . . ii. AmeriCorps Members. The Grantee must keep time and attendance records on all AmeriCorps members in order to document their eligibility for in-service and post-service benefits. Time and attendance records must be signed both by the member and by an individual with oversight responsibilities for the member.

e. Consultant Services. Payments to individuals for consultant services under this Grant will not exceed \$443 per day (exclusive of any indirect expenses, travel, supplies, and so on).

AmeriCorps Provisions (2002), Section A item 9 states:

Member means an individual:

b. Who is a U.S. citizen, U.S. national or lawful permanent resident alien of the United States;...

d. Has a high school diploma or an equivalency certification (or agrees to obtain a high school diploma or its equivalent before using an education award) and who has not dropped out of elementary or secondary school in order to enroll as an AmeriCorps member...

OMB Circular A-87, Attachment A, Section C(1) regarding factors affecting allowability of costs states that “[t]o be allowable under Federal awards, costs must meet the following general criteria: (j) Be adequately documented.”

OMB Circular A-122, Attachment A, Section A(2) regarding factors affecting allowability of costs states that “[t]o be allowable under Federal awards, costs must meet the following general criteria (g) Be adequately documented.”

OMB Circular A-87, Attachment C, Section 23, *Interest*, states that “[c]osts incurred for interest on borrowed capital or the use of a governmental unit’s own funds, however represented, are unallowable.”

Corporation funds may have been used to pay for non-member support costs that were not allowable under AmeriCorps provisions or were not adequately documented to determine if costs claimed were allowable and allocable to the AmeriCorps program. In addition, Education Awards have been granted to members whose eligibility status was not properly documented or where time sheets did not match the hours required to earn the award.

This finding is also considered to be an internal control weakness.

Recommendation

We recommend that the Corporation determine the allowability of the costs questioned and recoup costs that are not allowable or allocable to the grant including applicable administrative costs.

In addition, given that subgrantee staff was apparently not fully aware of the AmeriCorps provisions with respect to non-member support costs and Education Awards, we recommend that the Corporation instruct the Commission to train and monitor subgrantees to ensure that:

- a) non-member support costs are allocable to the AmeriCorps program and adequately supported with source documentation; and

- b) that only eligible members with properly documented member files and the necessary hours completed are granted Education Awards.

Commission's Response

The Commission agreed that the report does identify questioned programmatic costs. But based on its review, the majority of the expenses questioned represent allowable direct programmatic costs and that the actual amount of questioned costs is closer to \$190,000. In addition, the Commission noted that the bulk of this total (\$185,000) came from only one subgrantee who demonstrated a lack of consistency in distinguishing between direct and indirect expenses. As a result, the Commission believes this is an isolated case of non compliance on the part of this subgrantee and not evidence of a systemic problem.

The Commission also noted that it holds annual subgrantee training on the need to maintain and utilize a financial management system that distinguish between programs and program years and separately accounts for direct and indirect costs. In addition, it holds regional financial management training sessions and is in the process of launching an on-line training on financial management that will be available 24 hours per day, 7 days a week. This training will help guide new AmeriCorps program staff that join the program after the commission's annual training. Furthermore, the Commission indicated that it intends to expand its training to include the serious financial repercussions resulting from insufficiently documenting member hours.

Auditor's Comment

Inasmuch as the Commission's response did not include additional support for its position regarding the allowability of the costs questioned, we recommend that the Commission provide support for its position to the Corporation to determine the allowability of the questioned costs. Notwithstanding the above recommendation, we believe that the proper implementation and development of a 24/7 on-line training tool and the expanded training outlined in the Commission's response could greatly assist subgrantees and help prevent the recurrence of this type of finding in future audits.

Finding No. 5: – Questioned Match Costs

The audit noted several instances where match costs charged to the AmeriCorps program were determined to be unallowable. As such we have questioned \$5,206,764 of match costs as follows:

<u>Sub-grantee</u>	<u>Non-Member Support Costs</u>			<u>Total</u>	<u>Note</u>
	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>		
Chancellor's Office of Community Colleges:					
Compton Community College	\$2,149,229	\$1,491,879	\$ -	\$3,641,108	(A)
San Joaquin Delta College	117,246	176,011	5,631	298,888	(B)
Modesto Community College	-	6,545	-	6,545	(C)
Bay Area Community Resources	225,853	413,889	240,218	879,960	(D)
Los Angeles Conservation Corps	175,956	31,670	-	207,626	(E)
California Conservation Corps	172,637	-	-	172,637	(F)
Total	<u>\$2,840,921</u>	<u>\$2,119,994</u>	<u>\$245,849</u>	<u>\$5,206,764</u>	

(A) Compton Community College

Compton did not claim actual incurred costs on the monthly expense reports for the Early Childhood Literacy (ECEL) and Foster Youth Mentoring (FYMP) programs. Instead, the college allocated the approved budget in equal monthly amounts over the contract term using this method for both costs reimbursed by the Chancellor's Office and for match. Source documentation was not provided to support the match costs claimed. Although we note that the amount claimed for match far exceeds the minimum match required by the grant, without adequate support, we are unable to determine if the costs are allowable, reasonable or necessary for the award. As a result, we have questioned \$3,641,108 of claimed match costs claimed as follows: (Also see Schedule A-2, Note 8A.)

(B) San Joaquin Delta College

Supervisory hours were claimed based on members' time sheets as opposed to the supervisors' time sheets. Furthermore, the rates applied to the supervisory hours claimed were based on estimates rather than the actual amounts paid. Other program oversight and supervisory costs claimed were also based on estimates with no documentation available to independently verify the costs charged. In addition, travel-related costs were claimed as match without adequate support. Without adequate support, we are unable to determine if the costs are allowable, reasonable or necessary for the award. As a result, we have questioned \$298,888 of match costs. (Also see Schedule A-2, Note 8B.)

(C) Modesto Community College (Modesto)

We determined that match claimed by Modesto was an allocation of the amounts that had originally been budgeted. We also found a number of members who did not complete their program requirements, including several who served only one hour or none. As a result, we recalculated the match based on the number of members who received Education Awards. This recalculation resulted in questioned match costs claimed of \$6,545. (Also see Schedule A-2, Note 8C.)

(D) Bay Area Community Resources

Our tests of claimed match costs disclosed that a portion were in-kind and had been contributed by other agencies. The only documentation supporting these contributions was spreadsheets from the agencies which certified the amounts for different periods of time by various cost categories, such as salaries, training, supplies, etc. No other source documentation such as general ledgers, payroll records, or invoices was provided. As a result, we have questioned the entire amount of claimed in-kind match. The grantee's claimed match exceeds the minimum match required by the AmeriCorps Grant Provisions. (Also see Schedule A-3, Note 5.)

(E) Los Angeles Conservation Corps (LACC)

- 1) In-kind AmeriCorps match costs of \$175,956 in Program Year 2001-02 were questioned because LACC did not provide adequate documentation to support the amounts claimed. LACC only provided a spreadsheet for the costs claimed. Without adequate support, we are unable to determine if the costs are allowable, reasonable or necessary for the award. (Also see Schedule A-5, Note 6.)
- 2) We questioned a total of \$31,670 of match costs claimed for the America Reads program in Program Year 2002-03. In-kind match costs of \$27,433 are questioned because LACC did not provide adequate documentation for the amounts claimed. LACC only provided a spreadsheet as support for the costs claimed. As a result, we are unable to determine if the costs were allowable, reasonable, or necessary for the award. In addition, we have questioned \$4,237 of matched living allowances paid to members because the member files could not be located. (Also see Exhibit D, Note 5.)

(F) California Conservation Corps (CCC)

- 1) Our review of Other Direct Costs disclosed a lack of adequate documentation to support the expenses claimed. Summary sheets were provided as support for these costs, however there was no detailed transaction listing to bridge the summaries to vendor invoices and other documentation. Without such detail, we were unable to determine which items were specifically charged to the grant. As a result, we have questioned \$7,723 of other direct costs claimed as match. (Also see Schedule A-8, Note 4.)
- 2) We have questioned the entire amount of in-kind expenditures claimed because of inadequate documentation. The only documentation supporting the transactions were contracts signed at the beginning of the year that stated what should be provided. However, no verification was performed by CCC to determine the actual amount provided. As a result, we have questioned \$164,914 of in-kind match costs claimed. (Also see Schedule A-8, Note 5.)

AmeriCorps Provisions (2002), Section C(21) *Financial Management Provisions*, states:

b. Source Documentation. The Grantee must maintain adequate supporting documents for its expenditures (federal and non-federal) and in-kind contributions made under this Grant. Costs must be shown in books or records [e.g., a disbursement ledger or journal], and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

AmeriCorps Provisions (2002), Section B(13)(c) *Financial Management Provisions*, states:

c. Cash or In-Kind Match for Program Operating Costs. Contributions, including cash and third party in-kind, will be accepted as part of the Grantee's matching share for Program Operating Costs (defined as those other than the Member Support Costs) when such contributions meet all of the following criteria:

- i. They are verifiable from Grantee records;
- ii. They are not included as contributions for any other federally-assisted Program;
- iii. They are necessary and reasonable for the proper and efficient accomplishment of Program objectives; and
- iv. They are allowable under applicable cost principles

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Section 23, *Cost sharing or matching*, states:

(a) All contributions, including cash and third party in-kind, shall be accepted as part of the grantee's cost sharing or matching when such contributions meet all of the following criteria.

- (1) Are verifiable from the grantee's records.
- (2) Are not included as contributions for any other federally-assisted project or program.
- (3) Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- (4) Are allowable under the applicable cost principles.
- (5) Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.

- (6) Are provided for in the approved budget when required by the Federal awarding agency.
- (7) Conform to other provisions of this Circular, as applicable.

OMB Circular A-122, Attachment B, Section 37.b., *Professional Service Costs*, states that “[i]n determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant: (1) The nature and scope of the service rendered in relation to the service required.”

Funds used as matched costs have been questioned as unallowable and not in compliance with AmeriCorps Provisions and OMB Circulars.

This finding is also considered to be an internal control weakness.

Recommendation

We recommend that the Corporation determine the allowability of the costs questioned and calculate the effect of the disallowed costs on the reimbursed Federal share.

In addition, given that subgrantee staff apparently is not fully aware of the AmeriCorps provisions with respect to requirement for matching costs, we recommend that the Corporation instruct the Commission to train and monitor subgrantees to ensure claimed match costs are adequately documented and allocable in accordance with AmeriCorps Provisions and OMB Circulars.

Commission's Response

The Commission indicated that they believe the basis for this finding is a discrepancy between budgeted match contributions and actual match contributions. The Commission disagrees with this finding because all of their programs met the minimum required match contributions established by the Corporation. The Commission also noted that a majority of the questioned match related to the use of an In-Kind Receipt Voucher form that had been originally provided by the Corporation as an accepted vehicle for capturing in-kind contributions. Finally, the Commission stated that they host a comprehensive annual financial training for their subgrantees, conduct site visits and invoice validation desk reviews, and have just developed a 24/7 on-line training in order to ensure that our subgrantees fully understand their match obligations.

Auditor's Comment

We disagree with the Commission's characterization of the finding as being based on a discrepancy between budgeted and actual match contributions. The finding and questioned costs identified were based on an audit of match costs as claimed. Notwithstanding that fact, we believe that the proper implementation and development of a 24/7 on-line training tool could

greatly assist subgrantees with an understanding of match documentation requirements. Finally, we recommend that the Corporation work with the Commission to explain the proper use of the In-Kind Receipt Voucher form.

Finding No. 6: – Late Submissions

The audit noted numerous instances where subgrantees were not submitting required AmeriCorps documents within the established time frame. Specifically, the audit noted late submissions of Financial Status Reports (FSR), Progress Reports, Member Enrollment Forms, Member Status Change Forms, and Member Exit Forms. In addition, we noted instances where a member exited the program, but was never officially removed from the WBRS. Each subgrantee has indicated the late submissions were due to technical difficulties with WBRS and a “pause period,” implemented by the Corporation, during which no enrollments into WBRS were allowed. The following summarizes the instances of late submissions noted during the audit.

<u>Sub-grantee</u>	<u>Total Members Enrolled</u>	<u>Member Files Reviewed</u>	<u>Late FSR</u>	<u>Late Progress Reports</u>	<u>Late Enrollment, Change, and/or Exit Forms</u>	<u>Terminated Members Not Removed From WBRS</u>
California Conservation Corps	107	53	1	-	29	-
City Year	251	50	2	5	57	-
East Bay Conservation Corps	303	60	3	1	-	-
Los Angeles Conservation Corps	410	410	1	3	96	2
Bay Area Community Resources	535	100	-	-	129	-
Redwood Community Action Agency	126	63	-	-	69	-
Imperial County Office of Education	249	50	-	-	52	-
Sonoma State University	891	105	-	-	136	-

AmeriCorps Provisions (2001), Section B(16) *Reporting Requirements*, states:

a. Financial Status and Progress Reports. . . . Grantees are required to review, analyze, and follow up on progress reports it receives from AmeriCorps subgrantees or operating sites. The Corporation expects each Grantee to set its own Sub-grantee reporting requirements. Grantees are responsible for monitoring Sub-grantee activities and training needs, tracking progress toward objectives, and identifying challenges. Sub-grantees must adhere to the reporting requirements outlined and communicated by it Grantees for the program year.

* * * * *

i. Financial Status Reports. Financial Status Reports will be due April 30 for the period ending March 31 and October 31 for the period ending September 30. . . .

ii. Progress Reports.

* * * * *

(b) Reporting Dates for State Commissions, Tribes, and Territories: A Grantee Progress Report (“GPR”) is due in WBRS on December 2 for the period October to September.

* * * * *

b. AmeriCorps Member-Related Forms. The Grantee is required to submit the following documents to the National Service Trust at the Corporation on forms provided by the Corporation. Grantees and subgrantees may use WBRS to submit these forms electronically. Programs using WBRS must also maintain hard copies of the forms:

i. Enrollment Forms. Enrollment forms must be submitted no later than 30 days after a member is enrolled.

ii. Change of Status Forms. Member Change of Status Forms must be submitted no later than 30 days after a member’s status is changed...

iii. Exit/End-of-Term-of-Service Forms. Exit/End-of-Term-of-Service Forms must be submitted no later than 30 days after a member exits the program or finishes his/her term of service.

By not submitting the required documents within the established time frame, GO SERV may not be able to properly review, track, and monitor the subgrantee’s activities and the objectives of the AmeriCorps program. In addition, GO SERV’s reports to the Corporation limit the Corporation’s ability to properly monitor AmeriCorps activities and adjust its member data.

Recommendation

Subgrantee staff did not adequately understand AmeriCorps documentation submission requirements. As a result, we recommend that the Corporation instruct the Commission to train and monitor subgrantees as necessary to ensure all required documents are submitted in a timely manner.

Commission’s Response

The Commission stated that the reason for the late submission of Enrollment/End of Service forms was largely due a delay by the Corporation in the uploading of award data into WBRS in a timely fashion and an enrollment freeze that began in November 2002.

With respect to the late filing of the FSRs and Progress Reports, the Commission commented that the California Commission imposes a quarterly submission requirement for subgrantees which is a more stringent requirement than that imposed by the Corporation. The Commission noted that the late reports referenced largely related to the additional Commission reporting requirements and not those required by the Corporation. The Commission also noted that it

grants extensions on reports that are not required by the Corporation if the subgrantee has a compelling reason.

Auditor's Comment

The response with respect to the late submission of Enrollment and End of Service forms is linked mostly to Corporation requirements, and as such we suggest that the Commission and Corporation work to resolve the issue. With respect to the late submission of Financial Status and Progress Reports, AmeriCorps Provisions (2001), Section B(16) clearly states that subgrantees must adhere to reporting requirements imposed by Grantees (State commissions). It is to this standard that we reported on. It should also be noted that no compelling reasons for the late filed Financial Status and Progress Reports was presented to us for review.

Finding No. 7: – Member Files Lacking Documentation to Support Proper Enrollment and Participation in AmeriCorps

The audit noted numerous instances where AmeriCorps member files lack proper documentation to support either the enrollment or participation of the member in the program. Specifically the audit noted the following exceptions:

- A. Missing documentation of High School Diploma or dropout date.
- B. AmeriCorp contract was not signed by the enrolled member.
- C. Missing mid-term and/or final evaluations.
- D. Time sheets were not detailed enough to determine if training was given to the member. As such, it could not be determined if an orientation was received by the member.
- E. Description of the job position was not documented in the files.
- F. Assigned job location was not documented in the files.
- G. Specific job assignment was not documented in the files.
- H. Members' start/end date was not documented in the files.
- I. Member contracts lacked elements required per AmeriCorps Provisions.
- J. Education Award Certification was not signed by authorized personnel.

The following summarizes the findings noted during the audit:

<u>Sub-grantee</u>	<u>Total Members Enrolled</u>	<u>Member Files Reviewed</u>	<u>Exception Noted</u>										
			<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>	<u>J</u>	
Child Abuse Prevention Council Los Angeles	665	73	3	-	4	-	-	-	-	-	-	1	-
Conservation Corps Bay Area Community Resources	410	410	7	-	9	30	12	-	-	-	-	12	4
	535	100	-	11	47	36	-	-	-	-	-	-	-
Chancellor's Office of Community College:													
Modesto Community College	266	50	-	-	70	-	-	5	6	86	-	-	-
Compton Community College	175	20	-	-	9	19	-	-	-	-	-	-	-

Each of the subgrantees indicated that members should have completed all necessary documentation and that the documentation should have been maintained in each individual file. The subgrantees believe that some of the documentation may have been misfiled.

AmeriCorps Provisions (2002), Section B(7) *Training, Supervision, And Support*, states:

- b. Member Contracts. The Grantee must require that members sign contracts that, at a minimum, stipulate the following:
 - i. The minimum number of service hours and other requirements (as developed by the Program) necessary to successfully complete the term of service and to be eligible for the education award;
 - ii. Acceptable conduct;
 - iii. Prohibited activities;
 - iv. Requirements under the Drug-Free Workplace Act (41 U.S.C. 701 *et seq.*);
 - v. Suspensions and termination rules;
 - vi. The specific circumstances under which a member may be released for cause;
 - vii. The position description;
 - viii. Grievance procedures; and
 - ix. Other requirements as established by the Program.

c. Training. Consistent with the approved budget, the Grantee must provide members with the training, skills, knowledge and supervision necessary to perform the tasks required in their assigned project positions, including specific training in a particular field and background information on the community served. The Grantee must conduct an orientation for members and comply with any pre-service orientation or training required by the Corporation.

* * * * *

g. Performance Reviews. The Grantee must conduct and keep a record of at least a mid-term and end-of-term written evaluation of each member's performance.

AmeriCorps Provisions (2002), B(14) *Member Records And Confidentiality*, states:

a. Record Keeping. The Grantee must maintain records specified in (b) below that document each member's eligibility to serve pursuant to the member eligibility requirements... The records must be sufficient to establish that the individual was eligible to participate in the Program and that the member successfully completed the Program requirements.

AmeriCorps Provisions (2002), B(12) *Post-Service Education Awards*, states:

In order for a member to receive a post-service education award from the National Service Trust, the Grantee must certify to the National Service Trust that the member is eligible to receive the education benefit. The Grantee must notify the National Service Trust on a form provided by the Corporation . . . when it enrolls a member for a term of service

Not maintaining the appropriate documentation to support either the enrollment or participation of the member in the program limits GO SERV's and the subgrantees' ability to ensure that AmeriCorps members are eligible to participate in the program. In addition, the lack of documentation may lead to the Corporation funding living allowances and Education Awards for individuals who are not eligible to participate in the AmeriCorps program.

Recommendation

We recommend that the Corporation determine the allowability of costs questioned and recoup costs that are not allowable or allocable to the grant including administrative costs applied to the questioned costs.

We also recommend that the Corporation instruct the Commission to train and monitor subgrantees as necessary to ensure that all members' files contain all necessary documents required by AmeriCorps Provisions.

Commission's Response

The Commission recognizes that certain documents missing from member files indicate deficiencies in some programs' recordkeeping systems, but believes the deficiencies noted represent isolated instances of missing documents and does not indicate a failure on the part of their training and monitoring systems.

Auditor's Comment

While we agree with the Commission that the missing documentation noted does not indicate a failure of the training and monitoring systems employed by the Commission, it does indicate that continued training and monitoring is needed to ensure compliance with AmeriCorps Provisions. Notwithstanding the Commission's response, the finding and recommendation remains unchanged.

Finding No. 8: – Budgetary Cost Information was Used to Complete Financial Status Reports

The audit noted several community colleges that were using budgetary data instead of actual incurred costs to complete their Financial Status Reports (FSRs). The total amount approved in the budget was allocated in equal amounts over the number of months in the contract. A reconciliation of costs claimed versus actual incurred costs was not performed. At each community college in question, supporting documentation was presented for our review for the actual costs incurred. However, in all cases, the amount incurred was less than the amount claimed on the FSRs, which resulted in questioned costs identified elsewhere in this report. The community colleges that were claiming budget costs on the FSR were as follows:

Glendale Community College
Compton Community College
West Los Angeles Community College

AmeriCorps Provisions (2002), Section B(21) *Financial Management Provisions*, states:

- a. General. The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this Grant. This system must be able to identify costs by programmatic year and by budget category and to differentiate between direct and indirect costs or administrative costs. For further details about the Grantee's financial management responsibilities, refer to OMB Circular A-102 and its implementing regulations (45 CFR § 2543) or A-110 and its implementing regulations (45 CFR § 2541), as applicable.

b. Source Documentation. The Grantee must maintain adequate supporting documents for its expenditures (federal and non-federal) and in-kind contributions made under this Grant. Costs must be shown in books or records [e.g., a disbursement ledger or journal], and must be supported by a source document, such as receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institution of High Education, Hospitals, and Other Non-Profit Organizations*, Section 21, *Standards for Financial Management*, states:

(b) Grantees' financial management systems shall provide for the following: (1) accurate, current and complete disclosure of the financial results of each federally-sponsored project or program. . . . (2) Records that identify adequately the source and application of funds for federally-sponsored activities.

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institution of High Education, Hospitals, and Other Non-Profit Organizations*, Section 53, *Retention and access requirements for records*, states:

(b) Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Federal awarding agency.

Not reporting actual incurred costs on FSRs limits GO SERV's and the subgrantees' ability to ensure the costs are allowable under the AmeriCorps Provisions. In addition, not reporting actual costs limits GO SERV's and the sub grantees' ability to ensure incurred costs are within budget limitations.

This finding is also considered to be an internal control weakness.

Recommendation

We recommend that the Corporation determine the allowability of the costs questioned and recoup costs that are not allowable or allocable to the grant including administrative costs applied to the questioned costs.

We also recommend that the Corporation instruct the Commission to train and monitor subgrantees as necessary to ensure actual incurred costs are reported on the FSRs and that source documentation is properly maintained.

Commission's Response

The Commission agreed that budgetary data should not be utilized to complete Financials Status Reports (FSRs). However, the Commission believes the noted instances of non compliance are isolated to three sub-subgrantees and are not representative of a systemic problem.

Auditor's Comment

Inasmuch as the Commission agrees that budgetary data should not be used as the basis for claiming costs on the Financial Status Reports, the finding and recommendation remains unchanged.

Finding No. 9: – Living Allowances Paid on an Hourly Basis

During our audit of Glendale Community College, we noted that it elected to pay its AmeriCorps members living allowances based on actual hours worked by the members. Living allowances paid were like an hourly wage, as time sheets were maintained by each member to document the hours served. Officials at Glendale Community College indicated an approval was granted from the Corporation to allow for this practice. However, there was no documentation to substantiate their claim. No costs were questioned as the time sheets signed by the member and supervisor validated the allowances paid.

AmeriCorps Provisions (2002), B(11) *Living Allowances, Other In-Service Benefits And Taxes*, states:

- b. Living Allowance Distribution. The living allowance is designed to help members meet the necessary living expenses incurred while participating in the AmeriCorps Program. It is not a wage and should not fluctuate based on the number of hours served in a given time period. Programs should pay the living allowances in increments, such as weekly or bi-weekly.

Not paying living allowances in increments limits GO SERV's and the subgrantees' ability to ensure compliance with AmeriCorps provisions.

Recommendation

We recommend that the Corporation instruct the Commission to train and monitor subgrantees as necessary to ensure that living allowances are paid on an incremental basis, in accordance with the AmeriCorps Provisions, and not on an hourly basis.

Commission's Response

The Commission responded that it trains heavily on the stipend approach to living allowance distribution and has not encountered this issue with any other subgrantee. Although the Commission agreed that the payment of the living allowance on an hourly basis was inappropriate, it believes this is an isolated instance of noncompliance rather than a systemic problem.

Auditor's Comment

We recognize the ongoing training effort of the Commission and encourage the Commission to continue to emphasize to its subgrantees the proper handling of stipends. This will allow the subgrantees in turn to properly train and monitor sub-subgrantees.

Internal Controls Over Financial Reporting

In planning and performing our audit of awards costs as presented in Exhibits A through D for the period January 1, 2001, to March 31, 2004, we considered GO SERV's internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal control over financial reporting 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 the internal control over financial reporting that, in our judgment, could adversely affect Go SERV's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Compliance findings numbered 1 through 5 and 8, as set forth in the Compliance Section of this report, are also considered as internal control reportable conditions.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements 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 internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe all of the reportable conditions identified above represent material weaknesses.

Conrad and Associates, L.L.P.

Conrad and Associates, L.L.P.
Irvine, California
March 16, 2005

Follow-Up on Pre-Audit Survey Findings

OIG Audit Report No. 01-18, Pre-Award Survey Report of the Commission on Improving Life Through Service (CILTS)

The Pre-Audit Survey performed for the OIG by KPMG, LLC and was issued to Corporation management on October 13, 2000. There have been various changes and actions taken by the Commission on Improving Life Through Service (CILTS), and later GO SERV, to address the findings and conditions cited.

The status of the Pre-Audit Survey findings is scheduled below:

CATEGORY	FINDINGS & RECOMMENDATIONS	STATUS / DISPOSITION
<u>SELECTION OF SUB GRANTEES</u>	It was not possible to confirm whether the procedures followed by CILTS prior to Program Year 1999-2000 included a process to identify whether potential subgrantees had adequate financial management systems to properly account for grant expenditures. No recommendation was considered necessary because CILTS revised its procedures to include documentation of its grant evaluation of applicants' financial management systems beginning with Program Year 1999-2000.	This finding has been resolved.
	It was not possible to confirm whether the procedures followed by CILTS prior to Program Year 1999-2000 included a process to assess the potential past experience. No recommendation was considered necessary because CILTS revised its procedures to include documentation of its evaluation of grant applicants' past experience beginning with Program Year 1999-2000.	This finding has been resolved.

CATEGORY	FINDINGS & RECOMMENDATIONS	STATUS / DISPOSITION
<u>ADMINISTRATION OF GRANT FUNDS</u>	Certain FSRs that were submitted to the Corporation during Program Years 1995-1998 did not agree to the financial records that were maintained by CILTS. No recommendation was considered necessary because CILTS implemented reconciliation and documentation procedures to correct these problems during Fiscal Year 1998.	This finding has been resolved.
	A comprehensive policies and procedures document had not been developed to address the financial management process at the commission level. It was recommended that CILTS prepare a comprehensive manual that is reflective of its financial responsibilities. The manual should seek to incorporate documented procedures already developed for certain areas.	This finding has been resolved.
	Certain documentation required to be maintained by CILTS could not be located. It was recommended that CILTS improve its record retention practices by the use of a file checklist that identifies the nature and type of documents that should be retained.	<p>The pre-audit survey found that the Commission did not consistently document which member time sheets were reviewed during site visits and what procedures were performed. The survey recommended that the Commission include instructions in the standard site visit form to more specifically instruct evaluators on required documentation and record retention practices.</p> <p>GO SERV did not believe that corrective action was required because the criterion applied (OMB Circular A-133) was not appropriate for program monitors who are not required to follow audit standards. The pre-audit survey recommendation does not appear unreasonable and would improve the monitoring process. Therefore, we consider this finding open.</p>
	Eight subgrantee FSRs out of 40 selected for review had been submitted late. Follow up could not be verified because of missing documentation. A recommendation was made to document and implement procedures regarding follow-up on untimely FSR submissions. CILTS should continue to implement its policy of refusing to reimburse subgrantee invoices without timely and accurate FSRs.	This finding has been resolved.
	While WBRs was fully implemented, programmatic problems existed within the system; the survey recommended that CILTS work with the Corporation on issues arising from the use of WBRs.	We consider this finding cleared.

CATEGORY	FINDINGS & RECOMMENDATIONS	STATUS / DISPOSITION
<u>Evaluating and Monitoring Sub grantees</u>	CILTS had not implemented an adequate process for obtaining and reviewing OMB Circular A-133 audit reports for its subgrantees and following up on corrective actions taken by subgrantees on reported findings. It was recommended that CILTS improve its evaluating and monitoring procedures by developing and implementing a process for obtaining A-133 audit reports from its subgrantees and following up to ensure that timely corrective actions were taken on audit findings.	GO SERV expanded its tracking sheet to list the required components and converted it to a database to facilitate the generation of reports to more readily identify missing or problematic reports. We consider this finding resolved.
	CILTS did not instruct the evaluator in several important review areas. The survey recommended that CILTS include instructions on the standard site visit form to more specifically instruct evaluators on required documentation and record retention practices.	GO SERV planned to identify financial management risk factors and use contracted auditors to audit high-risk programs. We consider this finding resolved.
	CILTS did not consistently document which member time sheets were reviewed during site visits and what procedures were performed. It recommended that CILTS include instructions on the member file checklist to document the basis used to select member files for review, and identification of those actually reviewed during site visits.	GO SERV did not believe that corrective action was required because the criterion applied (OMB Circular A-133) was not appropriate for program monitors who are not required to follow audit standards. The pre-audit survey recommendation does not appear unreasonable and would improve the monitoring process. Therefore, we consider this finding open.

This report is intended for the information and use of the Office of Inspector General, as well as the management of the Corporation, GO SERV and its subgrantees, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

Appendix A

Commission Response



ARNOLD SCHWARZENEGGER
Governor

MARIA SHRIVER
Honorary Chair

MARIE MORETTI
Executive Director

August 31, 2005

Ms. Carol Bates
Acting Inspector General
Office of Inspector General
Corporation for National Service
1201 New York Avenue, NW
Washington, D.C. 20525

Dear Ms. Bates:

Thank you for the opportunity to respond to the audit report dated July 14, 2005.

We appreciate many of the recommendations you made to improve certain areas of our operations, but believe that some of your conclusions are unfounded.

Compliance Finding #1: Unreasonable and Inadequately Documented In-Kind and Direct Match Costs to the Administrative grant.

Unreasonable and inadequately documented in-kind and direct costs that were claimed as Administrative match as follows:

(A) The Commission claimed \$3,483,591 as match for in-kind television Public Service Announcements (PSA's) created and paid for by the Corporation. The Commission only included \$78,000 of PSA costs as match in its approved grant budget.

We do not consider the amount claimed, in excess of the amount approved in the budget, necessary for the Commission's operation and/or its grant performance required by OMB Circular A-87.

(B) GO SERV entered into Contract Number CILTS 00-06 in which subcontractors were employed to assist in the completion of the terms of the agreement. We have questioned \$7,851 for other subcontractor costs claimed under this contract for which no documentation was provided.

(C) Supporting documentation for match costs of \$57,409 for various expenditures could not be located. Documentation for other match costs of \$16,891 was not sufficient to

meet the Corporation's provisions for State Administrative Grant Awards as only a request for payment was provided. As a result, we could not determine the allowability, reasonableness or necessity of the expenses.

The basis of Section A of this finding is the inclusion as match of air time in excess of that included in the budget. We disagree with the inclusion of this issue as a compliance finding. The contributed public service announcements in question described AmeriCorps and encouraged individuals to join AmeriCorps. Because our two-fold mission is to both administer the AmeriCorps program and to increase service and volunteerism in California, the contributed airtime is a reasonable and necessary expense of the program. There is a direct connection between the airing of these announcements and the successful recruiting of our programs.

The original (2001) agreement with the California Broadcasters Association (CBA) guaranteed airtime valued at twice the cost of the program. In prior years, the cost of the program was only \$78,000, resulting in guaranteed airtime of only \$78,000 ((2 x \$78,000) - \$78,000) = \$78,000). We were thrilled to receive air time of over a million dollars more than originally anticipated upon entering into the CBA agreement.

For 2001, the auditors rejected all air time in excess of \$78,000, claiming that the additional costs were not included in the original budget and were therefore not necessary for the Commission's operation and/or its grant performance. In fact, there are no restrictions in Circular A-87 on rebudgeting for state agencies and the Provisions similarly do not restrict a Commission from changing its budget.

The report also cites airtime included as match in 2002 and 2003 as not being in accordance with OMB Circular A-87 because the expense was not included in the budgets for those years and is not "reasonable and necessary for proper and efficient performance and administration of federal funds."

The airtime included as match in 2002 and 2003 was not included in the budget because there was no expectation of receipt of contributed airtime in 2002 and 2003. We did not have an agreement with the CBA and this airtime resulted from the efforts of the Office of Public Affairs of the Corporation for National and Community Service. At the time of the submission of the budgets for both 2002 and 2003, we did not know of any guaranteed airtime value that could be entered into our budget.

In fact, our first notification of this PSA distribution came in late August of 2002; easily ten months after the 2002 Administrative Grant had been submitted. Additionally, a subsequent email dated 9/4/02 from CNCS Director of Public Affairs, Jacqueline Aker, indicated that "All placements are donated. We do not purchase any airtime. So, when the evaluation reports become available all that data is on a donated basis for you to claim as match for California placements of (sic) the TV."

It seems contrary to all logic that, while one arm of the Corporation is encouraging state commissions to count this airtime as allowable match, another arm is objecting to the

inclusion of this airtime as allowable match. Clearly, we were following the instructions delivered in 2002 and the objections to this inclusion have only now been communicated to us in the form of this report. As we are midway through the 2005 calendar year, some definitive ruling on this issue would be appreciated.

Finally, California is an expansive state with multiple, large, and high cost television markets. In the Los Angeles area alone, there are seven stations which aired spots valued at \$498,000. Similarly, in San Francisco, there are six stations which aired spots valued at \$376,000. These stations have huge viewing audiences and are also in regions where the vast majority of our AmeriCorps programs are located. Promoting AmeriCorps programs in these markets is fundamental to our overall goal of promoting AmeriCorps and service and volunteerism in general, as outlined in our Unified State Plan, a document which the Corporation reviews and approves each granting cycle.

The basis for Section B of this finding is the payment of \$7,851 on invoices that included expense reports by expense category, but not actual expense receipts. Our invoicing instructions specifically state that an invoice and an expense report are the only requirements. We do not require the submission of actual receipts, but the contractor is required to retain the information in their files and to provide such detail upon request. We feel this finding unnecessarily raises the standard for documentation and is exceptionally burdensome.

The basis for part of Section C of this finding is, as in Section B, the payment of invoices with expense reports, but no actual receipts. The basis for the remainder of Section C is missing supporting documentation. The cited expenses were partial amounts of expenses originally incurred in another account and transferred in to the match account. Documentation for the original expenses was filed under the original payment account. We have identified the documentation in support of these expenditures.

Compliance Finding #2 –Inadequately Documented Costs

GO SERV charged unallowable or inadequately supported costs to the Administrative and PDAT grants totaling \$262,421. In order for costs to be reimbursable under Corporation grants, the charges must be allowable, allocable, reasonable, and properly supported and in accordance with grant terms, conditions and governing provisions and regulations.

The basis for this finding is payments on 34 contracts whose aggregate billing totaled \$256,232, or roughly \$7,536 per contract. These grantees were part of our California Service Community Initiative (CSCI) project, a multi-year effort to increase the capacity of volunteer organizations. Helping volunteer organizations to have the needed staff and resources to facilitate volunteerism is a critical part of our mission.

CSCI grants, in annual amounts of from \$3K to \$7K, included budgets that identified where the grantee would spend the provided resources. Our invoicing instructions

directed our grantees to submit an invoice with the requested reimbursement amount, and an expense report including the original budget categories and identifying the category of expense from which costs had been incurred. We did not request that the CSCI grantees provide actual expense receipts.

We do not request that our grantees provide us with copies of their actual expense receipts for these small grants just as we do not request that our grantees who receive much larger (\$250,000 to \$1,000,000) grants provide us with their expense receipts. The grantees are expected to retain such information in their files and to provide such information only if it is specifically requested at a later date. We find it extremely unusual that a separate, more rigorous standard for documentation is being recommended for these smaller grants and we find the standard to be inappropriate and unnecessarily burdensome for such small contracts.

The basis for the remaining \$4,720 in this finding is the payment of \$4,720 on invoices that included expense reports by expense category, but not actual expense receipts. Our invoicing instructions specifically state that an invoice and an expense report are the only requirements. We do not require the submission of actual receipts, but the contractor is required to retain the information in their files and to provide such detail upon request. We feel this finding unnecessarily raises the standard for documentation and is exceptionally burdensome.

Compliance Finding #3 – Unallowable Living Allowances

During the audit of various subgrantees, we noted several instances where living allowances and fringe benefits were paid to AmeriCorps members who were either not eligible to participate in the program or whose member files did not document their eligibility to participate.

The basis for this finding is living allowance payments to subgrantees in excess of the federal maximum percentage and payments for ineligible members. We agree that the payment of living allowance and fringe benefits to ineligible members and the over-claiming of living allowance is a serious issue. We host a comprehensive annual training for our subgrantees, conduct site visits, invoice validation desk reviews, and have just developed a 24/7 on-line training in order to ensure that our subgrantees fully understand the AmeriCorps provisions and the essentials of program administration.

However, since \$210,525 of the \$251,655 included in this finding comes from the same subgrantee, we feel that this is an isolated case of non-compliance on the part of that subgrantee and not evidence of a systemic problem.

The total costs evaluated in this audit approach \$75 million. Living allowances and benefits make up about 50% of that expense, if not more. This finding calculates to roughly one-half percent of the total living allowance expense incurred and less than three-tenths of a percent of the entire programmatic expense.

This low rate of incidence confirms our belief that the situation is isolated and that, for the majority of our subgrantees, our trainings and our monitoring efforts have helped them to appropriately manage their federal funds and their members.

Compliance Finding #4 – Questioned Non-Member Support Costs and Education Awards

The audit noted several instances where non-member support costs charged to the AmeriCorps program were determined to be unallowable. In addition, the audit also noted instances which documentation was not available to substantiate the fulfillment of the Education Award requirement. As such, we have questioned \$537,722 of non-member support costs and \$414,260 of Education Awards as follows:

We agree that this report identifies questioned programmatic costs, but our review indicates that the majority of the expenses questioned represent allowable direct programmatic costs and that the actual amount of questioned costs is closer to \$190,000. The bulk of this (\$185,000) comes from only one subgrantee who demonstrated a lack of consistency in distinguishing between direct and indirect expenses. Again, we feel this is an isolated case of non-compliance on the part of this subgrantee and not evidence of a systemic problem.

The California Service Corps holds an annual subgrantee training on the need to maintain and utilize a financial management system that distinguishes between programs and program years and accounts for direct and indirect costs separately. In addition, we have regional financial management training sessions and are in the process of launching an on-line training on financial management that will be available 24 hours per day, 7 days a week, and will help guide new AmeriCorps program staff that join the program after the commission's annual training.

The questioned education awards are largely due to three factors: 1) a strict reading of the Provisions by the auditors which leads them to believe that a high school diploma is an eligibility requirement. In fact, the Provisions do not indicate that an individual must have graduated from high school or taken an equivalency test in order to become an AmeriCorps member. This issue makes up about 25% of this finding; 2) a discrepancy between actual signed timesheets and time entered into WBRs. This issue makes up about 35% of the finding and is largely due to poor document retention practices rather than fraud; and 3) two boxes filled with member eligibility documentation and timesheets that were inadvertently destroyed by one subgrantee prior to the notification of the audit. This issue comprises the remaining 40% of this finding.

We take all of these causes very seriously, but are most concerned by the discrepancies between actual time sheets and WBRs time sheets. We train on the document retention requirements and will expand the training to include the serious financial repercussions resulting from insufficiently documented member hours.

Compliance Finding #5: Questioned Match Costs

The audit noted several instances where match costs charged to the AmeriCorps program were determined to be unallowable. As such we have questioned \$5,206,764 of match costs as follows:

The basis for this finding is a discrepancy between budgeted match contributions and actual match contributions. We disagree with this finding because all of our programs met the minimum required match contributions established by the Corporation. We also rely on a Corporation for National Service, Office of Grants Management memo dated April 12, 2002, that specifically states that “at closeout grantees have the option to accept a level of match below the anticipated additional match as long as the minimum required match is met.... Programs must meet the minimum required match.”

We agree that not meeting the required match is a serious issue. However, we have a strong system in place to ensure that our subgrantees meet their statutory match contributions. We host a comprehensive annual financial training for our subgrantees, conduct site visits and invoice validation desk reviews, and have just developed a 24/7 on-line training in order to ensure that our subgrantees fully understand their match obligations.

Much of our subgrantees’ in-kind match documentation was not deemed acceptable by the auditors. However, the majority of these subgrantees were utilizing an In-Kind Receipt Voucher form that had been originally provided by the Corporation as an accepted vehicle for capturing in-kind contributions. We look forward to receiving additional guidance from the Corporation on acceptable match documentation.

Compliance Finding #6: Late Submissions

The audit noted numerous instances where subgrantees were not submitting required AmeriCorps documents within the established time frame. Specifically, the audit noted late submission of Financial Status Reports (FSR), Progress Reports, Member Enrollment Forms, Member Status Change Forms, and Member Exit Forms. In addition, we noted instances where a member exited the program, but was never officially removed from WBRS. Each subgrantee has indicated the late submissions were due to technical difficulties with WBRS and a “pause period”, implemented by the Corporation, during which no enrollments into WBRS were allowed.

The basis for this finding is the late submission of four different types of reports: Enrollment Forms, End of Service Forms, Financial Status Reports (FSRs) and Progress Reports.

The basis for the Enrollment/End of Service form component of this finding is the late submission of 568 enrollment, change or exit forms by seven programs over three program years.

These late submissions were largely due to one of two factors:

1) a delay by the Corporation in the uploading of award data into WBRS, making it impossible for the subgrantee to enroll members in a timely fashion. For example, in program year 01-02, formula programs were uploaded by the Corporation into WBRS on 12/6/01, despite an award date of 8/20/01. In the 02-03 program year, formula programs were awarded on 8/15 and 8/19 and only uploaded in WBRS on 10/24 and 10/1, respectively; and

2) the enrollment freeze that began on 11/20/02. Several of the programs affected by the enrollment freeze were very large programs and had enrolled members on paper for whom they had not completed data entry into WBRS before WBRS was made inaccessible due to the enrollment freeze.

It is important to understand that all enrollment and exist forms are required to be entered into WBRS within 30 days of the member's start date. However, it is also important to note that members can't be enrolled in WBRS until award data is uploaded into WBRS by the Corporation. This uploading process has, historically, taken up a large portion of the 30-day window, in the most extreme example noted above, uploading took almost 95 days. In the cases of extreme delays, it is interesting to note that subgrantees often entered data within 24 hours after the award data was uploaded into WBRS, and approved the enrollments within 7-10 days after that. This is not an example of programs willfully violating a reporting requirement. Rather, it is programs being unfairly delayed due to technical glitches outside of their control.

We understand that technical glitches will occur, but we should not be penalized for delayed submissions resulting from factors entirely outside of our control.

The basis for the FSR component of this finding is eight late FSRs. Seven of these FSRs were not required by the Corporation since the Corporation only requires FSR submission on 4/30 and 10/31 and a final FSR that is due 90 days after the end of the grant. The California Commission requires quarterly FSR submission in order to facilitate reconciliations with actual data, but we do grant extensions on FSRs that are not required by the Corporation if the subgrantee has a compelling reason.

The one FSR from a Corporation-required period was only "late" because the originally-submitted FSR had been deleted after our desk review process, the Invoice Validation Process (IVP), resulted in the identification of an unallowable expense. This expense was backed out by the subgrantee after the IVP, necessitating the elimination of the aggregate FSR, the original program FSR, and the original program PER, and the re-creation of all those related documents in WBRS to reflect the correction. This changed the date on the FSRs.

It seems contrary to any productive intent that such an action (correcting an unallowable expense) would result in a negative finding. But this is the case. Furthermore, there is no discernible negative impact from delayed submission of these reports that are not required by CNCS.

The basis for the Progress Report component of this finding is nine late progress reports. As with the FSRs, the Corporation Provisions required Progress Reports twice a year, on 4/30 and 10/31, but the California Commission required Progress Reports to be submitted on a quarterly basis. These late reports are the additional progress reports that we required, but that were not required by the Corporation. As with the FSRs, we do grant extensions on Progress Reports that are not required by the Corporation if the subgrantee has a compelling reason.

Compliance Finding #7: Member Files Missing Required Documentation

The audit noted numerous instances where AmeriCorps member files lack proper documentation to support either the enrollment or participation of the member in the program. Specifically the audit noted the following exceptions:

- A. Missing documentation of High School Diploma or dropout date.*
- B. AmeriCorps contract was not signed by the enrolled member.*
- C. Missing mid-term and/or final evaluations.*
- D. Timesheets were not detailed enough to determine if training was given to the member. As such, it could not be determined if an orientation was received by the member.*
- E. Description of the job position was not documented in the files.*
- F. Assigned job location was not documented in the files.*
- G. Specific job assignment was not documented in the files.*
- H. Members' start/end date was not documented in the files.*
- I. Member contracts lacked elements required by AmeriCorps provisions.*
- J. Education Award Certification was not signed by authorized personnel.*

The basis for this finding is missing or inadequate documentation for any of a range of items that are not equal in terms of importance. Some items, while missing in member files, do exist electronically in the WBRs system (for example, dated enrollment and exit forms indicating enrollment dates, providing authorization for education award, etc.) Other items, while they may be missing, do not indicate a failure of the program to document eligibility to enroll or receive education award (for example, mid-term evaluations).

While the Commission recognizes that certain documents missing from member files indicate deficiencies in some programs' recordkeeping systems, we do not agree that isolated instances of missing documents indicate a failure of our training and monitoring systems. We provide annual training that includes significant attention to specific documentation requirements. We have developed, and distribute at our trainings and

throughout the year, checklists and other tools to assist programs in maintaining the required documents, especially those that establish eligibility to enroll in AmeriCorps. Finally, program officers discuss these requirements with grantee staff and conduct random, comprehensive tests of member files during site visits to test documentation procedures.

In a state that enrolls over 5,000 members per year, the absence of a small number of documents does not indicate a failure to train and monitor grantees or a failure of those grantees to maintain required documentation.

Compliance Finding #8: Aggregate Training Hours Exceeding Maximum Allowable

The audit noted instances where the aggregate training hours exceeded the 20 percent limit established by AmeriCorps provisions. The following summarizes the finding noted during the audit.

The basis for this finding is training hours in excess of the required maximum percentage in two subgrantees.

We understand and support the statutory intent of the limit on training hours. However, in both of these cases, the subgrantees are negatively impacted by something out of their control: early departures of trained members. The City Year program is particularly susceptible to this due to their very robust pre-service orientation. This orientation is widely regarded as extremely necessary for a member's success in their service placement and a strong factor in their personal development. However, if an individual stays through a month-long training and departs shortly after that is completed, his or her extremely high percentage of training time (close to 100%) negatively skews the numbers.

Compliance Finding #9: Budgetary Cost Information Used to Complete Financial Status Reports

The audit noted several community colleges that were using budgetary data instead of actual incurred costs to complete their Financial Status Reports (FSR). The total amount approved in the budget was allocated in equal amounts over the number of months in the contract. A reconciliation of costs claimed versus actual incurred costs was not performed. At each community college in question, supporting documentation was presented for our review for the actual costs incurred. However, in all cases, the amount incurred was less than the amount claimed on the FSRs, which resulted in the questioned costs identified elsewhere in the report.

The basis for this finding is three sub-subgrantees who were utilizing budgetary data to report on their expenditures.

We agree that budgetary data should not be utilized to complete financial status reports (FSRs). This appears to be an instance of non-compliance that is isolated to three sub-grantees and not a systemic problem. We have good systems in place – including an extensive database utilized to track expenditure data and compare it to budgeted data – that allow us to see this kind of error for our direct subgrantees. We also train extensively on the use of actual expense information for both reimbursement and reporting purposes and the proper retention of source documentation.

Compliance Finding #10: Living Allowances Paid on an Hourly Basis

During our audit of Glendale Community College, we noted that it elected to pay its AmeriCorps members living allowances based on actual hours worked by the members. Living allowances paid were likely an hourly wage, as time sheets were maintained by each member to document the hours served. Officials at Glendale Community College indicated an approval was granted from the Corporation to allow for this practice. However, there was no documentation to substantiate their claim. No costs were questioned as the time sheets signed by the member and supervisor validated the allowances paid.

The basis for this finding is one sub-subgrantee who was paying living allowances on an hourly basis. This appears to be an instance of non-compliance that is isolated to one sub-subgrantees and not a systemic problem.

In California, living allowances were allowed to be paid on an hourly basis until the passage of SB945 in August 2000. The Corporation had given California a special exemption to pay the stipend on an hourly basis since the early years of the Commission. SB945 became effective in January 2001, in the middle of the 2000-2001 program year. The Corporation's exemption lasted the entire 2000-2001 program year and we gave our programs the option of either finishing the program year under the hourly payment method or switching to a stipend approach in January 2001.

It is not clear from this report the year in which this issue was found—we asked for clarification regarding the year, but to date have not received that information. However, we are assuming that it was very close to the year of the changed treatment in California.

We train heavily on the stipend approach to living allowance distribution and have not encountered this issue in any other subgrantee. We agree that the payment of the living allowance on an hourly rather than stipend basis was inappropriate, but feel this is an isolated instance of noncompliance rather than a systemic problem. The isolated instance is further evidenced by the fact that the organization in question is a sub-subgrantee that received its training from the intermediary subgrantee rather than the California Commission.

In conclusion, the cited adverse conditions are isolated and the Commission is doing everything it can within the resources available to it to effectively monitor our subgrantees.

If you have any questions or need any additional information on this response, please do not hesitate to contact Mimi Morris of my staff at (916) 323-7646.

Sincerely,

MARIE MORETTI
Executive Director

Enclosures

Appendix B

Response of the Corporation for National and Community Service

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** ★★ ★

To: Carole Bates, Acting Inspector General

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

Cc: Rosie Mauk, Director of AmeriCorps
Tory Willson, Audit Resolution Coordinator

Date: August 16, 2005

Sub: Response to OIG Draft Audit Report : Audit of Corporation for National and
Community Service Grants Awarded to the Governor's Office on Service and
Volunteerism (GO SERV)

We have reviewed the draft audit report of the grants to the California Commission and the response from the California Commission. Due to the limited timeframe for response, we have not yet conducted a comprehensive review nor analyzed documentation from the California Commission supporting the questioned costs. We will respond to all findings and recommendations when the audit is issued and we have reviewed the findings in detail.

The auditors questioned \$1,051,798, about 1.5% of the total federal claimed costs by the Commission in its 16 Corporation grants. The Commission provided the Corporation with its preliminary response and is addressing each of the findings. We will confirm implementation during the audit resolution process.

