

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

**AGREED UPON PROCEDURES FOR  
CORPORATION FOR NATIONAL AND  
COMMUNITY SERVICE GRANTS AWARDED  
TO SERVE DC**

**OIG REPORT NUMBER 08- 08**



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

Prepared by:

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635 Slaters Lane, 4<sup>th</sup> Floor  
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This report was issued to Corporation management on November 29, 2007. 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 May 29, 2008, and complete its corrective actions by November 29, 2008. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



## OFFICE OF INSPECTOR GENERAL

November 29, 2007

TO: Kristin McSwain  
Director, AmeriCorps State\*National

Margaret Rosenberry  
Director, Office of Grants Management

FROM: Carol Bates (signature on file)  
Assistant Inspector General for Audit

SUBJECT: Report 08-08, *Office of Inspector General Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Serve DC*

We contracted with the independent certified public accounting firm of Cotton & Company LLP (Cotton) to perform agreed-upon procedures in its review of Corporation grants awarded to Serve DC. The contract required that Cotton conduct its review in accordance with generally accepted government auditing standards.

In its review of Serve DC, Cotton questioned Federal share costs of \$70,688 and education awards of \$52,113. It also presented 12 findings on internal controls and compliance with grant terms.

Cotton is responsible for the attached report, dated June 20, 2007, and the conclusions expressed therein. We do not express opinions on Serve DC's Consolidated Schedule of Award Costs, conclusions on the effectiveness of internal controls, or compliance with laws, regulations, and grant provisions.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by May 29, 2008. Notice of final action is due by November 29, 2008.

If you have questions pertaining to this report, please call me at 202-606-9356.

Attachment

cc: Ms. Millicent Williams, Executive Director, Serve DC  
Michael W. Gillespie, CPA, CFE, Operations Managing Partner,  
Cotton & Company LLP  
Jerry Bridges, Chief Financial Officer  
William Anderson, Deputy Chief Financial Officer  
Sherry Blue, Audit Resolution Coordinator



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Senior Corps ★ AmeriCorps ★ Learn and Serve America



**OFFICE OF INSPECTOR GENERAL  
AGREED-UPON PROCEDURES FOR  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE  
GRANTS AWARDED TO  
SERVE DC**

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## EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Cotton & Company LLP to perform agreed-upon procedures to assist the OIG in grant cost and compliance testing of Corporation-funded Federal assistance provided to the District of Columbia Commission on National and Community Service (Serve DC).

### BACKGROUND

The Corporation supports national and community service programs that provide full- and part-time opportunities for Americans to engage in service that fosters civic responsibility, strengthens communities, and provides educational opportunities for those who make a commitment to service. The AmeriCorps program is one of the Corporation's three major service initiatives. Approximately three-quarters of all AmeriCorps grant funding goes to state service commissions, which award competitive grants to nonprofit groups that then recruit AmeriCorps members to respond to local needs.

Serve DC, established in July 2000 by the Executive Order of the Mayor, has received AmeriCorps funds since 2001. Serve DC is housed within the Executive Office of the Mayor, receives multiple awards from the Corporation including AmeriCorps, Administrative, Professional Development and Training, Disability, and Learn and Serve grants. The AmeriCorps grants are annual awards passed through Serve DC to eligible subgrantees that recruit and select volunteers who then earn living allowances and education awards. Serve DC AmeriCorps grants funded 210 AmeriCorps members in Program Year (PY) 2004-2005 and 249 in PY 2005-2006.

### AGREED-UPON PROCEDURES SCOPE AND RESULTS

Cotton & Company performed the agreed-upon procedures detailed in the OIG's Agreed-Upon Procedures (AUP) Program for Corporation Awards to Grantees (including subgrantees), dated June 2006. Our procedures covered testing of the following grants:

<b>Program</b>	<b>Grant No.</b>	<b>Award Period</b>	<b>AUP Period</b>	<b>Total Awards</b>
AmeriCorps-Competitive	03ACHDC001	05/01/04-04/30/07	10/01/04-09/30/06	\$4,079,090
AmeriCorps-Formula	04AFHDC001	09/01/04-08/31/07	10/01/04-09/30/06	\$1,156,801
Learn and Serve	03KCHDC001	10/01/03-08/31/08	01/01/05-12/31/06	\$964,070
Administrative	04CAHDC001	01/01/04-12/31/06	01/01/05-12/31/06	\$382,771
PDAT	04PTHDC001	01/01/04-12/31/06	01/01/05-12/31/06	\$255,313
Disability	04CDHDC001	01/01/04-12/31/06	01/01/05-12/31/06	\$114,693

We conducted our fieldwork at Serve DC and two of its four subgrantees, Heads Up and Earth Conservation Corps (ECC) from January through June 2007.

## SUMMARY OF RESULTS

Detailed results of our agreed-upon procedures are presented in Exhibit A and supporting schedules. As a result of applying our procedures, we questioned claimed Federal-share costs of \$70,688 and education awards of \$52,113. A questioned cost is an alleged violation of provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds or a finding that, at the time of testing, includes costs not supported by adequate documentation.

Grant participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards from the National Service Trust. These award amounts are not funded by Corporation grants and thus are not included in claimed costs. As part of our agreed-upon procedures, and using the same criteria as for claimed costs, we determined the effect of our findings on education-award eligibility.

We summarized grant compliance results in Exhibit B. Following is a summary of those testing results.

1. Serve DC and its subgrantees claimed unallowable and unsupported costs.
2. Subgrantees did not verify eligibility for all members before they began service.
3. Serve DC did not ensure that its subgrantees completed required member criminal background checks before members served with children.
4. ECC timesheets did not support member eligibility for some education awards, and, in some instances, timesheet hours were not always accurately recorded in the Corporation's Web-Based Reporting System (WBRS).
5. Subgrantees did not always complete member enrollment, exit, and change-of-status forms and enter them into WBRS in accordance with AmeriCorps requirements.
6. Some member contracts were not signed before applicants started service, were missing, or did not include all required elements.
7. Subgrantees did not always document member orientation training attendance.
8. Subgrantees did not always conduct member evaluations that met AmeriCorps requirements and document all evaluations.
9. Serve DC and subgrantee financial management systems did not adequately account for and report grant costs in accordance with Federal requirements.
10. Serve DC and Heads Up did not ensure the allowability of claimed match costs.
11. Serve DC did not ensure that subgrantees complied with AmeriCorps requirements.

12. Serve DC did not adequately document reviews of subgrantee OMB Circular A-133 audit reports.

**EXIT CONFERENCE**

We conducted an exit conference with Serve DC representatives on July 10, 2007. Following that conference, we issued a draft report for comment to both Serve DC and the Corporation. Serve DC's response is in Appendix A and generally summarized in the body of the report. The Corporation did not have specific comments but intends to respond in its management decision at a later date (see Appendix B).



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June 20, 2007

Office of Inspector General  
 Corporation for National and Community Service

**INDEPENDENT ACCOUNTANTS' REPORT ON  
 APPLYING AGREED-UPON PROCEDURES**

Cotton & Company LLP performed the procedures detailed in the OIG's Agreed-Upon Procedures (AUP) Program for Corporation Awards to Grantees (including Subgrantees), June 2006. These procedures were agreed to by the OIG solely to assist it in grant cost and compliance testing of Corporation-funded Federal assistance provided to Serve DC for the awards detailed below.

This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants (AICPA) and generally accepted government auditing standards. The sufficiency of these procedures is solely the responsibility of the OIG. Consequently, we make no representation regarding the sufficiency of the procedures, either for the purpose for which this report has been requested or any other purpose.

Our procedures covered testing of the following grants:

<b>Program</b>	<b>Grant No.</b>	<b>Award Period</b>	<b>AUP Period</b>	<b>Total Awards</b>
AmeriCorps-Competitive	03ACHDC001	05/01/04-04/30/07	10/01/04-09/30/06	\$4,079,090
AmeriCorps-Formula	04AFHDC001	09/01/04-08/31/07	10/01/04-09/30/06	\$1,156,801
Learn and Serve	03KCHDC001	10/01/03-08/31/08	01/01/05-12/31/06	\$964,070
Administrative	04CAHDC001	01/01/04-12/31/06	01/01/05-12/31/06	\$382,771
PDAT	04PTHDC001	01/01/04-12/31/06	01/01/05-12/31/06	\$255,313
Disability	04CDHDC001	01/01/04-12/31/06	01/01/05-12/31/06	\$114,693

We performed testing at Serve DC and at two of its AmeriCorps subgrantee sites, Earth Conservation Corps (ECC) and Heads Up. We selected and tested:

- 26 Federal and 13 match-cost transactions at Serve DC
- 23 Federal and 14 match-cost transactions at Heads Up
- 22 transactions at ECC

As discussed in Schedule B, we could not reconcile and identify specific transactions claimed by ECC in Program Year (PY) 2004-2005 and PY 2005-2006. Therefore, we considered Federal share and match costs as a whole.

We also tested certain grant compliance requirements by sampling 65 subgrantee members. We performed all applicable testing procedures in the AUP Program on each sample transaction or member file. At the request of the OIG, we expanded testing at ECC to include timesheets for nine additional members in PY 2004-2005 and six additional members in PY 2005-2006.

<b>Subgrantee</b>	<b>PY 2004-2005</b>	<b>PY 2005-2006</b>
ECC	9	9
ECC Timesheets Only	9	6
Heads Up	21	26

#### **RESULTS OF AGREED-UPON PROCEDURES**

The detailed results of our agreed-upon procedures on claimed costs are presented in Exhibit A and the supporting schedules. As a result of applying our procedures, we questioned claimed Federal-share costs of \$70,688 and education awards of \$52,113. A questioned cost is an alleged violation of provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds or a finding that, at the time of testing, includes costs not supported by adequate documentation.

Grant participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards from the National Service Trust. These award amounts are not funded by Corporation grants and thus are not included in claimed costs. As part of our agreed-upon procedures and using the same criteria as that for claimed costs, we determined the effect of our findings on education award eligibility.

We have summarized results of testing grant compliance in Exhibit B. We were not engaged to, and did not perform an examination, the objective of which would be expression of an opinion on the subject matter. Accordingly, we do not express such an opinion. Had we performed other procedures, other matters might have come to our attention that would have been reported to you.



This report is intended solely for the information and use of the OIG, Corporation, Serve DC, and U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

A handwritten signature in black ink, appearing to read "Michael W. Gillespie". The signature is fluid and cursive, with a prominent initial "M" and a long, sweeping tail.

Michael W. Gillespie, CPA, CFE  
Operations Managing Partner

**EXHIBIT A**

**SERVE DC  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS  
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

<b>Award</b>	<b>Awarded</b>	<b>Claimed</b>	<b>Questioned</b>	<b>Questioned Education Awards</b>	<b>Reference</b>
03ACHDC001					
City Year	\$1,364,000	\$1,218,426			
Heads Up	<u>2,715,090</u>	<u>1,545,243</u>	<u>\$15,792</u>	<u>\$4,863</u>	Schedule A
Total	<u>\$4,079,090</u>	<u>\$2,763,669</u>	<u>\$15,792</u>	<u>\$4,863</u>	
04AFHDC001					
Latin America Youth	\$620,000	\$438,990			
Earth Conservation Corps	<u>536,801</u>	<u>389,613</u>	<u>\$54,876</u>	<u>\$47,250</u>	Schedule B
Total	<u>\$1,156,801</u>	<u>\$828,603</u>	<u>\$54,876</u>	<u>\$47,250</u>	
03KCHDC001	<u>\$964,070</u>	<u>\$477,241</u>			
04CAHDC001	<u>\$382,771</u>	<u>\$327,658</u>			
04PTHDC001	<u>\$255,313</u>	<u>\$159,667</u>			
04CDHDC001	<u>\$114,693</u>	<u>\$66,369</u>			
Total	<u>\$6,952,738</u>	<u>\$4,623,207</u>	<u>\$70,688</u>	<u>\$52,113</u>	

**SERVE DC**  
**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS**  
**SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

**HEADS UP**

	<b>Amount</b>	<b>Notes</b>
Claimed Federal Costs	<u>\$1,545,243</u>	
Questioned Federal Costs:		
Member living allowances for third-term members	\$5,381	1
Unallowable labor costs: fundraising	1,925	2
Living allowance for prior-year members and hourly living allowance	1,510	3
Duplicate benefit costs	1,497	4
End-of-term evaluation not performed	1,474	5
Unallowable liability insurance	1,204	6
Unallocable labor costs: program development and other program	1,147	7
Inadequate citizenship documentation	1,026	8
Unallocable labor costs: administration	<u>628</u>	9
Total Questioned Federal Costs	<u>\$15,792</u>	
Questioned Education Awards: service before signed contract	<u>\$4,863</u>	10

1. Heads Up used Federal funds to pay living allowances for two third-term members in PY 2004-2005. AmeriCorps Provisions, B.12., *Post-Service Education Award*, states that no Corporation or other Federal funds may be used to provide member support costs for a third term or subsequent term of service in an AmeriCorps State or National Program. Heads Up did not have a system in place to ensure that third-term members were not paid a living allowance with Federal funds. We questioned \$5,381 of living allowance and fringe benefits claimed for the third-term members.
2. Heads Up claimed \$1,925 of labor and benefits for the portion of staff time spent performing fundraising activities. According to OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, paragraph 17, *Fundraising and investment management costs*, states that the costs of organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable. We questioned the \$1,925 of labor and benefits claimed for the Executive Director's fundraising activities.

3. Heads Up claimed \$1,510 of living allowance paid to five PY 2003-2004 members in PY 2004-2005. Heads Up could not provide documentation that it obtained approval to claim living allowances for these members. OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Subpart C. 28., *Period of availability of funds*, states that, where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period.

In addition, Heads Up paid \$725 of the \$1,510 of living allowance to two Federal Work Study members who worked hours in excess of their Federal Work Study award. AmeriCorps Provisions B.11.h., *Federal Work Study*, states that if members receive a living allowance for any service beyond hours worked, at least 15 percent of the living allowance amount must be provided from non-Federal sources.

Further, the reimbursement amount to the members' university was based on the number of hours served by the members. AmeriCorps Provisions 11.b, *Living Allowance Distribution*, states that programs must not pay a living allowance on an hourly basis, and the living allowance should not fluctuate based on the number of hours served by the member in a given period. Heads Up intended to pro-rate member living allowances and used the number of hours served by the members as a basis for its calculation. We questioned \$1,510 of living allowance claimed for these members.

4. Heads Up claimed duplicate benefit transactions from PY 2003-2004 totaling \$1,497. According to 45 CFR § 2543.21(b), recipient financial management systems must provide for accurate, current, and complete disclosure of financial results of each Federally sponsored program. We questioned duplicate benefit transactions of \$1,497.
5. Heads Up did not provide an end-of-term evaluation for a PY 2004-2005 member who served a second term. AmeriCorps Provisions, B.7.g., *Performance Reviews*, requires mid-term and end-of-year member performance evaluations. According to 45 CFR § 2522.220(c), *Eligibility for Second Term*, a participant is not eligible for a second or additional term of service and/or for an AmeriCorps education award without satisfactory performance evaluations. We questioned the member's PY 2005-2006 Federal-share living allowance and fringe benefits of \$1,474 because, without a final evaluation, the member was ineligible for a second term. We did not question an education award for this member, because the member was still serving during our fieldwork and had not earned an education award.
6. Heads Up claimed \$1,204 of general liability insurance as direct Federal costs in PY 2004-2005. According to 45 CFR § 2510.20 *Definitions*, organizations that do not have established indirect cost rates for Federal awards, administrative costs include costs for general liability insurance that protects the organization or organizations responsible for operating a program or project, other than insurance costs solely

attributable to a program or project. Heads Up claimed these costs because it did not know how to correctly treat them. It refrained from claiming general liability insurance as direct costs once it learned that general liability insurance should be treated as indirect costs. Heads Up did not, however, review claimed costs to identify general liability insurance costs previously claimed as direct costs. We questioned the \$1,204 of general liability insurance.

7. Heads Up claimed \$1,147 of salaries and benefits for the portion of staff time spent on program activities not allocable to the AmeriCorps program. In addition to performing direct program supervision, the staff also spent time performing program development and other program activities.

Heads Up described program development activities as strategic planning, goal setting, monitoring of social issues and trends affecting program recipients, presenting reports to the Board of Directors, and meeting with college partners and educators. Heads Up described other program activities as attending meetings with community organizations that develop policy regarding children and youth, and with other providers of youth services.

According to 45 CFR § 2510.20, *Definitions*, program costs are expenses directly related to a program or project, including its operations and objectives. Further, program costs include costs for staff who recruit, train, place, support, coordinate, or supervise participants and costs for staff who work in a direct program or project support, operational, or oversight capacity. We questioned the \$1,147 of unallocable labor costs.

8. Of the 47 member files we sampled, one did not contain acceptable documentation to support citizenship. Heads Up was unaware that Social Security cards and driver's licenses were not adequate to support proof of citizenship until informed by Serve DC during a monitoring visit in May 2006. We questioned living allowance and fringe benefits of \$1,026 for the PY 2005-2006 member without citizenship documentation. We did not question an education award for this member, because the member had not completed service and earned an education award at the time of our fieldwork.

According to 45 CFR § 2522.200, *What are the eligibility requirements for an AmeriCorps participant*, every AmeriCorps participant must be a citizen, national, or lawful permanent resident of the United States.

9. Heads Up claimed \$628 of salary expenses as Federal costs in PY 2005-2006 for the portion of time that staff spent on administration of the organization. Heads Up defined administrative activities as those activities considered allocable and shared by all functions and necessary to support the programmatic functions of the agency. Administrative activities performed by the staff are included in the 5 percent administrative costs. In lieu of an indirect cost agreement, grantees may charge a fixed 5 percent of Federal funds expended for administrative costs. Serve DC passed on the fixed 5 percent to Heads Up.

According to 45 CFR § 2510.20 *Definitions*, administrative costs are defined as general or centralized expenses for overall administration of an organization. Heads Up was unaware that administration costs were included in the 5 percent administrative costs. We questioned salary expenses of \$628.

10. Members started service before signing member contracts (16 in PY 2004-2005 and 23 in PY 2005-2006). AmeriCorps Provisions, B.8.d., *Member Enrollment Procedures*, states that an individual is enrolled as an AmeriCorps member when he or she signs a member contract. Heads Up did not know why the contracts for these members were signed late, but believed that original contracts were lost, and the available contracts were replacements.

We questioned education awards of \$4,863 for three members in PY 2004-2005 who did not meet minimum service hours required for quarter- and half-time education awards when we deleted hours for service performed before member contracts were signed, as detailed below:

	<b>Member 1</b>	<b>Member 2</b>	<b>Member 3</b>
Timesheet hours	510	450	1019.5
Hours prior to signing contract	<u>165</u>	<u>118</u>	<u>1019.5</u>
Eligible service hours	<u>345</u>	<u>332</u>	<u>0.0</u>
Service hours required for award	<u>450</u>	<u>450</u>	<u>900.0</u>
Questioned Education Award	<u>\$1,250</u>	<u>\$1,250</u>	<u>\$2,363</u>

**Serve DC's Response:** Serve DC concurred in part with questioned costs in Schedule A. It did not concur with questioned costs in Notes 4 and 7 and the questioned education award for Member 3 in Note 10. Its responses are summarized below.

- **Note 4, Duplicate Benefit Costs.** Serve DC stated that Heads Up resubmitted a financial report on April 27, 2007, that corrected this error and did not include questioned duplicate benefit transactions.
- **Note 7, Unallocable Labor Costs.** Serve DC considers program development and other program costs as appropriate program costs.
- **Note 10, Questioned Education Awards.** Serve DC stated that Heads Up provided a copy of the signed member contract for Member 3 at the exit conference on June 7, 2007.

**Accountants' Comments:** Except for Notes 4, 7, and 10, Serve DC's corrective actions, as described, are responsive to our recommendations. Our specific comments follow.

- **Note 4, Duplicate Benefit Costs.** Duplicate benefits questioned in Note 4 were PY 2003-2004 benefit costs claimed in the March 2006 FSR. The April 27, 2007, financial reports corrected errors identified in the reconciliation of PY 2004-2005 and PY 2005-2006. The corrected financial reports did not include information from PY 2003-2004.
- **Note 7, Unallocable Labor Costs.** We recommend that the Corporation determine if program development and other program costs are appropriate program costs.
- **Note 10, Questioned Education Awards.** Heads Up provided a copy of a signed member contract for the Member 3 at the June 7, 2007, exit conference. This contract was, however, for PY 2003-2004 and not PY 2004-2005. The contract provided by Heads Up was signed by the member on April 18, 2004, but the member did not begin PY 2004-2005 service until June 10, 2005.

We recommend that the Corporation use an audit-like and in-depth approach to resolve and recover questioned costs.

**SERVE DC  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS  
SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

**EARTH CONSERVATION CORPS**

	<b>Amount</b>	<b>Notes</b>
Claimed Federal Costs	<u>\$389,613</u>	
Questioned Federal Costs:		
Funds budgeted for member support costs used for other costs	\$25,340	1
Labor cost claimed at budgeted percentages	20,419	2
Unallowable accounting service costs	2,800	3
Insufficient citizenship documentation	2,255	4
Living allowance paid to members who left program without completing all requirements	2,016	5
Living allowance claimed for non-AmeriCorps members	1,068	6
Living allowance claimed for suspension period	801	7
Unsupported costs	104	8
Consultant expenses in excess of limit	<u>73</u>	9
Total Questioned Federal Costs	<u>\$54,876</u>	
Questioned Education Awards:		
WBRS hours discrepancies	\$42,525	10
Service before signed contract	<u>4,725</u>	11
Total Questioned Education Awards	<u>\$47,250</u>	

1. ECC used \$25,340 budgeted for member support for staff salary costs in PY 2004-2005. It did not provide documentation of prior written approval for deviating from its approved budget. AmeriCorps Provisions, B.15.c., *Budgetary Changes*, states that the grantee must obtain prior written approval of the Corporation's Office of Grants Management before deviating from the approved budget by reallocating funds from the member support cost category to other categories of the approved budget. We questioned \$25,340 for reallocated costs claimed without prior written approval.
  
2. ECC claimed labor costs based on grant budget estimates and did not use timesheets to support claimed labor costs. OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, paragraph, 8.m., *Support of salaries and wages*, states that the distribution of salaries and wages to awards must be supported by personnel activity reports that reflect an after-the-fact determination of the actual activity of each employee. In addition, budget estimates or estimates determined before services



are performed do not qualify as support for charges to awards. We interviewed employees, whose labor costs were claimed, to determine the percentage of effort they spent on the AmeriCorps program. We calculated and questioned the \$20,419 of unallowable labor costs as shown below:

	<b>Claimed Effort</b>	<b>Actual Effort</b>	<b>Questioned Labor and Benefit Costs</b>
<b>PY 2004-2005</b>			
Employee 1	100%	50%	\$8,716
Employee 2	100%	95%	3,091
<b>PY 2005-2006</b>			
Employee 1	100%	50%	2,978
Employee 2	100%	95%	1,088
Employee 3	50%	20%	<u>4,546</u>
			<u>\$20,419</u>

3. ECC claimed accounting service expenses in PY 2004-2005. Accounting expenses are included in the 5 percent grant portion approved for administrative costs. According to 45 CFR, § 2510.20, *Definitions*, administrative costs for organizations that do not have established indirect cost rates for Federal awards include costs for financial, accounting, auditing, contracting, or general legal services except when specifically approved in writing by the Corporation as program costs. The subgrantee was not aware that these costs were included in its 5 percent administrative costs. We questioned \$2,800 of accounting expenses.
4. ECC did not provide documentation to support proof of citizenship for one of nine sampled members in PY 2005-2006. According to 45 CFR § 2522.200, *What are the eligibility requirements for an AmeriCorps participant?*, every AmeriCorps participant is required to be a citizen, national, or lawful permanent resident alien of the United States. AmeriCorps Provisions, B.8.d., *Member Enrollment Procedures*, states that an individual is enrolled as an AmeriCorps member when the program has verified the member's eligibility to serve. We questioned \$2,255 of living allowance and benefits for the member. We did not question an education award for this member because, at the time of our fieldwork, the member was still serving and had not earned an education award.
5. ECC claimed \$2,016 of lump-sum living allowance and benefits paid to two members who left the program early, did not complete their service, and did not earn education awards. AmeriCorps Provisions, B.11.b, *Living Allowance Distribution*, states that the living allowance is designed to help members meet necessary living expenses incurred while participating in the AmeriCorps Program. We questioned \$2,016 of lump-sum living allowance and benefits.
6. ECC claimed \$1,068 of living allowance and benefits paid to four individuals who were not in the AmeriCorps program in PY 2004-2005. AmeriCorps Provisions,

- B.11.b. *Living Allowance Distribution*, states that the living allowance is designed to help members meet necessary living expenses incurred while participating in the AmeriCorps Program. We questioned the \$1,068 of living allowance and benefits paid to non-members.
7. ECC claimed \$801 of living allowance payments to two PY 2004-2005 members who were suspended from the program. ECC paid the living allowances that these members would have earned during the suspension periods in a lump-sum upon their suspension from the program. AmeriCorps Provisions, B.10.a, *Temporary Suspension of Service*, states that members who are suspended for minor disciplinary reasons may not receive a living allowance for the suspension period. We questioned \$801 of living allowance paid to the members.
  8. ECC claimed \$104 for vehicle repair and provided only a credit card statement as support. According to 45 CFR § 2541.200 (b)(6) *Source documentation*, accounting records must be supported by source documentation such as cancelled checks and paid bills. Further, OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A.2, *Factors affecting allowability of costs*, states an award cost must be adequately documented to be allowable. Neither ECC nor the entity that repaired the vehicle could locate a repair invoice. We questioned \$104 of vehicle-repair costs.
  9. ECC claimed consulting service expenses of \$1,750 for a three-day training workshop held in PY 2004-2005. The average daily rate for the training workshop was \$583. AmeriCorps General Provisions, B.4. *Consultant Services*, states that payments to individuals for consultant services under this grant will not exceed \$540 per day. ECC was unaware of the limit for consultant services. We questioned \$73 of Federal share for consultant costs claimed in excess of the daily ceiling.
  10. Timesheets did not support WBRS hours for some sampled members:
    - Timesheets did not support hours recorded in WBRS for eight of nine sampled members in PY 2004-2005. At the request of the OIG, we expanded WBRS hours testing for nine additional members in PY 2004-2005. Timesheets did not support WBRS hours for these nine additional members.
    - Timesheets did not support hours recorded in WBRS through February 2007 for all nine sampled PY 2005-2006 members. At the request of the OIG, we expanded WBRS hours testing for six of nine sampled members through the end of the program year and for an additional six members. The timesheets did not support WBRS hours for the 12 members included in the expanded testing.

AmeriCorps Provisions, C.22.c.ii., *AmeriCorps Members*, requires that grantees keep time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits. The Corporation uses time-and-

attendance information in WBRs to track member status, which forms the basis for calculating education awards.

Member timesheets were missing and totals were incorrect, thus inaccurate hours were reported in WBRs. Actual hours supported by timesheets for nine PY 2004-2005 members and eight PY 2005-2006 members were insufficient to meet the service-hour requirement. We questioned education awards of \$42,525 for the PY 2004-2005 members, because they did not meet the 1,700-minimum-hour requirement.

<b>Member</b>	<b>WBRs Hours</b>	<b>Timesheet Hours</b>
1	1,805	0
2	1,960	0
3	2,008	0
4	1,904	0
5	1,784	0
6	1,818	0
7	2,003	0
8	1,803	0
9	1,809	0

Eight members in PY 2005-2006 did not meet the 1,700-hour-minimum requirement. We did not, however, question education awards totaling \$37,800, because ECC had not certified in WBRs that the following eight members had earned the awards.

<b>Member</b>	<b>WBRs Hours</b>	<b>Timesheet Hours</b>	<b>Sign-In Sheets and Time Card Hours</b>
1	1,759	1296	1,037
2	1,823	1258	1,086
3	1,748	26	833
4	1,855	68	931
5	1,741	0	863
6	1,733	0	916
7	1,827	0	1,042
8	1,796	0	893

- Five members in PY 2004-2005 and eight members in PY 2005-2006 started service before signing member contracts. AmeriCorps Provisions, B.8.d., *Member Enrollment Procedures*, states that an individual is enrolled as an AmeriCorps member when he or she has signed a member contract.

We questioned education awards of \$4,725 for one member in PY 2004-2005. This member did not meet the minimum 1,700 service hours required for full-time education awards when we deleted hours for service performed before a member contract was signed, as detailed below:

Timesheet hours	1,780
Hours prior to signing contract	<u>110</u>
Eligible service hours	<u>1,670</u>
Service hours required for award	<u>1,700</u>
Questioned Education Award	<u>\$4,725</u>

**Serve DC's Response:** Serve DC concurred in part with questioned costs in Schedule B. It did not concur with the questioned costs in Notes 2, 3, 4, and 9.

- **Note 2, Labor Cost.** Serve DC considers \$11,807 salary and benefit costs questioned in Note 2 to be included in the \$25,340 of salary and benefit costs questioned in Note 1.
- **Note 3, Unallowable Accounting Service Costs.** Serve DC stated that charges for the questioned accounting services were included in the Earth Conservation Corps 5% Corporation Fixed Amount line item and represent the only charges the program made to this line item.
- **Note 4, Insufficient Citizenship Documentation.** ECC has provided Serve DC with required citizenship documentation of AmeriCorps eligibility requirements.
- **Note 9, Consultant Expenses.** ECC paid \$1,750 to training company for three days of training provided by two trainers. Two trainers each providing three days of training equals a \$292 daily rate, well below the maximum \$540 permitted per AmeriCorps provisions.

**Accountants' Comments:** Except for Notes 2, 3, 4, and 9, Serve DC's corrective actions, as described, are responsive to our recommendations. Our specific comments follow.

- **Note 2, Labor Cost.** As discussed in the report section titled Compliance Results, Item 9, ECC's accounting system did not reconcile to costs claimed on its FSRs and PERs. Because of this, we were unable to determine if the \$11,807 of questioned salaries and benefits questioned in Note 2 was also questioned in Note 1.
- **Note 3, Unallowable Accounting Service Costs.** As discussed in the Compliance Results section, Item 9, ECC's accounting system did not reconcile to costs claimed on its FSRs and PERs. The documentation provided by ECC indicated that accounting service costs questioned in Note 3 were claimed as direct costs were not included in the 5% Corporation Fixed Amount.

- **Note 4, Insufficient Citizenship Documentation.** ECC did not provide citizenship documentation during fieldwork. If it does provide this documentation as it states, this will be respond to the condition cited.
- **Note 9, Consultant Expenses.** Documentation provided by ECC named two individuals as trainers, but did not indicate number of hours or days worked by the two trainers.

We recommend that the Corporation use an audit-like and in-depth approach to resolve and recover questioned costs.

**SERVE DC**  
**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS**  
**COMPLIANCE RESULTS**

**1. Serve DC and its subgrantees claimed unallowable and unsupported costs.**

The notes to Schedules A and B describe questioned costs of \$70,688, which are summarized in Exhibit A. A questioned cost is an alleged violation of provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds or a finding that, at the time of testing, such cost is not supported by adequate documentation.

**Recommendation:** We recommend that the Corporation follow up with Serve DC to determine the amount of costs that should be disallowed and recovered. In addition, we recommend that the Corporation calculate allowable administrative costs after the final determination of allowable costs and recover and disallow administrative costs.

**Serve DC's Response:** Serve DC concurred in part with this finding. It did not concur with questioned costs in Schedule A, Notes 4 and 7, and questioned education award for Member Three in Schedule A, Note 10. Serve DC also did not concur with the questioned costs in Schedule B, Notes 2, 3, 4, and 9.

Serve DC has taken several steps to ensure that subgrantees have sound financial management policies and procedures, including distributing a Program Director Handbook, requiring high-risk programs to submit receipts with monthly reimbursement requests, conducting financial management training during annual program director training, and providing financial management technical and training assistance opportunities through Corporation providers.

**Accountants' Comments:** Serve DC's specific comments on questioned costs are detailed in Schedules A and B. We recommend that the Corporation use an audit-like and in-depth approach to resolve and recover questioned costs.

**2. Subgrantees did not verify eligibility for all members before they began service.**

We tested member files for 65 members at two subgrantees. The file for one member at ECC did not contain citizenship documentation. The files for five members at Heads Up contained documentation that is unacceptable to support citizenship, such as Employment Eligibility Verification (I-9) forms documenting the review of member Social Security cards and driver's licenses. In addition, documentation for 10 Heads Up members indicated that verification of citizenship was performed from 11 to 385 days after the members started service.

According to 45 CFR § 2522.200, *What are the eligibility requirements for an AmeriCorps participant?*, every AmeriCorps participant is required to be a citizen, national, or lawful permanent resident alien of the United States. AmeriCorps Provisions, B.8.d., *Member Enrollment Procedures*, states that an individual is enrolled as an AmeriCorps member when the program has verified member eligibility to serve.

Heads Up was unaware that Social Security cards and driver's licenses were inadequate support for citizenship until informed by Serve DC during a monitoring visit. After we discussed the issue with the Heads Up representatives, Heads Up provided citizenship documentation for four of the five members. Failure to verify citizenship before a member's start date could result in ineligible members participating who are not citizens, nationals, or lawful permanent residents.

As discussed in Schedules A and B, we questioned \$3,281 of living allowance and benefits for the two members for whom the subgrantees were unable to provide citizenship documentation. We did not question education awards for these members, because they were still serving and had not earned education awards.

***Recommendation:*** We recommend that the Corporation require Serve DC to strengthen its subgrantee training and program monitoring procedures to ensure that adequate documentation is obtained and maintained to verify member eligibility before members begin service. In addition, we recommend that the Corporation follow up after additional training has been completed and monitoring procedures are in place to ensure that all Serve DC subgrantees verify eligibility before member contracts are signed. We also recommend that the Corporation obtain Serve DC's verification of member eligibility before the education awards for these two members are certified.

***Serve DC's Response:*** Serve DC concurred with this finding. It will conduct annual program director training and will provide subgrantees with a Program Director Handbook and a template of a member timesheet to ensure subgrantees are consistent in their program management activities.

In addition, Serve DC will increase the length of its subgrantee site visits and number of members sampled during the visits. Serve DC is also revising its site visit monitoring tool to address issues identified in this report and will forward the completed document to the Corporation for review and approval. Further, for programs designated as high risk, Serve DC will require additional monitoring steps, including specialized training plans, quarterly program benchmarks, and multiple monitoring visits.

***Accountants' Comments:*** Serve DC's corrective actions, as described, are responsive to our recommendations. We recommend that the Corporation follow up to ensure corrective actions are implemented and effective.

**3. Serve DC did not ensure that its subgrantees completed required member criminal background checks before members served with children.**

Heads Up did not complete background checks for four PY 2004-2005 returning members until after the members performed service with children. The completion time for background checks ranged from 7 to 42 days. AmeriCorps Provisions, B.6.h., *Criminal Record Checks*, requires that, to the extent permitted by state law, criminal record checks be conducted on members over the age of 18 who have access to children as part of the pre-service screening process.

Heads Up did not think that background checks were required for returning members, because background checks were conducted on the members during the prior program year. Heads Up initiated the background check process for the four members after it determined that PY 2003-2004 background checks had expired. Without background checks, members with criminal records could have contact with children, resulting in potential liability for the program's young clients, the subgrantee, Serve DC, and the Corporation.

**Recommendation:** We recommend that the Corporation require Serve DC to strengthen its subgrantee training and program monitoring procedures to ensure that background checks are performed before members serve with children. We also recommend that the Corporation follow up after additional training is provided, and monitoring procedures are in place, to ensure that all Serve DC subgrantees are in compliance with background check requirements.

**Serve DC's Response:** Serve DC did not concur with this finding. Serve DC agrees that AmeriCorps provisions require a member to successfully pass a background check before serving with children or other vulnerable populations, but notes that the provisions do not specify that background checks are required before each service term.

It further states that the District of Columbia Public Schools require background checks before initial contact with children but does not require background check to be updated on an annual basis. Serve DC will work with the Corporation to ensure that its background check policy adheres to District of Columbia regulations and AmeriCorps provisions.

**Accountants' Comments:** Serve DC's corrective actions, as described, do not address our recommendations.

**4. ECC timesheets did not support member eligibility for some education awards, and, in some instances, timesheet hours were not always accurately recorded in WBRS.**

Both subgrantees tested had weaknesses in member timekeeping procedures. We tested timesheets for 47 members at Heads Up and 18 members at ECC. Service hours recorded in WBRS were not supported by member timesheets for eight ECC members tested for PY 2004-2005 and nine ECC members for PY 2005-2006 (through February 2007). At the request of the OIG, we expanded testing for six of the nine PY 2005-2006 members through



the end of the program year. We also expanded testing by an additional nine members for PY 2004-2005 and six for PY 2005-2006.

ECC did not provide timesheets for the nine PY 2004-2005 members and for four PY 2005-2006 members included in the expanded testing. It provided some, but not all, of the timesheets for four other PY 2005-2006 members. ECC stated that it used member sign-in sheets and time cards to support PY 2005-2006 WBRS hours. Total service hours from sign-in sheets and time cards for eight PY 2005-2006 members included in the expanded testing were several hundred hours less than the total recorded in WBRS. In many cases, these differences affected member eligibility to earn an education award, because the number of timesheet-supported service hours did not meet the Corporation's service-hour requirements. Specifically:

- In PY 2004-2005, nine members did not meet minimum service hours required for education awards. We questioned education awards of \$42,525.
- In PY 2005-2006, eight members did not meet minimum service hours required for an education award. We did not question education awards of \$37,800, because the subgrantee had not certified in WBRS that the members had earned the awards.

ECC representatives stated at the exit conference that the PY 2005-2006 members did not earn their education awards and that the members would return to perform additional service hours.

In addition, time logs for one member in PY 2005-2006 were not completed in WBRS. AmeriCorps Provisions, C.22.c.ii, *AmeriCorps Members*, requires that grantees keep time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits. AmeriCorps Provisions, B.8.a, *Program Requirements*, states that to be eligible for an education award the member must complete the term of service and hours:

- Full-time members must serve at least 1,700 hours;
- Half-time members must serve at least 900 hours;
- Reduced half-time members must serve at least 675 hours;
- Quarter-time members must serve at least 450 hours; and
- Minimum-time members must serve at least 300 hours.

ECC did not have procedures in place to verify the accuracy of hours recorded in WBRS or to ensure that all member time was properly reported and timesheets were maintained in member files.

During testing, we noted some weaknesses in timekeeping procedures. A summary of timesheet discrepancies by subgrantee follows:

Subgrantee	Missing Names	Missing Signatures	Not Original	Prepared in Pencil	Whiteout Corrections	Changes Not Initialed	12 or More Service Hours Per Day
ECC	4	17	–	6	7	8	12
Heads Up	–	<u>11</u>	12	<u>1</u>	<u>3</u>	<u>6</u>	<u>40</u>
Total	<u>4</u>	<u>28</u>	<u>12</u>	<u>7</u>	<u>10</u>	<u>14</u>	<u>52</u>

ECC procedures require members and supervisors to sign and date service records, but do not address the use of pens and indelible ink. Heads Up has appropriate timekeeping procedures, but did not always follow them.

AmeriCorps requirements do not specifically address timesheet procedures. It is, however, good business practice to maintain original documents, initial changes, make corrections without pencil or whiteout, sign and date documents, and check the accuracy of hours recorded on timesheets. Without procedures to verify member activities or timesheet accuracy, the potential exists that members may perform prohibited activities or may receive education awards to which they are not entitled. By initialing changes, accountability is maintained that timesheets are consistent with member and management intentions.

**Recommendation:** We recommend that the Corporation require Serve DC to strengthen its subgrantee training and program monitoring procedures to ensure that subgrantees verify the accuracy and reasonableness of service hours reported in WBRIS and on timesheets, maintain member timesheets in member files, and have policies to ensure that timesheets are properly completed. We also recommend that the Corporation review results of Serve DC monitoring visits until the Corporation is confident of the effectiveness of strengthened training and policies and procedures.

We further recommend that the Corporation disallow earned and used education awards and recover education awards for members whose timesheets did not support their eligibility for an award. We also recommend that Serve DC and the Corporation evaluate the additional hours served by the PY 2005-2006 members, if any, to ensure the accuracy of the member hours and to ensure that the members are eligible to receive education awards.

**Serve DC's Response:** Serve DC concurred with this finding. It will conduct annual program director training and provide subgrantees with a Program Director Handbook and a template of a member timesheet to ensure subgrantees are consistent in their program management activities.

In addition, Serve DC will increase the length of its subgrantee site visits and number of members sampled during the site visits. Serve DC is also revising its site visit monitoring tool to address issues identified in this report and will forward the completed document to the Corporation for review and approval. Further, Serve DC will work with Corporation staff to review timesheets/records for its PY 2004-2005 and PY 2005-2006 members to determine which members earned education awards, and to develop actions that can be implemented to assist members who may need to earn additional service hours.

**Accountants' Comments:** Serve DC's corrective actions, as described, are responsive to our recommendations. We recommend that the Corporation follow up to ensure corrective actions are implemented and effective. We recommend that the Corporation freeze and recover education awards for those members without timesheets that support required service hours.

**5. Subgrantees did not always complete member enrollment, exit, and change-of-status forms and enter them into WBRS in accordance with AmeriCorps requirements.**

We tested enrollment, exit, and change-of-status forms for 65 members at Heads Up and ECC. These subgrantees did not enter member enrollment, exit, and change-of-status forms into WBRS within the required 30-day timeframe, as follows:

Subgrantee	Forms Entered Late		
	Enrollment	Exit	Change-of-Status
ECC	18	9	4
Heads Up	<u>25</u>	<u>11</u>	–
Total	<u>43</u>	<u>20</u>	<u>4</u>

In addition, ECC did not enter change-of-status forms into WBRS for two members when member documentation indicated they had been suspended. We further identified enrollment and exit forms that were missing, were not signed by members, were signed after the members started service, or were signed in pencil.

Subgrantee	Missing	Not Signed by Member	Signed After Service Start	Signed in Pencil
ECC	4	1	9	3
Heads Up	–	<u>7</u>	<u>1</u>	<u>1</u>
Total	<u>4</u>	<u>8</u>	<u>10</u>	<u>4</u>

AmeriCorps Provisions, B.8.c., *Notice to the Corporation's National Service Trust*, requires that grantees notify the Corporation within 30 days of a member's enrollment, suspension, and/or completion of service. Further, member change-of-status forms are required to be submitted no later than 30 days after member status is changed. AmeriCorps Provisions, C.27., *Retention of Records*, requires grantees to retain all program records for three years from the date of submission of the final Financial Status Report (FSR). Without timely completion and submission of enrollment, change-of-status, and exit forms, the Corporation cannot maintain accurate member records.

AmeriCorps requirements do not specifically address procedures for preparing forms. It is, however, good business practice to prepare and sign documents in ink. When member forms are prepared with pencil, it is difficult to determine if unauthorized alterations have been made, and an audit trail does not exist to determine if changes were authorized.

**Recommendation:** We recommend that the Corporation require Serve DC to strengthen its subgrantee training and program monitoring procedures to ensure that member enrollment, exit, and change-of-status forms are properly completed.

**Serve DC's Response:** Serve DC concurred with this finding. It will conduct annual program director training and provide subgrantees with a Program Director Handbook to ensure subgrantees are consistent in their program management activities.

In addition, Serve DC will increase the length of its subgrantee site visits and number of members sampled during the visits. Serve DC is also revising its site visit monitoring tool to address issues identified in this report and will forward the completed document to the Corporation for review and approval.

**Accountants' Comments:** Serve DC's corrective actions, as described, are responsive to our recommendations. We recommend that the Corporation follow up to ensure corrective actions are implemented and effective.

**6. Some member contracts were not signed before applicants started service, were missing, or did not include all required elements.**

AmeriCorps applicants become members only after signing a contract; therefore, service hours recorded before signing are not eligible to count toward earning an education award.

As discussed in Schedules A and B, we identified the following instances where service hours recorded subsequent to the contract signing date were insufficient to warrant an education award.

<b>Subgrantee</b>	<b>Signed After Service Start</b>	<b>Signature Date Changed</b>	<b>Questioned Education Awards</b>
Heads Up	39		\$4,863
ECC	<u>13</u>	<u>1</u>	<u>4,725</u>
Total	<u>52</u>	<u>1</u>	<u>\$9,588</u>

In addition, we note that:

- Heads Up and ECC were each unable to provide a contract for one member.
- ECC's member contracts did not include position descriptions, (they were separate documents). ECC did not provide a position description for the nine members tested from PY 2004-2005. The position descriptions for the nine members tested from PY 2005-2006 were signed after the members' start dates.
- The signature date on one ECC member's contract was changed with white-out, and the change was not initialed.

AmeriCorps Provisions, B.8.d, *Member Enrollment Procedures*, stipulates that AmeriCorps programs are required to sign a member contract with an individual or otherwise enter a legally enforceable commitment as defined by state law before enrolling a member. Further, members are not considered enrolled in a program until a contract is signed, and therefore service hours recorded before signing a member contract are not counted toward member education awards.

AmeriCorps Provisions, B.7.b., *Member Contracts*, requires members to sign contracts that stipulate responsibilities and rights, including position descriptions. Failure to sign member contracts that include all necessary stipulations could result in members being unaware of their rights and responsibilities.

**Recommendation:** We recommend that the Corporation require Serve DC to strengthen its subgrantee training and program monitoring procedures to ensure that a signed and dated contract stipulating all member responsibilities and rights is obtained before a member begins service and the contract is retained for each member for each year of service.

**Serve DC's Response:** Serve DC concurred with this finding. It will conduct annual program director training and will provide subgrantees with a Program Director Handbook and a template of a member contract to ensure subgrantees are consistent in their program management activities.

In addition, Serve DC will increase the length of its subgrantee site visits and number of members sampled during the visits. Serve DC is also revising its site visit monitoring tool to address issues identified in this report and will forward the completed document to the Corporation for review and approval. Further, for programs designated as high risk, Serve DC will require additional monitoring steps, including specialized training plans, quarterly program benchmarks, and multiple monitoring visits.

**Accountants' Comments:** Serve DC's corrective actions, as described, are responsive to our recommendations. We recommend that the Corporation follow up to ensure corrective actions are implemented and effective.

## **7. Subgrantees did not always document member orientation training attendance.**

ECC and Heads Up could not provide documentation to demonstrate that members received an orientation covering the AmeriCorps program and requirements before starting service, as follows:

- Three Heads Up members from PY 2004-2005 and two from PY 2005-2006 did not attend orientation. The subgrantee waived the orientation requirement, because these members were second-year members and had received an orientation in the prior program year.
- ECC did not provide documentation to show that two members from PY 2004-2005 received orientation training. The two members started the

program late, and their sign-in sheets did not indicate that they received orientation.

AmeriCorps Provisions, B.7.c., *Training*, states that grantees must conduct an orientation for members and comply with any pre-service orientation or training required by the Corporation. In addition, grantees are required to provide members with training, skills, knowledge, and supervision necessary to perform tasks required in their assigned project positions, including specific training in a particular field and background information on the community served. Further, AmeriCorps Provisions, C.27., *Retention of Records*, requires grantees to retain all program records for three years from the date of submission of the final FSR.

**Recommendation:** We recommend that the Corporation require Serve DC to strengthen its subgrantee training and program monitoring procedures to ensure that subgrantees retain documentation to support member attendance at orientation.

**Serve DC’s Response:** Serve DC concurs with this finding. It will strengthen its monitoring practices to ensure that subgrantees accurately document member orientation and training attendance and will require all subgrantees to develop a policy to include copies of orientation training schedules that are signed by all members and placed in member files.

**Accountants’ Comments:** Serve DC’s corrective actions, as described, are responsive to our recommendations. We recommend that the Corporation follow up to ensure corrective actions are implemented and effective.

**8. Subgrantees did not always conduct member evaluations that met AmeriCorps requirements and document all evaluations.**

ECC and Heads Up did not provide documentation that some members received mid-term and final evaluations, and many of the evaluations were missing either member or supervisor signatures. Missing and unsigned evaluations were as follows:

Subgrantee	Mid-Term Evaluations		Final Evaluations	
	Missing	Unsigned	Missing	Unsigned
Heads Up		20	11	10
ECC	<u>18</u>	—	<u>12</u>	—
Total	<u>18</u>	<u>20</u>	<u>23</u>	<u>10</u>

All final evaluations tested at Heads Up did not indicate if the member had completed the required number of service hours to be eligible for an education award.

AmeriCorps Provisions, B.7.g., *Performance Reviews*, states that grantees must conduct and keep a record of at least a mid- and end-of-term written evaluation of each member's performance for full- and half-time members and an end-of-term written evaluation for less than half-time members to document that the member has:

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

One Heads Up member without a PY 2004-2005 final evaluation returned in PY 2005-2006. Evaluations are necessary to ensure that members are eligible for additional service terms, and that grant objectives have been met. Without evaluations, members are not eligible to serve an additional term of service. We questioned the Federal share of the member's PY 2005-2006 living allowance of \$1,474, as explained in Schedule A, Note 5.

***Recommendation:*** We recommend that the Corporation require Serve DC to strengthen its subgrantee training and program monitoring procedures to ensure that subgrantees conduct and document member evaluations that meet AmeriCorps program requirements.

***Serve DC's Response:*** Serve DC concurred with this finding. It will conduct annual program director training and will provide subgrantees with a Program Director Handbook and a template of a member evaluation tool to ensure subgrantees are consistent in their program management activities.

In addition, Serve DC will increase the length of its subgrantee site visits and number of members sampled during the visits. Serve DC is also revising its site visit monitoring tool to address issues identified in this report and will forward the completed document to the Corporation for review and approval.

***Accountants' Comments:*** Serve DC's corrective actions, as described, are responsive to our recommendations. The Corporation should follow up to ensure corrective actions are implemented and effective.

**9. Serve DC and subgrantee financial management systems did not adequately account for and report grant costs in accordance with Federal requirements.**

Serve DC, Heads Up, and ECC were not accounting for and reporting grant costs in accordance with Federal requirements, as follows:

- Serve DC submitted inaccurate financial reports for the AmeriCorps Competitive, AmeriCorps Formula, Learn and Serve, Administrative, and Disability grants. It did not reconcile expenditures reported on its FSR to expenditures reported in its accounting system and on subgrantee Periodic Expense Reports (PER). 45 CFR § 2541.200 (b) requires that recipient

financial management systems provide for accurate, current, and complete disclosure of financial results of each Federally sponsored program.

- Serve DC used estimates or incomplete time-and-attendance reports for staff whose salaries were claimed as match. OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribe Governments*, Attachment B, paragraph, 8.h., *Support of salaries and wages*, requires salary distributions based on personnel activity reports for employees working on multiple activities. These must be signed by each employee and account for all time worked. Further, budget estimates or other distribution percentages determined before services are performed do not qualify as support for charges to Federal awards.
- ECC claimed labor costs based on budget estimates and did not use timesheets or periodic certifications to support claimed labor costs. OMB A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, paragraph 8.m., *Support of salaries and wages*, states that the distribution of salaries and wages to awards must be supported by personnel activity reports that reflect an after-the-fact determination of actual activity of each employee. In addition, budget estimates or estimates determined before services are performed do not qualify as support for charges to awards.
- ECC's accounting system did not reconcile to costs claimed on its FSRs and PERs. In PY 2004-2005, the accounting detail reports for Federal costs supported more expenditures than claimed on the FSR, and accounting detail reports for match costs supported fewer expenditures than claimed on the FSR. In PY 2005-2006, the accounting detail reports for Federal and match costs supported more expenditures than claimed on the FSR. In addition, some expenses were recorded as 100 percent Federal or 100 percent match in the accounting system, but allocated between Federal and match on the PER. Further, allocation percentages for Federal and match costs in the accounting system and on the PER differed. 45 CFR § 2543.21(b) requires that recipient financial management systems provide for accurate, current, and complete disclosure of financial results of each Federally sponsored program.
- Heads Up claimed salary and benefit costs that either were claimed as both Federal costs and match costs or were claimed multiple times as match costs. Heads Up claimed 49 duplicate salary and benefit transactions totaling \$58,560. 45 CFR § 2543.21(b) requires that recipient financial management systems provide for accurate, current, and complete disclosure of financial results of each Federally sponsored program.
- Serve DC did not submit FSRs in a timely manner in accordance with grant requirements, as follows:



Grant No.	FSRs Submitted Late	
	Number	Days Late
04CAHDC001	1	95
04PTHDC001	1	95
04CDHDC001	1	95
03KCHDC001	1	136
03ACHDC001	2	4-13
04AFHDC001	2	13-45

The AmeriCorps Provisions for the Learn and Serve, Program Development and Training, Disability Placement, and State Administrative Awards require grantees to submit semi-annual cumulative financial status reports summarizing expenditures during the reporting period by January 31 and July 31 of each year. In addition, AmeriCorps Provisions B.16.a., *Financial Status and Progress Reports Reporting*, states that grantees are responsible for setting subgrantee reporting requirements, and that subgrantees must adhere to reporting requirements outlined and communicated by the grantee.

Untimely submission of FSRs by subgrantees can adversely impact Serve DC's ability to submit complete and accurate reports to the Corporation.

- Heads Up and ECC did not submit FSRs and progress reports in accordance with subgrant requirements. AmeriCorps Provisions B.16.a., *Financial Status and Progress Reports Reporting*, states that grantees are responsible for setting subgrantee reporting requirements, and that subgrantees must adhere to reporting requirements outlined and communicated by the grantee for the program year. Serve DC required semiannual FSRs and progress reports to be submitted in WBRS. ECC did not submit one FSR in PY 2004-2005 and submitted no progress reports in PY 2005-2006.

In addition, we identified reports submitted after the subgrant due dates as follows:

Subgrantee	FSRs		Progress Reports	
	Number	Days Late	Number	Days Late
ECC	1	8	2	88 and 269
Heads Up			3	6, 29, 92

The failure to submit subgrantee FSRs and progress reports on time can adversely affect Serve DC's ability to submit complete and accurate reports to the Corporation.

**Recommendation:** We recommend that the Corporation require Serve DC to provide training to ensure that subgrantees are aware of the need to:

- Identify and segregate Federal and match costs in their accounting records;

- Maintain accurate accounting records;
- Report grant progress in a timely manner.

***Serve DC's Response:*** Serve DC concurs with this finding. It has taken several steps to ensure that subgrantees have sound financial management systems and procedures. These steps include distributing a Program Director Handbook, requiring high-risk programs to submit receipts with monthly reimbursement submissions, conducting financial management training during annual program director training, and providing financial management training through approved Corporation providers.

In addition, Serve DC has developed a checklist for submitting FSRs and now reconciles all subgrantee FSRs against Serve DC's expenditure tracking worksheets and the District of Columbia's System of Accounting and Reporting. Further, Serve DC has developed corrective action measures for subgrantees that do not submit timely progress or Financial Status Reports.

***Accountants' Comments:*** Serve DC's corrective actions, as described, are responsive to our recommendations. We recommend that the Corporation follow up to ensure that the corrective actions are implemented and effective.

**10. Serve DC and Heads Up did not ensure the allowability of claimed match costs.**

We identified the following unallowable match costs:

- Heads Up claimed as match costs \$93,687 of labor and benefits for the portion of staff time spent performing fundraising activities. OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, paragraph 17, *Fundraising and investment management costs*, states that the costs of organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable.
- Heads Up claimed as match \$79,564 of salary and benefit expenses for the portion of staff time spent on administration of the organization. Heads Up defined administrative activities as those considered allocable and shared by all functions and necessary to support programmatic functions of the agency.

Administrative activities performed by Heads Up personnel are included in the 5 percent allowable amount for administrative costs. In lieu of an indirect cost agreement, grantees may charge a fixed 5 percent of Federal funds expended for administrative costs. Serve DC passed on the fixed 5 percent to Heads Up. 45 CFR § 2510.20 defines administrative costs as general or centralized expenses of overall administration of an organization. Heads Up was unaware that administrative costs were included in the 5 percent cost allocation.

- Heads Up claimed as match costs \$37,491 of salaries and benefits for staff time spent on activities that were not allocable to the AmeriCorps program. The staff also spent time on program development and other program activities.

Heads Up described program development activities as strategic planning, goal setting, monitoring of social issues and trends affecting program recipients, presenting reports to the Board of Directors, and meeting with college partners and educators. Heads Up described other program activities as attending meetings with community organizations that develop policy regarding children and youth, and with other providers of youth services. 45 CFR § 2510.20, *Definitions*, defines program costs as expenses directly related to a program or project, including their operations and objectives. Further, program costs include costs for staff that recruit, train place, support, coordinate, or supervise participants and costs for staff who work in a direct program or project support, operational, or oversight capacity.

- In PY 2004-2005 and PY 2005-2006, Heads Up claimed as match \$114,296 of program expenses paid with funds from a grant with the District of Columbia Children Youth Investment Trust Corporation (CYITC). The grant agreement stated that the funds were a blend of Federal government funds and District of Columbia funds and must be expended in accordance with OMB Circular A-110. OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Subpart C.23, *Cost Share or Matching*, states that all contributions must be accepted as part of the recipient's cost sharing or matching if such contributions are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
- Serve DC used estimates as a basis for claiming match costs on the Administrative grant. Serve DC claimed as match \$562 of unallowable consulting services expenses. It erroneously claimed the budgeted \$2,300 instead of the actual \$1,738. In addition, Serve DC claimed \$7,500 of estimated financial service expenses. It did not monitor the expenditure of funds and was unaware that the funds were not spent on financial service expenses.
- Heads Up claimed \$1,750 for fundraising books as match costs in PY 2004-2005. In addition, it claimed as match \$258 of postage and delivery expenses for mailing donor solicitation letters. OMB A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, paragraph 17, *Fund raising and investment management costs*, states that costs of organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions, are unallowable. Heads Up did not have adequate procedures to ensure that claimed costs were allowable.

- Heads Up claimed \$4,422 of interest costs on a capital loan as match in PY 2004-2005. OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, paragraph 23, *Interest Costs*, states that costs incurred for interest on borrowed capital are unallowable. Heads Up did not know that these costs were unallowable.

Exceptions identified above resulted in overstated match costs claimed on Serve DC's FSR. Serve DC, however, had substantial overages in match requirements, and these offset the exceptions identified above. It appears that the match overages will enable Serve DC to meet its match requirement. As a result, we did not question overstated match costs here.

**Recommendation:** We recommend that the Corporation instruct Serve DC to review the applicable regulations and develop policies and procedures to ensure claimed match costs are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations. We also recommend that the Corporation instruct Serve DC to implement procedures requiring appropriate personnel to review the FSRs before they are submitted to the Corporation. The reviews should include tracing reported amounts on the FSRs to supporting documentation and verifying the accuracy of the data through appropriately designed analyses. We further recommend that the Corporation instruct Serve DC to adjust subsequent FSRs to reflect actual match costs that are verifiable, accurate, and in accordance with costs principles. Finally, we recommend the Corporation review claimed match costs for allowability prior to closing the grant.

**Serve DC's Response:** Serve DC concurs in part with this finding. It will continue to actively monitor subgrantee financial systems and practices to ensure strict compliance with regulations and reporting requirements.

Serve DC has taken several steps to ensure that subgrantees have sound financial management systems and procedures. These steps include distributing a Program Director Handbook, requiring high-risk programs to submit receipts with monthly reimbursement submissions, conducting financial management training during annual program director training, and providing financial management training through approved Corporation providers. Serve DC will also produce a summary of matching requirements and allowable match sources for subgrantees to ensure that all subgrantees are clear on what is permissible under Federal regulations and Corporation provisions.

Serve DC did not concur that \$114,296 of match funds provided to Heads Up through a grant with CYITC, and \$37,491 of staff time spent on program development and other program activities, are unallowable costs.

- **CYITC Match Costs.** Heads Up has written confirmation from CYITC that funds it received as non-Federal dollars were \$44,000 in PY 2004-2005 and \$190,150 in PY 2005-2006. Serve DC believes that segregation of dollar amounts derived from non-Federal sources is an adequate assurance that no Federal costs were reported as matching costs. During the testing period the

auditing firm was unable to adequately address what would provide assurances that Federal funds were not used as match.

- **Program Development and Other Program Costs.** Serve DC believes that these costs relate directly to operations of a successful AmeriCorps program.

Heads Up has identified more matching funds than are statutorily required. Thus, Serve DC is prepared to modify the final AmeriCorps Competitive grant FSR and decrease reported match expenditures for unallowable costs.

*Accountants' Comments:* Serve DC's corrective actions for unallowable fundraising, administration, consultant services, and general liability insurance costs, as described, are responsive to our recommendations. Serve DC's corrective actions for the CYITC match costs and program development and other program costs do not address our recommendations.

- **CYITC Match Costs.** It is the responsibility of the auditee to provide assurances that Federal funds were not used as match. Heads Up provided a spreadsheet showing the amount of CYITC funds from non-Federal sources. Heads Up did not, however, provide documentation to demonstrate that expenses claimed as match were not paid with the non-Federal dollars. We recommend that Serve DC provide the Corporation with this documentation.
- **CYITC Match Costs.** We also recommend that the Corporation determine if program development and other program costs claimed as match are allowable.

We recommend that the Corporation include the \$58,560 of unallowable salary and benefit transactions identified in No. 9 above when adjusting the final AmeriCorps Competitive FSR. We also recommend that the Corporation determine if Serve DC met its match requirement after adjusting the final AmeriCorps Competitive FSR.

#### **11. Serve DC did not ensure that subgrantees complied with AmeriCorps requirements.**

Serve DC did not ensure that subgrantees always complied with the following AmeriCorps provisions:

- ECC paid living allowances of \$9,700 or \$9,800, which is less than the required \$10,197 minimum for PY 2004-2005. In addition, based on the distribution method described in the PY 2005-2006 member contracts, it appears that PY 2005-2006 members would be paid a living allowance of less than the \$10,600 minimum requirement.

45 CFR § 2522.240 *What financial benefits do AmeriCorps participants serving in approved AmeriCorps positions receive?*, states that any individual who participates in an AmeriCorps program on a full-time basis will receive a

living allowance equal to or greater than the average annual subsistence allowance provided to Volunteers in Service to America (VISTA) members under Section 105 of the Domestic Volunteer Service Act of 1973. The minimum living allowances for PYs 2004-2005 and 2005-2006 were \$10,197 and \$10,600, respectively.

A living allowance of \$9,800 was in the original budget for PY 2004-2005, but the amount was increased to \$10,094, when the budget was approved. ECC, however, used the amount in the original budget to distribute living allowances. Its representatives could not explain why the budgeted living allowance was approved for an amount less than the minimum required. ECC believed that most of the PY 2004-2005 members received a living allowance of \$9,700, instead of the \$9,800 in the original budget, due to a miscalculation by ECC's accountant.

- Heads Up distributed living allowances to members during summer, fall, and spring semesters, but did not distribute living allowances during the one-month breaks between semesters. In addition, the amount of living allowances varied by semester.

In PYs 2004-2005 and 2005-2006, members received living allowances of \$2,500 in the summer, \$800 in the fall semester, and \$1,200 in the spring semester. The subgrantee informed us that it increased the summer allowances to compensate members for increased expenses while school was not in session. It also, however, increased spring payments to provide members with an incentive to stay with the program throughout the school year.

AmeriCorps Special Provisions B.I.1, *Living Allowance Distribution*, states that programs should pay the living allowance in regular increments, such as weekly or bi-weekly, paying an increased increment only for increased living expenses, such as food, housing, or transportation.

- ECC did not enter one PY 2005-2006 member into WBRS. AmeriCorps Provisions, B.8.d, *Member Enrollment Procedures*, states that an individual is enrolled as an AmeriCorps member when the program has verified the member's eligibility to serve, signed a member contract, approved the enrollment form in WBRS, and the member has begun his or her term of service. The member file contained a copy of the member's birth certificate, a signed member contract, and a signed enrollment form. In addition, the member received six living allowance payments. ECC would have exceeded its member slot limit if this member had been entered into WBRS.

***Recommendation:*** We recommend that the Corporation determine if retroactive payments should be made to members and ensure that subgrantees use application guidelines when determining living allowances for members. We further recommend that the Corporation

require Serve DC to strengthen its subgrantee training and program monitoring procedures to ensure that subgrantees comply with AmeriCorps requirements.

***Serve DC's Response:*** Serve DC concurred in part with this finding. It now requires subgrantees to submit living allowance payment schedules annually to Serve DC. Serve DC will use the payment schedules to verify living allowance expenditures listed in monthly reimbursement requests. Serve DC will conduct annual program director training and will provide subgrantees with a Program Director Handbook to ensure subgrantees are consistent in their program management activities.

***Accountants' Comments:*** Serve DC's corrective actions, as described, are responsive to our recommendations. We recommend that the Corporation follow up to ensure the corrections are implemented and effective.

**12. Serve DC did not adequately document reviews of subgrantee OMB Circular A-133 audit reports.**

We reviewed the monitoring files for all four Serve DC subgrantees. Serve DC did not document whether subgrantees submitted OMB Circular A-133 audit reports and management letters as required. Three of the four Serve DC subgrantees had Single Audits during the review period, but Serve DC was only able to provide one Single Audit report for one subgrantee. In addition, it did not document results of its reviews of subgrantees' audit reports and management letters and did not perform reconciliations of subgrantee payments to report expenditures.

OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, Subpart D.400 (d), *Pass-through Entity Responsibilities*, requires grantees to ensure that subrecipients undergo audits meeting requirements of the circular. According to 45 CFR § 2541.260(b)(4), recipients must consider whether subrecipient audits necessitate adjustment of the grantee's own records. Serve DC was unaware that its AmeriCorps Program Director Handbook contained forms for documenting reviews of subgrantees audit reports, tracking whether subgrantees submitted audit reports, and for following up with subgrantees on issues identified in audit reports.

***Recommendation:*** We recommend that the Corporation require Serve DC to strengthen its subgrantee training and program monitoring procedures to ensure that all OMB Circular A-133 reports and management letters are obtained and maintained, necessary reconciliations are performed, and results of these procedures are documented.

***Serve DC's Response:*** Serve DC concurs with this finding. It revised its subgrantee audit review procedures to include a written statement for the grant file, noting any issues identified and applicable subgrantee responses.

***Accountants' Comments:*** Serve DC's corrective actions, as described, are responsive to our recommendation. Serve DC did not, however, address obtaining and reviewing subgrantee management letters and performing necessary reconciliations. We recommend that the Corporation follow up to ensure corrective actions are implemented and effective.

**APPENDIX A**

**SERVE DC'S RESPONSE TO AGREED-UPON PROCEDURES REPORT**



GOVERNMENT OF THE DISTRICT OF COLUMBIA  
EXECUTIVE OFFICE OF THE MAYOR



Serve DC

November 1, 2007

Ms. Carol Bates  
Assistant Inspector General for Audit  
Corporation for National and Community Service  
1201 New York Avenue NW  
Washington DC 20525

Dear Ms. Bates:

Thank you for this opportunity to comment on the draft report of the Office of the Inspector General's *Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Serve DC*.

Serve DC is proud to administer AmeriCorps, Learn and Serve America, and other grant funding provided by the Corporation for National and Community Service. Since the creation of the District of Columbia Commission on National and Community Service, we have strived to expand our capacity to manage a diverse portfolio consisting of organizations that serve and help the residents of the District of Columbia.

Attached is the detailed response from Serve DC on the findings and questioned costs identified in the report.

Recognizing that continued improvement will only help to strengthen our programming and benefit the District's residents, Serve DC is committed to using this report as the basis for identifying areas in which we need to improve performance to comply with Corporation guidelines and regulations.

Sincerely,

A handwritten signature in blue ink, appearing to read "Millicent D. Williams".

Millicent D. Williams  
Executive Director

**Schedule A: Claimed and Questioned Costs- Heads Up**

Responses for Notes 1- 9 are included in the Exhibit B: Compliance Results response for Finding 1.

In Note 10, the auditors questioned education awards totaling \$4,863 due to members beginning to serve before the signing of member contracts. Serve DC concurs in part for this finding. For Member 3, with a \$2,363 questioned education award, Heads Up provided a copy of the signed member contract to the auditors at the exit conference on June 7, 2007. For Member 1 and Member 2, each with a \$1,250 questioned education award, Serve DC concurs that the members began to serve before signing a member contract.

**Schedule B: Claimed and Questioned Costs- Earth Conservation Corps**

Responses for Notes 1- 9 are included in the Exhibit B: Compliance Results response for Finding 1.

In Note 10, the auditors questioned education awards totaling \$42,525 due to WBRS hours discrepancies. Currently all time sheets/records for Earth Conservation Corps members from Program Years 2004-2005 and 2005-2006 are being reviewed by the Corporation's AmeriCorps Program Officer and Grants Officer for Serve DC. Serve DC will be actively working with Corporation staff to verify member hours to determine which members earned education awards and to develop actions that can be implemented to assist members who may need to earn additional hours.

In Note 11, the auditors questioned education awards totaling \$4,725 due to a member beginning to serve before the signing of the member contract. Serve DC concurs with this finding.

**Exhibit B: Compliance Results**

**Finding 1: Serve DC and its subgrantees claimed unallowable and unsupported costs totaling \$70,688:**

- a. Heads Up- Member living allowances for third-term members- \$5,381 (From Schedule A, Note 1):
  - Serve DC concurs with this finding.
- b. Heads Up- Unallowable labor costs: fundraising- \$1,925 (From Schedule A, Note 2):
  - Serve DC concurs with this finding.
- c. Heads Up- Living allowance for prior-year members and hourly living allowance- \$1,510 (From Schedule A, Note 3):

- Serve DC concurs with this finding.
- d. Heads Up- Duplicate benefit costs- \$1,497 (From Schedule A, Note 4):
  - Serve DC does not concur with this finding. Heads Up initially submitted an accounting report that contained an error. Heads Up resubmitted to the auditing firm on April 27, 2007 financial reports that corrected this error and did not include the questioned duplicate benefit transaction.
- e. Heads Up- End-of-term evaluation not performed- \$1,474 (From Schedule A, Note 5):
  - Serve DC concurs with this finding.
- f. Heads Up- Unallowable liability insurance- \$1,204 (From Schedule A, Note 6):
  - Serve DC concurs with this finding.
- g. Heads Up- Unallocable labor costs: program development and other program- \$1,147 (From Schedule A, Note 7):
  - Serve DC does not concur with this finding. In order to maintain a high quality AmeriCorps program that focuses on tutoring of disadvantaged youth, it is critical that functions such as program development, strategic planning, and District wide education policy development occur. Program development involves the creation, review and auditing of Heads Up's current programs. Ongoing program development is vital to ensure quality programming that is relevant to the communities Heads Up serves, informed by scientific principles applied to education and successfully achieves program goals. This process requires a sweeping knowledge of (in Heads Up's case) educational trends, volunteerism and the status of out of school time programs nationally and locally.

The Other Program activities stated in the report refer to both the development of education policy and strategic planning. In order to sustain the partnership with the District of Columbia Public School system – or the charter school community, Heads Up must understand the civic leadership's policy and approach to working with community-based organizations. This partnership is vital to ensuring access to students and in measuring the success of the program. In addition to education policy development and monitoring, Heads Up must have a strategy, goals and accountability measures in place to implement policy directives.

Serve DC believes these expenses are appropriate program costs that relate directly to the operations of a successful AmeriCorps program.

- h. Heads Up- Inadequate citizenship documentation- \$1,026 (From Schedule A, Note 8):
  - Serve DC concurs with this finding.

- i. Heads Up- Unallocable labor costs: administration- \$628 (From Schedule A, Note 9):
  - Serve DC concurs with this finding.
- j. Earth Conservation Corps- Funds budgeted for member support costs used for other costs- \$25,340 (From Schedule B, Note 1):
  - Serve DC concurs with this finding.
- k. Earth Conservation Corps- Labor cost claimed at budgeted percentages- \$20,419 (From Schedule B, Note 2):
  - Serve DC concurs that Earth Conservation Corps claimed labor costs at budgeted percentages. However, for Program Year 2004-2005, \$11,807 in salary and benefit charges were questioned. Serve DC believes that these charges are already captured in the questioned costs for the finding from Schedule B, Note 1. The Note 1 finding was comprised of salary and benefit expenditures. For Program Year 2005-2006, \$8,612 in salary and benefit charges were questioned for three positions. Due to budget constraints in Section I, there were additional funds attributable to these three positions that were not charged to the AmeriCorps grant. Serve DC can therefore identify additional salary expenditures to offset this questioned cost.
- l. Earth Conservation Corps- Unallowable accounting service costs- \$2,800 (From Schedule B, Note 3):
  - Serve DC does not concur with this finding. The charges for accounting services were included in the Earth Conservation Corps 5% Corporation Fixed Amount line item and represent the only charges the program made to this line item.
- m. Earth Conservation Corps- Insufficient citizenship documentation- \$2,255 (From Schedule B, Note 4):
  - Serve DC does not concur with this finding. Earth Conservation Corps has provided Serve DC the required citizenship documentation that fulfills the AmeriCorps eligibility requirements, which Serve DC will forward to the Corporation.
- n. Earth Conservation Corps- Living allowance paid to members who left program without completing all requirements- \$2,016 (From Schedule B, Note 5):
  - Serve DC concurs with this finding.
- o. Earth Conservation Corps- Living allowance claimed for non-AmeriCorps members- \$1,068 (From Schedule B, Note 6):
  - Serve DC concurs with this finding.
- p. Earth Conservation Corps- Living allowance claimed for suspension period- \$801 (From Schedule B, Note 7):
  - Serve DC concurs with this finding.

- q. Earth Conservation Corps- Unsupported costs- \$104 (From Schedule B, Note 8):
  - Serve DC concurs with this finding.
  
- r. Earth Conservation Corps- Consultant expenses in excess of limit- \$73 (From Schedule B, Note 9):
  - Serve DC does not concur with this finding. Earth Conservation Corps paid \$1,750 to a training company to provide three days of training. There were two trainers providing the training. Two trainers each providing three days of training equals a daily rate of \$292, well below the maximum \$540 permitted per AmeriCorps provisions.

Serve DC recognizes the critical importance of ensuring that our subgrantees have sound financial management policies and procedures. Serve DC has taken several steps to ensure this including 1) distributing an AmeriCorps\*State Program Director Handbook, which has an in-depth financial requirements section; 2) requiring high risk programs to submit receipts with monthly reimbursement submissions; 3) conducting a financial management section at the annual AmeriCorps\*State Program Director Institute; 4) providing financial management technical and training assistance opportunities, through approved Corporation providers.

**Finding 2: Subgrantees did not verify eligibility for all members before they began service.**

Serve DC concurs with this finding. Serve DC provides extensive subgrantee training and performs program monitoring procedures to ensure that adequate documentation is obtained and maintained to verify member eligibility before members begin service. Serve DC will utilize this finding to continue strengthening its subgrantee training in documenting member eligibility, to ensure that appropriate staff members attend trainings, and to ensure that its monitoring procedures verify subgrantee compliance.

Serve DC has taken several steps to strengthen the monitoring of subgrantees. In August 2007, Serve DC facilitated the 2007 AmeriCorps\*State Program Director Institute. During this session, Serve DC provided the 2007-2008 Serve DC AmeriCorps\*State Program Director Handbook which outlines policies and procedures relative to member, program and financial management as well as standardized tools to address member enrollment/exiting, budget modification, and grantee audit analysis. Moving forward, Serve DC will continue to conduct an annual Institute to ensure grantee sites are consistent in their program management activities.

Serve DC has also expanded the scope of its annual grantee monitoring visit. Changes include increasing the number of sampled member files requested (from 10% of members to 20% of members) and conducting the monitoring visit over multiple days. The monitoring tool is also being revised to ensure it satisfactorily addresses applicable issues raised in this report and Serve DC will forward the tool to the Corporation for its review and approval.

For programs designated as high risk, Serve DC will be requiring additional monitoring steps to include specialized training plans, quarterly program benchmarks, monthly submission of receipts with reimbursement submissions and multiple monitoring visits per year.

**Finding 3: Serve DC did not ensure that its subgrantees completed required member criminal background checks before members served with children.**

Serve DC does not concur with this finding.

AmeriCorps provisions on criminal background checks require a member to successfully pass a background check before working with children or other vulnerable populations. The members in question were second term members at Heads Up who had successfully completed background checks prior to the start of their first term of service. AmeriCorps provisions do not specify that background checks are required before each term of service. In addition, through discussions with the Chancellor's Office at the District of Columbia Public Schools, Serve DC has verified that the DC Public Schools requires background checks before initial contact with children but does not require the background check to be updated on an annual basis.

Serve DC recognizes the importance of ensuring that its background check policy adheres to District of Columbia regulations and AmeriCorps provisions, including the revised background check provisions that are currently being implemented, and will work with the Corporation to ensure that this occurs.

**Finding 4: ECC timesheets did not support member eligibility for some education awards and, in some instances, timesheet hours were not always accurately recorded in WBRs. Both subgrantees tested had weaknesses in member timekeeping procedures.**

Serve DC concurs with this finding.

Serve DC has taken several steps to strengthen the monitoring of sub-grantees. In August 2007, Serve DC facilitated the 2007 AmeriCorps\*State Program Director Institute. During this session, Serve DC provided the 2007-2008 Serve DC AmeriCorps\*State Program Director Handbook which outlines policies and procedures relative to member, program and financial management as well as standardized tools to address member enrollment/exiting, budget modification, and grantee audit analysis. Moving forward, Serve DC will continue to conduct an annual Institute to ensure grantee sites are consistent in their program management activities.

Serve DC has also expanded the scope of its annual grantee monitoring visit. Changes include increasing the number of sampled files requested (from 10% of members to 20% of members) and conducting the monitoring visit over multiple days. The monitoring tool is also being revised to ensure it satisfactorily addresses applicable issues raised in this report and Serve DC will forward the tool to the Corporation for its review and approval. Serve DC's standard

practice has been to forward all grantee monitoring reports to the AmeriCorps Program Officer at the Corporation and Serve DC will continue to forward these reports.

To rectify confusions surrounding use of timesheets, Serve DC has developed and distributed a standard member timesheet template that will be used by all programs.

The audit questions \$42,525 in education awards for Earth Conservation Corps members from program year 2004-2005. Currently all time sheets/records for Earth Conservation Corps members from Program Years 2004-2005 and 2005-2006 are being reviewed by the Corporation's AmeriCorps Program Officer and Grants Officer for Serve DC. Serve DC will be actively working with Corporation staff to verify member hours to determine which members earned education awards and develop actions that can be implemented to assist members who may need to earn additional hours.

**Finding 5: Subgrantees did not always complete member enrollment, exit, and change-of-status forms and enter them into WBRS in accordance with AmeriCorps requirements.**

Serve DC concurs with this finding. Subgrantees have received detailed and specific instruction and guidance on the importance of accurate recordkeeping of member enrollment, exit, and change of status forms.

Serve DC has initiated several changes in the manner in which it tracks and monitors subgrantees member information in WBRS. For member enrollment and exit compliance, Serve DC will regularly review WBRS data to ensure programs are in compliance with this requirement. Serve DC will also be updating its policies to require programs to notify Serve DC in writing when there is a change of status of a member; Serve DC will use this notification to ensure that the applicable changes are made in WBRS.

Serve DC has taken several steps to strengthen the monitoring of subgrantees. In August 2007, Serve DC facilitated the 2007 AmeriCorps\*State Program Director Institute. During this session, Serve DC provided the 2007-2008 Serve DC AmeriCorps\*State Program Director Handbook which outlines policies and procedures relative to member, program and financial management as well as standardized tools to address member enrollment/exiting, budget modification, and grantee audit analysis. Moving forward, Serve DC will continue to conduct an annual Institute to ensure grantee sites are consistent in their program management activities.

Serve DC has also expanded the scope of its annual grantee monitoring visit. Changes include increasing the number of sampled files requested (from 10% of members to 20% of members) and conducting the monitoring visit over multiple days. The monitoring tool is being revised to ensure it satisfactorily addresses applicable issues raised in this report and Serve DC will forward the tool to the Corporation for its review and approval.

**Finding 6: Some member contracts were not signed before applicants started service, were missing, or did not include all required elements.**

Serve DC concurs with this finding.

Serve DC has taken several steps to strengthen the monitoring of subgrantees. In August 2007, Serve DC facilitated the 2007 AmeriCorps\*State Program Director Institute. During this session, Serve DC provided the 2007-2008 Serve DC AmeriCorps\*State Program Director Handbook which outlines policies and procedures relative to member, program and financial management as well as standardized tools to address member enrollment/exiting, budget modification, and grantee audit analysis. Moving forward, Serve DC will continue to conduct an annual Institute to ensure grantee sites are consistent in their program management activities.

Serve DC has provided a template of a member contract that includes all required elements to all programs for their use.

Serve DC has also expanded the scope of its annual grantee monitoring visit. Changes include increasing the number of sampled files requested (from 10% of members to 20% of members) and conducting the monitoring visit over multiple days. The monitoring tool is also being revised to ensure it satisfactorily addresses applicable issues raised in this report and Serve DC will forward the tool to the Corporation for its review and approval.

**Finding 7: Subgrantees did not always document member orientation training attendance.**

Serve DC concurs with this finding.

For both Heads Up and Earth Conservation Corps, several members were not able to attend the initial member orientation. The members therefore received small group or individualized orientation sessions. Serve DC will strengthen its monitoring practices to ensure that subgrantees accurately document member orientation and training attendance and will require all subgrantees to develop a policy in which copies of orientation training schedule are signed by members and placed in member files.

**Finding 8: Subgrantees did not always conduct member evaluations that met AmeriCorps requirements and document all evaluations.**

Serve DC concurs with this finding.

Serve DC has already taken several steps to strengthen the monitoring of subgrantees. In August 2007, Serve DC facilitated the 2007 AmeriCorps\*State Program Director Institute. During this session, Serve DC provided the 2007-2008 Serve DC AmeriCorps\*State Program Director Handbook which outlines policies and procedures relative to member, program and financial management as well as standardized tools to address member enrollment/exiting,



budget modification, and grantee audit analysis. Moving forward, Serve DC will continue to conduct an annual Institute to ensure grantee sites are consistent in their program management activities.

Serve DC has also expanded the scope of its annual grantee monitoring visit. Changes include increasing the number of sampled files requested (from 10% of members to 20% of members) and conducting the monitoring visit over multiple days. The monitoring tool is also being revised to ensure it satisfactorily addresses applicable issues raised in this report and Serve DC will forward the tool to the Corporation for its review and approval.

In addition, Serve DC has provided all programs with a standard member evaluation tool template.

**Finding 9: Serve DC and subgrantee financial management systems did not adequately account for and report grant costs in accordance with federal requirements.**

Serve DC concurs with this finding.

Serve DC recognizes the critical importance of strengthening its financial management systems and practices. As such, the following policies have been implemented:

- a. All subgrantee Financial Status Reports are reconciled against Serve DC expenditure tracking worksheets and the District of Columbia Government's System of Accounting and Reporting (SOAR), which is the system of record for all of Serve DC's expenditures. Any discrepancies on subgrantee Financial Status Reports will be immediately resolved so that the reports agree with the subgrantees' expenditure reimbursement requests.
- b. A checklist has been developed that must be completed before a Financial Status Report can be submitted. The checklist ensures that records from SOAR are printed, any costs that have yet to appear in SOAR are clearly identified and documented, and that there is a clear crosswalk between SOAR expenditures and Financial Status Report expenditures. As a final step in the checklist, the Serve DC Executive Director will review and approve before the Financial Status Report is submitted to the Corporation.
- c. All Serve DC staff complete time and effort reports on a monthly basis. For Serve DC staff whose salaries are claimed as match, Serve DC requires employees to report against specific grants and phases and has developed codes for each unique grant and phase to facilitate this process. Serve DC does not use any estimates to identify matching salary funds.
- d. Serve DC recognizes the critical importance of submitting timely Financial Status Reports to the Corporation and receiving timely Financial Status Reports from its subgrantees. The Deputy Director for Grants and Operations is tasked with ensuring all Financial Status Reports are submitted to the Corporation and the AmeriCorps Program Manager is tasked with ensuring subgrantees submit the Financial Status Reports and Progress Reports to Serve

DC. For subgrantees that do not submit timely progress or financial status reports, Serve DC will be instituting corrective action measures including the holding of reimbursement funds until the outstanding reports are received.

Serve DC recognizes the critical importance of ensuring that its subgrantees have sound financial management systems and procedures. Serve DC has taken several steps to ensure this including 1) distributing an AmeriCorps\*State Program Director Handbook, which has an in-depth financial requirements section; 2) requiring high risk programs to submit receipts with monthly reimbursement submissions; 3) conducting a financial management section at the annual AmeriCorps\*State Program Director Institute; 4) providing financial management technical and training assistance opportunities, through approved Corporation providers. Serve DC will continue to actively monitor subgrantees financial systems and practices to ensure strict compliance with regulations and reporting requirements.

**Finding 10: Serve DC and Heads Up did not ensure the allowability of claimed match costs.**

Serve DC concurs in part with this finding.

Of the \$331,468 of unallowable match costs associated with Heads Up, Serve DC concurs that \$174,681 of the costs are unallowable.

Serve DC does not concur that the \$114,296 in matching funds provided via a grant with the District of Columbia Children Youth Investment Trust Corporation (CYITC) is unallowable. Heads Up has received written confirmation from CYITC that the funds it received as non federal dollars were \$44,000 in PY 2004-2005 and \$190,150 in PY 2005-2006. Serve DC believes that the segregation of dollar amounts derived from non federal sources is an adequate assurance that no federal dollars were reported as matching costs. During the testing period, the auditing firm was unable to adequately address what, if anything, would provide assurances that federal funds were not used as match.

Serve DC does not concur that the \$37,491 of salaries and benefits spent on staff time for program development were not allocable to the AmeriCorps grant. In order to maintain a high quality AmeriCorps program that focuses on tutoring of disadvantaged youth, it is critical that functions such as program development, strategic planning, and District wide education policy development occur. Program development involves the creation, review and auditing of Heads Up's current programs. Ongoing program development is vital to ensure quality programming that is relevant to the communities Heads Up serves, informed by scientific principles applied to education and successfully achieves program goals. This process requires a sweeping knowledge of (in Heads Up's case) educational trends, volunteerism and the status of out of school time programs nationally and locally.

The Other Program activities stated in the report refer to both the development of education policy and strategic planning. In order to sustain the partnership with the District of Columbia Public School system – or the charter school community, Heads Up must understand the civic

leadership's policy and approach to working with community-based organizations. This partnership is vital to ensuring access to students and in measuring the success of the program. In addition to education policy development and monitoring, Heads Up must have a strategy, goals and accountability measures in place to implement policy directives.

Serve DC believes these expenses are appropriate program costs that relate directly to the operations of a successful AmeriCorps program.

As Heads Up has identified more matching funds than statutorily required, Serve DC is prepared to modify the final AmeriCorps Competitive Financial Status Report and decrease the reported match expenditures by \$174,681.

Serve DC concurs that matching funds of \$8,062 were not allowable for the Commission Administration grant. Serve DC has already revised its final Financial Status Report and removed these reported expenditures.

In addition, Serve DC will produce a summary of matching requirements and allowable matching sources for the subgrantees to ensure that all subgrantees are clear on what is permissible through federal regulations and Corporation provisions.

Serve DC has adopted the following policies relative to Financial Status Reports:

- a. All subgrantee Financial Status Reports are reconciled against Serve DC expenditure tracking worksheets and the District of Columbia Government's System of Accounting and Reporting (SOAR), which is the system of record for all of Serve DC's expenditures. Any discrepancies on subgrantee Financial Status Reports will be immediately resolved so that the reports agree with the subgrantees' expenditure reimbursement requests.
- b. A checklist has been developed that must be completed before a Financial Status Report can be submitted. The checklist ensures that records from SOAR are printed, any costs that have yet to appear in SOAR are clearly identified and documented, and that there is a clear crosswalk between SOAR expenditures and Financial Status Report expenditures. As a final step in the checklist, the Serve DC Executive Director will review and approve before the Financial Status Report is submitted to the Corporation.
- c. Serve DC recognizes the critical importance of submitting timely Financial Status Reports to the Corporation and receiving timely Financial Status Reports from its subgrantees. The Deputy Director for Grants and Operations is tasked with ensuring all Financial Status Reports are submitted to the Corporation and the AmeriCorps Program Manager is tasked with ensuring subgrantees submit the Financial Status Reports and Progress Reports to Serve DC. For subgrantees that do not submit timely progress or financial status reports, Serve DC will be instituting corrective action measures including the holding of reimbursement funds until the outstanding reports are received.

**Finding 11: Serve DC did not ensure that subgrantees complied with AmeriCorps requirements.**

Serve DC concurs in part with this finding.

Serve DC did not ensure that the Earth Conservation Corps paid members the minimum living allowance required by federal regulations in PY 2004-2005 or ensure that the Earth Conservation Corps entered all members into WBRS. For PY 2005-2006 and as of May 25, 2007, Earth Conservation Corps has paid members a living allowance of \$10,900, which is greater than the minimum living allowance.

Serve DC concurs that the Heads Up Living Allowance payment schedule was not consistent with the AmeriCorps provisions. Heads Up has revised their payment schedule, which was submitted to the Corporation for review and approval. In order to ensure that all programs comply with this payment provision, Serve DC now requires programs to submit their living allowance payment schedules annually. Serve DC will use the payment schedule to verify living allowance expenditures listed in monthly reimbursement submissions to ensure compliance with this provision.

Serve DC has already taken several steps to strengthen the monitoring of subgrantees. In August 2007, Serve DC facilitated the 2007 AmeriCorps\*State Program Director Institute. During this session, Serve DC provided the 2007-2008 Serve DC AmeriCorps\*State Program Director Handbook which outlines policies and procedures relative to member, program and financial management as well as standardized tools to address member enrollment/exiting, budget modification, and grantee audit analysis. Moving forward, Serve DC will continue to conduct an annual Institute to ensure grantee sites are consistent in their program management activities.

**Finding 12: Serve DC did not adequately document reviews of subgrantee OMB Circular A-133 audit reports.**

Serve DC concurs with this finding. Although Serve DC annually requests that programs submit their A-133 or other applicable audits via the grant application or monitoring site visits, the results of reviewing the audits were not documented in programs' grant files. Serve DC has revised its subgrantee audit review procedures to include a written statement for the grant file noting any issues identified and the applicable responses from the subgrantee.

**APPENDIX B**

**CORPORATION'S RESPONSE TO AGREED-UPON PROCEDURES REPORT**



**To:** Carol Bates, Assistant Inspector General for Audit

**From:** *for* Margaret Rosenberry, Director of Grants Management  
*by Claire Moreau*

**Cc:** Kristin McSwain, Director of AmeriCorps  
Sherry Blue, Audit Resolution Coordinator

**Date:** November 1, 2007

**Sub:** Response to OIG Draft of Agreed-Upon Procedures of Grants Awarded to Serve DC, The DC Commission on National and Community Service

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Thank you for the opportunity to review the draft Agreed-Upon Procedures report of the Corporation's Grants awarded to Serve DC.

The Office of Grants Management does not have specific comments at this time. The Corporation will address all of the findings during audit resolution after the audit is issued as final.