

Office of Inspector General  
Corporation for National and  
Community Service

**AGREED-UPON PROCEDURES OF  
CORPORATION FOR NATIONAL  
AND COMMUNITY SERVICE GRANTS  
AWARDED TO THE  
WEST VIRGINIA COMMISSION FOR NATIONAL  
AND COMMUNITY SERVICE  
OIG REPORT 08-13**



Prepared by:

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This report was issued to Corporation management on February 28, 2008. 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 August 28, 2008, and complete its corrective actions by February 28, 2009. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



## OFFICE OF INSPECTOR GENERAL

February 28, 2008

TO: Kristin McSwain  
Director, AmeriCorps\*State and National

Margaret Rosenberry  
Director, Office of Grants Management

FROM: Carol Bates   
Assistant Inspector General for Audit

SUBJECT: Report 08-13, *Agreed-Upon Procedures for Corporation of National and Community Service (Corporation) Grants Awarded to the West Virginia Commission for National and Community Service*

We contracted with the independent certified public accounting firm of Mayer Hoffman McCann P.C. (MHM) to perform agreed-upon procedures in its review of Corporation grants awarded to the West Virginia Commission for National and Community Service (Commission). The contract required that MHM conduct its review in accordance with generally accepted government auditing standards.

MHM is responsible for the attached report, dated February 22, 2008, and the conclusions expressed therein. We do not express opinions on the Commission'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 August 28, 2008. Notice of final action is due by February 28, 2009.

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

Attachment

Courtesy Copy Distribution: See next page



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Senior Corps \* AmeriCorps \* Learn and Serve America



cc: Kim Barber Tieman, Executive Director, West Virginia  
Commission for National and Community Service  
The Honorable Glen B. Gainer III, State Auditor for  
West Virginia  
William Anderson, Deputy Chief Financial Officer  
Sherry Blue, Audit Resolution Coordinator  
Randal G. Vellocido, Shareholder, Conrad Government  
Services Division, Mayer Hoffman McCann, P.C.

**AGREED-UPON PROCEDURES OF  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE  
GRANTS AWARDED TO THE  
WEST VIRGINIA COMMISSION FOR NATIONAL AND COMMUNITY SERVICE**

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## RESULTS

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Mayer Hoffman McCann P.C. (MHM) to perform agreed-upon procedures of grant cost and compliance for Corporation-funded Federal assistance provided to the West Virginia Commission for National and Community Service (Commission).

As a result of applying these procedures, MHM questioned claimed Federal-share costs of \$28,852. 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. The detailed results of our agreed-upon procedures on claimed costs are presented in the Consolidated Schedule of Award Costs (page 7) and supporting exhibit and schedules.

### Costs Claimed and Questioned

The Commission claimed total costs of \$4,004,719 from October 1, 2005, through June 30, 2007. As a result of testing a judgmental sample of transactions, MHM questioned costs claimed, as follows:

Description	Grant Number	Federal Share
Costs Incurred Before Grant Awarded	06CAHWV001	\$ 804
Unallowable Recognition Costs	06CAHWV001	135
Costs Incurred Before Grant Awarded	06CDHWV001	175
Costs Incurred Without Prior Written Approval	06PTHWV001	1,050
Unallowable Recognition Costs	06KCHWV001	75
Unallowable Entertainment Costs	03ACHWV001	1,500
Unbudgeted Personnel Costs	03ACHWV001	22,500
Unallocable Rent Costs	03ACHWV001	2,207
Member Contract Signed Untimely	03AFHWV001	<u>406</u>
Total		<u>\$ 28,852</u>

AmeriCorps members who successfully complete terms of service are eligible for education awards and interest forbearance funded by the National Service Trust. These award amounts are not funded by Corporation grants and thus are not costs claimed by the Commission. As part of our agreed-upon procedures, however, we determined the effect of audit findings on

eligibility for these awards. Using the same criteria described above, we did not question any education awards.

Details related to these questioned costs appear in the *Independent Accountants' Report on Applying Agreed-Upon Procedures* (page 5).

### **Compliance Issues**

The results of our agreed-upon procedures showed instances of non-compliance with grant provisions, regulations, or Office of Management and Budget (OMB) circulars, as shown below and in the Compliance and Internal Control section. Issues identified included:

- Lack of Sufficient Subgrantee Monitoring by the Commission;
- Inadequate Controls over Recording and Reporting Costs;
- Late Submission of Member Program Forms, Progress Reports, and Periodic Expense Reports (PERs); and
- Lack of Adequate Procedures to Ensure Program Compliance.

### **Exit Conference**

The contents of this report were discussed with the Corporation and the Commission at an exit conference held in Charleston, West Virginia, on October 26, 2007. In addition, we provided a draft of this report to the Commission and to the Corporation for comment on January 11, 2008. The Commission's response to the findings and recommendations in the draft report are summarized in this report and are included in Appendix A. The Corporation did not respond to the individual findings and recommendations. Its response is in Appendix B.

### **AGREED-UPON PROCEDURES SCOPE**

The agreed-upon procedures covered the allowability, allocability, and reasonableness of financial transactions claimed under funding provided by the Corporation for the following awards, as well as grant match costs for grant awards and periods listed below.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Testing Period</u>
AmeriCorps – Formula	03AFHWV001	08/01/03 to 05/31/07	10/01/05 to 03/31/07
AmeriCorps – Formula	06AFHWV001	08/15/06 to 08/14/09	08/15/06 to 03/31/07
AmeriCorps – Competitive	03ACHWV001	08/01/03 to 05/31/07	10/01/05 to 03/31/07
AmeriCorps – Competitive	06ACHWV001	08/01/06 to 07/31/09	08/01/06 to 03/31/07
Administrative	06CAHWV001	01/01/06 to 12/31/08	01/01/06 to 06/30/07
PDAT	06PTHWV001	01/01/06 to 12/31/08	01/01/06 to 06/30/07
Disability	06CDHWV001	01/01/06 to 12/31/08	01/01/06 to 06/30/07
Learn & Serve America	06KCHWV001	08/01/06 to 07/31/09	08/01/06 to 06/30/07
Education Award	04ESHWV001	07/01/06 to 06/30/08	07/01/06 to 12/31/06

We also performed tests to determine compliance with grant terms and provisions. We performed our agreed-upon procedures during the period August 13 through October 17, 2007.

The OIG's agreed-upon procedures program, dated February 2007, provides for understanding the Commission; reconciling costs claimed and match costs to accounting records; testing compliance provisions of the grant; and testing claimed grant and match costs. These procedures are described in more detail on Page 5 in the *Independent Accountants' Report*.

## **BACKGROUND**

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

The West Virginia Commission is located in Charleston, West Virginia. The Commission, part of the Governor's Office, has 11 employees, including an Executive Director. In addition, the Commission performs accounting activities, which include accumulating Periodic Expense Reports (PERs) from subgrantees and preparing Financial Status Reports (FSRs). Accounts payable duties are also performed at the Commission and include the review and approval process, which occurs before it submits vouchers for payment to the State. Copies of all documentation are maintained at the Commission with originals on file in the Governor's Office.

As illustrated in the following table, the Commission received about \$15.6 million in funding for various Corporation grants, and has claimed costs of about \$4 million. Of the amount of funding received, the Commission awarded approximately \$14.5 million to the AmeriCorps subgrantees, including local school districts and nonprofit entities.

<u>Corporation Grants</u>	<u>Funding Authorized</u>	<u>Claimed Within Audit Period</u>
03AFHWV001 – AmeriCorps Formula	\$ 1,465,023	\$ 469,969
06AFHWV001 – AmeriCorps Formula	1,093,932	265,343
03ACHWV001 – AmeriCorps Competitive	7,320,805	2,158,720
06ACHWV001 – AmeriCorps Competitive	<u>4,621,671</u>	<u>522,712</u>
Total AmeriCorps	\$ 14,500,531	\$ 3,416,744
06CAHWV001 – Administrative	308,812	225,087
06CDHWV001 – Disability	120,408	63,921
06KCHWV001 – Learn & Serve America	431,000	138,632
04ESHWV001 – Education Award	39,992	37,930
06PTHWV001 – PDAT	<u>215,500</u>	<u>122,405</u>
Total – Grants Administered	<u>\$ 15,616,243</u>	<u>\$ 4,004,719</u>

We compared the inception-to-date drawdown amounts with the amounts reported in the last FSR submitted for each grant and determined that the drawdowns were reasonable.





Inspector General  
 Corporation for National and Community Service

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

We have performed the procedures described below, which were agreed to by the OIG solely to assist it in grant-cost and compliance testing of Corporation-funded Federal assistance provided to the Commission for the awards and periods listed below. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants 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 described below, either for the purpose for which this report has been requested or any other purpose.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Testing Period</u>
AmeriCorps – Formula	03AFHWV001	08/01/03 to 05/31/07	10/01/05 to 03/31/07
AmeriCorps – Formula	06AFHWV001	08/15/06 to 08/14/09	08/15/06 to 03/31/07
AmeriCorps – Competitive	03ACHWV001	08/01/03 to 05/31/07	10/01/05 to 03/31/07
AmeriCorps – Competitive	06ACHWV001	08/01/06 to 07/31/09	08/01/06 to 03/31/07
Administrative	06CAHWV001	01/01/06 to 12/31/08	01/01/06 to 06/30/07
PDAT	06PTHWV001	01/01/06 to 12/31/08	01/01/06 to 06/30/07
Disability	06CDHWV001	01/01/06 to 12/31/08	01/01/06 to 06/30/07
Learn & Serve America	06KCHWV001	08/01/06 to 07/31/09	08/01/06 to 06/30/07
Education Award	04ESHWV001	07/01/06 to 06/30/08	07/01/06 to 12/31/06

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management’s assertions. 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.

The procedures that we performed included:

- Obtaining an understanding of the Commission and its subgrantee monitoring process.
- Reconciling grant costs claimed and match costs to the accounting systems of the Commission and of selected subgrantees in our sample.

- Testing subgrantee member files to verify that the records supported member eligibility to serve and allowability of living allowances and education awards.
- Testing compliance of the Commission and a sample of subgrantees on certain grant provisions and award terms and conditions.
- Testing claimed grant costs and match costs of the Commission and a sample of subgrantees to ensure:
  - i. Proper recording of the AmeriCorps grants, Administrative grant, PDAT grant, Learn and Serve America grant, Disability Placement grant, and Education Award grant;
  - ii. Costs were properly matched; and
  - iii. Costs were allowable and supported in accordance with applicable regulations, OMB circulars, grant provisions, and award terms and conditions.

The results of testing showed questioned costs and instances of noncompliance. The testing results for costs follow in the Cost and Awards Section and are summarized in the Consolidated Schedule of Award Costs and the exhibit and schedules. The results of our agreed-upon procedures also revealed instances of non-compliance with grant provisions, regulations, or Office of Management and Budget (OMB) requirements, as shown in the Compliance and Internal Control section. Issues identified included:

- Lack of Sufficient Subgrantee Monitoring by the Commission;
- Inadequate Controls over Recording and Reporting Costs;
- Late Submission of Member Program Forms, Progress Reports, and Periodic Expense Reports (PERs); and
- Lack of Adequate Procedures to Ensure Program Compliance.

### **Cost and Award Results**

The following schedules and exhibit provide the results of testing costs claimed.

**Consolidated Schedule of Award Costs**  
**Corporation for National and Community Service Awards**  
**West Virginia Commission for National and Community Service**

**October 1, 2005, to June 30, 2007**

<u>Award Number</u>	<u>Program</u>	<u>Approved Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Reference</u>
03AFHWV001	AmeriCorps-Formula	\$ 1,465,023	\$ 469,969	\$ 406	Exhibit
03ACHWV001	AmeriCorps-Competitive	7,320,805	2,158,720	26,207	Exhibit
06AFHWV001	AmeriCorps-Formula	1,093,032	265,343	-	
06ACHWV001	AmeriCorps-Competitive	<u>4,621,671</u>	<u>522,712</u>	<u>-</u>	
	Total AmeriCorps	\$14,500,531	\$3,416,744	\$ 26,613	Exhibit
06CAHWV001	Administrative	308,812	225,087	939	Exhibit
06CDHWV001	Disability	120,408	63,921	175	Exhibit
06KCHWV001	Learn & Serve	431,000	138,632	75	Exhibit
04ESHWV001	Education Award	39,992	37,930	-	
06PTHWV001	PDAT	<u>215,500</u>	<u>122,405</u>	<u>1,050</u>	Exhibit
	Totals	<u>\$15,616,243</u>	<u>\$ 4,004,719</u>	<u>\$ 28,852</u>	

**Notes to Consolidated Schedule of Award Costs**

**Basis of Accounting**

The accompanying schedules have been prepared to comply with provisions of the grant agreements between the Corporation and the Commission. The information presented in the schedules has been prepared from reports submitted by the Commission to the Corporation and accounting records of the Commission and its subgrantees. The basis of accounting used in the preparation of these reports differs from accounting principles generally accepted in the United States of America as discussed below.

**Equipment**

No equipment was purchased and claimed under Federal or grantee share of cost for the period within our audit scope.

**Inventory**

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

**EXHIBIT**

**Schedule of Awards and Claimed Costs by Grant  
West Virginia Commission for National and Community Service  
October 1, 2005, to June 30, 2007**

<u>Awards</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Reference</u>
<b><u>03AFHWV001 – Formula</u></b>			
Monroe County Schools *	\$ 138,435	\$ 406	Schedule A-1
Marshall County Schools Parent Educator Resource Center	120,335	-	
Kanawha Institute for Social Research	104,450	-	
Community Resources, Inc.	<u>106,749</u>	<u>-</u>	
Sub-total	\$ 469,969	\$ 406	
<b><u>03ACHWV001 – Competitive</u></b>			
West Virginia University Research Corporation *	\$1,176,308	\$24,000	Schedule A-2
Southern West Virginia Community College	402,229	-	
United Way of Central West Virginia *	<u>580,183</u>	<u>2,207</u>	Schedule A-3
Sub-total	\$2,158,720	\$26,207	
<b><u>06AFHWV001 – Formula</u></b>			
Monroe County Schools *	\$ 75,573	\$ -	
Marshall County Schools Parent Educator Resource Center	55,436	-	
Kanawha Institute for Social Research	48,101	-	
Mission West Virginia	34,625	-	
Southern West Virginia Community College	<u>51,608</u>	<u>-</u>	
Sub-total	\$ 265,343	\$ -	
<b><u>06ACHWV001 – Competitive</u></b>			
West Virginia University Research Corporation *	\$ 57,213	\$ -	
Community Resources, Inc.	89,815	-	
United Way of Central West Virginia *	<u>375,684</u>	<u>-</u>	
Sub-total	\$ 522,712	\$ -	
Subgrantees' Total	<u>\$3,416,744</u>	<u>\$26,613</u>	
<b><u>Commission Awards</u></b>			
Administrative (06CAHWV001)	\$ 225,087	\$ 939	Schedule A-4
Disability (06CDHWV001)	63,921	175	Schedule A-4
Learn and Serve (06KCHWV001)	138,632	75	Schedule A-4
PDAT (06PTHWV001)	122,405	1,050	Schedule A-4
Education Award (04ESHWV001)	<u>37,930</u>	<u>-</u>	
Commission's Total	<u>\$ 587,975</u>	<u>\$ 2,239</u>	

**\*Selected for Application of Agreed-Upon Procedures**

**Schedule of Award and Claimed Costs  
Monroe County Schools**

**Awards 03AFHWV001002 and 06AFHWV001002  
October 1, 2005, to March 31, 2007**

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$300,000</u>	Note 1
Claimed Federal Costs	<u>\$214,008</u>	Note 2
Questioned Costs:		
Living Allowance – Applicant Received Prior to Contract (03AFHWV0010002)	<u>\$ 406</u>	Note 3
Total Questioned Costs	<u>\$ 406</u>	

Notes

1. The amount shown above as Approved Budget represents the total funding to Monroe County Schools according to the subgrantee agreements.
2. Claimed Federal costs represent Monroe County School's reported expenditures for the period October 1, 2005, through March 31, 2007.
3. Member contracts were not always completed and signed by members in the program prior to the member's start date, which resulted in questioned living allowances (*see* Finding 4). We did not question match of \$72 associated with questioned costs of \$406 in Federal share because Monroe County School has additional match, which it could substitute. For any amount of the living allowance and fringe benefit costs determined unallowable, the associated administrative costs should also be recovered.

**Schedule of Award and Claimed Costs  
West Virginia University Research Corporation**

**Awards 03ACHWV0010003 and 06ACHWV0010003  
October 1, 2005, to March 31, 2007**

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$2,447,805</u>	Note 1
Claimed Federal Costs	<u>\$1,233,521</u>	Note 2
Questioned Costs: (03ACHWV0010003)		
Entertainment Costs	\$ 1,500	Note 3
Unbudgeted Personnel Costs	<u>22,500</u>	Note 4
Total Questioned Costs	<u>\$ 24,000</u>	

Notes

1. The amount shown above as Approved Budget represents the total funding to West Virginia University Research Corporation according to the subgrantee agreements.
2. Claimed costs represent West Virginia University Research Corporation's reported Federal expenditures for the period October 1, 2005, through March 31, 2007.
3. Unallowable entertainment (karaoke) costs were claimed under the program, resulting in questioned costs (see Finding 2).
4. Unallowable personnel costs were claimed under the program, resulting in questioned costs (see Finding 2).

**Schedule of Award and Claimed Costs  
United Way of Central West Virginia - Lifebridge**

**Awards 03ACHWV0010001 and 06ACHWV0010002  
October 1, 2005, to March 31, 2007**

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$1,243,741</u>	Note 1
Claimed Federal Costs	<u>\$ 955,867</u>	Note 2
Questioned Costs:		
Rent Costs (03ACHWV0010001)	<u>\$ 2,207</u>	Note 3
Total Questioned Costs	<u>\$ 2,207</u>	

Notes

1. The amount shown above as Approved Budget represents the total funding to the United Way of Central West Virginia according to the subgrantee agreements.
2. Claimed costs represent the United Way of Central West Virginia's reported Federal expenditures for the period October 1, 2005, through March 31, 2007.
3. Unallowable rent costs were claimed under the program, resulting in questioned costs (see Finding 2).

**Schedule of Award and Claimed Costs  
West Virginia Commission for National and Community Service**

**Awards 06CAHWV001, 06PTHWV001, 06CDHWV001, 06KCHWV001, and  
04ESHWV001  
January 1, 2006, to June 30, 2007**

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$1,115,712</u>	Note 1
Claimed Federal Costs	<u>\$ 587,975</u>	Note 2
Questioned Costs:		
Costs Incurred Before Award (06CAHWV001)	\$ 804	Note 3
Recognition Costs (06CAHWV001)	135	Note 3
Costs Incurred Before Award (06CDHWV001)	175	Note 4
Recognition Costs (06KCHWV001)	75	Note 5
Costs Incurred Without Prior Written Approval (06PTHWV001)	<u>1,050</u>	Note 6
Total Questioned Costs	<u>\$ 2,239</u>	

Notes

1. The amount shown above as Approved Budget represents the total funding to the Commission according to the grant award documents.
2. Claimed costs represent the Commission's reported Federal expenditures for the period January 1, 2006, through June 30, 2007.
3. Certain costs were claimed to the Administrative grants prior to the start of the program resulting in questioned costs. Also, unallowable costs for recognition were claimed, resulting in questioned costs (see Finding 2).
4. Certain costs were claimed to the Disability grant prior to the start of the program, resulting in questioned costs (see Finding 2).
5. Unallowable costs for recognition were claimed to the Learn and Serve grants, resulting in questioned costs (see Finding 2).
6. Costs were claimed to the PDAT grant without prior written approval from the Corporation, resulting in questioned costs (see Finding 2).



## **Compliance and Internal Control**

In addition to the costs and award results described in the Consolidated Schedule of Award Costs, results of our tests disclosed instances of noncompliance and deficiencies in internal controls.

### **Finding No. 1 – Lack of Sufficient Subgrantee Monitoring by the Commission**

Commission monitoring activities, such as site visits and subgrantee OMB Circular A-133 report reviews fell behind because of staff turnover. The Commission policies state that monitoring would be performed, at least, once a year on each of its subgrantees.

The Commission indicated it experienced personnel changes due to increased turnover in the AmeriCorps Program Manager position and had found it difficult to manage the day-to-day activities. The Commission believes the turnover resulted from the constraints within the State's pay structure, which make the position less attractive than higher-paying positions elsewhere. This turnover and the challenge of finding a capable individual to fill the position left few resources for monitoring.

We noted that the Commission has not made site visits since the spring of 2006 and the following A-133 audit reports have not been reviewed:

<b>Subgrantee</b>	<b>Reports not Reviewed</b>
Monroe County Schools	2005
Marshall County	2005 & 2006
KISRA	2004, 2005 & 2006
Southern West Virginia Community College	2004, 2005, 2006
West Virginia University Research Corporation	2005, 2006
United Way of Central West Virginia - Lifebridge	2005, 2006

We believe onsite monitoring would have provided an opportunity for early detection and correction of the discrepancies discussed in detail in Findings 2 through 4:

- Unsupported costs;
- Commingling of funds in accounting system;
- Untimely submission of reports;
- Untimely submission of member documents; and
- Living allowances not paid in equal increments.

This lack of sufficient onsite monitoring left Commission subgrantees without the necessary feedback for administering the grants and placed the Commission at risk of claiming costs that were not in accordance with the grant provisions or Federal cost principles.

## Criteria

AmeriCorps Provision, V, *General Provisions, A., Responsibilities under Grant Administration*, continues the requirements of prior years and states in part:

**1. Accountability of Grantee.** The grantee has full fiscal and programmatic responsibility for managing all aspects of the grant and grant-supported activities, subject to the oversight of the Corporation. The grantee is accountable for its operation of the AmeriCorps Program and the use of Corporation grant funds.

45 C.F.R. § 2541.400(a), *Monitoring and reporting program performance*, states in part:

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

Furthermore, 45 C.F.R. § 2250.80 [sic] [45 C.F.R. § 2550.80], *What are the duties of the State entities?*, states in part:

(d) *Administration of the grants program.* After subtitle C and community-based subtitle B funds are awarded, States entities will be responsible for administering the grants and overseeing and monitoring the performance and progress of funded programs.

(e) *Evaluation and monitoring.* State entities, in concert with the Corporation, shall be responsible for implementing comprehensive, non-duplicative evaluation and monitoring systems.

## Recommendations

We recommend the Corporation:

1. Ensure the Commission enhances its policies to incorporate alternate procedures when staff resources affect its ability to perform onsite monitoring.
2. Obtain the Commission's improved monitoring plan and documentation that the plan was carried out.

## Commission's Response

The Commission hired an Executive Director to replace the Executive Director that retired in October 2007. The new Executive Director is committed to restoring rigorous training, monitoring, and compliance practices. Within the next year, the Commission plans to model

all granting and monitoring processes on the documented AmeriCorps procedures so that in the event of future turnover, staff from other grant programs will already be cross-trained and ready to assist until vacant positions are filled. Finally, the Performance Oversight Committee of the Commission is working with our AmeriCorps Program staff to ensure monitoring oversight and compliance.

Auditor's Comment

The actions proposed by the Commission should be considered by the Corporation, which should also follow up to ensure that the Commission's planned actions were implemented and effective.

**Finding No. 2 – Inadequate Controls Over Recording and Reporting Costs**

Fieldwork at the Commission and subgrantee locations revealed inadequate controls, or established controls that were not fully implemented. We identified the weaknesses at the Commission and certain subgrantees, as follows:

**Commission.** The Commission claimed Federal share costs, totaling \$2,239, for (1) services rendered prior to the start of the programs in January 2006, (2) gift cards to volunteer peer reviewers, and (3) a fee paid to a grant proposal writer without prior written approval to charge it as a direct cost. OMB Circular A-87 requires an authorization before incurring costs, provides that the value of volunteer services can not be reimbursed, and requires prior written approval to charge proposal preparation as a direct cost.

The Commission claimed costs of \$979 to the Administrative and Disability grants for services rendered prior to the start of the programs in January 2006. The payments made included travel reimbursements and the retainer fee for the consultants that completed the statewide comprehensive plan. The Commission staff claimed the costs to the grant when payment was made not when the services were received, and they did not request prior written approval from the Corporation to incur these costs before the grant award. It also claimed costs for gift cards given to peer reviewers in appreciation for their volunteered services in the amount of \$135 and \$75 (14 gift cards at \$15 each = \$210) to the Administrative and the Learn and Service grants, respectively. Federal regulations allow grantees to claim volunteered time as in-kind match. Gifts to volunteers should not be claimed as a Federal expense regardless of the way the grantee decides to treat the volunteered time.

In addition, the Commission claimed as a direct cost \$1,050 to the PDAT grant for a fee paid to a grant proposal writer. This fee was to assist a subgrantee with the upcoming Program Year 2007-2008 competitive grant. Such costs are allowable as indirect costs or, with the prior written approval of the awarding agency, allowable as direct costs. However, the Commission staff was not aware of the A-87 requirements and these costs were claimed as direct costs without prior written approval.

## Criteria

The attachments to OMB Circular A-87, *Costs Principles for State, Local, and Indian tribal Governments*, provides applicable criteria, as follows:

Attachment B, *Selected Items of Cost*, states in part:

31. Pre-award costs. Pre-award costs are those incurred prior to the effective date of the award directly pursuant to the negotiation and the anticipation of the award where such costs necessary to comply with the proposed delivery schedule or period of performance. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the award and only with the written approval of the awarding agency.

Attachment B, *Selected Items of Cost*, Section 12.b.(1), *Donated services received*, states:

Donated or volunteer services may be furnished to a governmental unit by professional or technical personnel, consultants, and other skilled or unskilled labor. The value of these services is not reimbursable either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the Federal Grants Management Common Rule.

Attachment B, *Selected Items of Cost*, Section 33, *Proposal costs*, states:

Costs of preparing proposals for potential Federal awards are allowable. Proposal costs should normally be treated as indirect costs and should be allocated to all activities of the governmental unit utilizing the cost allocation plan and indirect cost rate proposal. However, proposal costs may be charged directly to Federal awards with the prior approval of the Federal awarding agency.

**Monroe County Schools (MCS).** MCS claimed labor costs to the program at the budgeted percentage instead of costs of actual labor performed. Time sheets were maintained that showed labor distributed to each program; however, the time sheets were not used to allocate labor costs. Although the labor was incorrectly claimed, we determined that claimed costs did not exceed actual labor costs incurred for the program.

In addition, the program personnel and the accounting department did not adequately coordinate, which caused the general ledger to show Federal costs to be overstated and match costs to be understated. MCS did not properly segregate expenses in its accounting system between Federal and grantee share. However, MCS personnel charged costs to the program's PER, but did not reconcile the PER to the general ledger. The AmeriCorps program personnel charged costs to Federal share or to match according to its approved

budget. All transactions were charged to match once they reached the ceiling on the Federal share.

### Criteria

OMB Circular A-21, *Cost Principles for Educational Institutions*, Section J, *General provisions for selected items of cost*, item 10.b.(2)(b), states in part, “The method must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs.”

AmeriCorps Provisions, V, *General Provisions, B., Financial Management Standards*, item 1., *General*, states in part, “The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary.”

**West Virginia University Research Corporation (WVU).** WVU claimed \$24,000 for entertainment and unbudgeted personnel costs.

WVU claimed \$1,500 as Federal share for karaoke charges during program year 2005-2006. The karaoke activities were performed in the evening on the second day of WVU’s three-day annual training event. Attendance at the evening karaoke activities was optional, and WVU did not provide sign-in sheets. Although WVU representatives orally described the event as team building and therefore allowable, the agenda described the event as “karaoke entertainment.” Weighing all the factors, we considered this expense to be entertainment and unallowable.

WVU also claimed unbudgeted personnel costs to the program during Program Year 2005-2006. Personnel costs of \$22,500 for the site coordinator were claimed to the Federal share and not the budgeted grantee’s share. WVU submitted a budget transfer request, which was approved by the Commission, to be used to fund WVU employee pay raises, but it was used instead to fund site coordinator personnel costs.

### Criteria

OMB Circular A-21, *Cost Principles for Educational Institutions*, Section J, *General provisions for selected items of cost*, item 17, *Entertainment costs*, states, “Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.”

The cooperative agreement between the Commission and the subgrantee, Section I.B. *Amendments*, states in part: “A written amendment may not be required for transfers between or among budget line items, though written permission from the Commission must be obtained prior to such changes.” Section II.B. *Budget and budget revisions*, states in part, “The Grantee may make budgetary revisions only by obtaining written permission from the Commission prior to the change.”

**United Way of Central West Virginia - Lifebridge (United Way).** United Way claimed unbudgeted rental costs of \$2,207 to the program during program year 2005-2006. In addition, United Way maintained a separate set of accounts in its general ledger to track Federal and grantee expenses on every cost category, but it commingled these expenses within both sets of accounts. The accounting system seems to be capable of accounting for Federal share separately from grantee expenses, but United Way has not used this capability. As a substitute, the subgrantee maintains a spreadsheet as its ledger for the AmeriCorps grant. The program manager uses the information in the spreadsheet to complete PERs and any necessary report related to the grant. United Way may be able to use its accounting system more effectively by reconciling monthly the spreadsheets and PER with the information contained in the GL.

### Criteria

The cooperative agreement between the Commission and the subgrantee provides applicable criteria. Section I.B. *Amendments*, states in part, “A written amendment may not be required for transfers between or among budget line items, though written permission from the Commission must be obtained prior to such changes.” Section II.B. *Budget and budget revisions*, states in part, “The Grantee may make budgetary revisions only by obtaining written permission from the Commission prior to the change.”

AmeriCorps Provisions, V, *General Provisions*, B., *Financial Management Standards*, item 1., *General*, states in part, “The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary.”

The cooperative agreement between the Commission and the subgrantee, states in part:

As a recipient of an award under the AmeriCorps program, the Grantee agrees to administer the funded program in accordance with the approved grant application and budget, supporting documents, and other representations made in support of the approved grant application. The Grantee agrees to comply with all terms and conditions in the agreement and the applicable provisions of the AmeriCorps Provisions.

### Recommendations

We recommend that the Corporation:

3. Determine the allowability of the questioned costs and recoup unallowable and administrative costs that were charged to the grant;
4. Ensure the Commission trains and monitors its subgrantees in establishing controls, which should include developing a record-keeping system in which grant documentation is properly segregated; developing timekeeping procedures that

comply with regulation and grant requirements; and designing controls to verify the accuracy of costs claimed.

### Commission's Response

The Commission plans to improve its processes by using the Grants Module in the West Virginia Financial Information Management System for each individual budget period of three-year grants. This will provide the additional layer of coding needed to distinguish year-end expenses. The Commission also plans to establish its own internal requirements for travel reimbursements that will ensure timely identification and payment of travel costs. The Commission has made adjusting entries to remove the gift cards expenses from federal grants and matching sources.

The Commission disagreed that its costs were incurred without prior written approval. The Commission stated that costs were incurred by a subgrantee and not by the Commission; therefore, the subgrantee's cost is allowable according to 2 C.F.R. § 230, Cost Principles for Nonprofit Organizations.

For MCS, the Commission staff met with the MCS's program director to discuss proper documentation of time and the process to allocate labor costs to match. Commission staff will follow up to ensure compliance.

For WVU, the Commission plans to integrate examples of allowable and unallowable costs into the program director training sessions and meetings. Program directors will be encouraged to document all program expenditures that could potentially be considered different from the budget detail. The Commission requests that the Corporation allow the questioned Unbudgeted Personnel Costs. While the wording in the line-item transfer was not exact; the Commission Program Officer understood the purpose of the budget transfer and approved that request. The Commission has instituted a procedure in which all telephone requests must be documented after the call with an e-mail exchange that will clarify and formalize verbal requests.

For the United Way, the Commission plans to strengthen subgrantee training, as well as the training of the Commission's new AmeriCorps team. However, the Commission requests that the Corporation allow the costs because it believes the costs are allowable under the authority of 2 C.F.R. § 230, but concedes that the Commission's procedures that require written permission were not followed.

### Auditor's Comment

The Corporation should consider the Commission's proposed actions. However, the Commission's records, not the subgrantee's records, showed the Commission had charged the costs of a proposal writer as a direct cost to the PDAT grant. The PDAT grant should not pay the fee for the grant proposal writer because:

- The Commission, not the subgrantee, paid the grant proposal writer as a direct cost although the benefits were for a single subgrantee;
- The criteria cited in the finding above, OMB Circular A-87, authorizes payment for proposal costs in certain instances, none of which apply to preparing the proposal costs incurred by the Commission for a subgrantee; and
- The proposal writer cost for a subgrantee is a consultant cost incompatible with PDAT grant funds, which are intended for capacity building and infrastructure development. Further, the costs of training of a single subgrantee should be funded from the subgrantee’s budget in accordance with the Provisions for State Administrative, PDAT, and Disability Placement Awards.

For WVU, the Corporation and the Commission should consider the weakening effect of Commission controls when officials deviate from subgrant requirements, acting in good faith or not. The management control in place required written approval and the Commission official and subgrantee official should have been aware of the subgrant requirement. The Commission’s proposed solution is to provide more detailed guidance on the use of documentation, but we believe it will be no more effective than the existing subgrant requirement if the Commission does not ensure compliance and hold its own officials and subgrantees accountable.

**Finding No. 3: Late Submission of Member Program Forms, Progress Reports, and Periodic Expense Reports (PERs)**

The three Commission’s AmeriCorps subgrantees we tested did not always submit required reports by the dates due, as shown in the table below.

Subgrantees	Description of Non-Compliance
Monroe County Schools	<ul style="list-style-type: none"> <li>• 17 of the 23 required PERs submitted late</li> <li>• 3 of the 3 required subgrantee progress reports submitted late</li> <li>• 2 of the 7 required enrollment forms submitted late</li> <li>• 3 of the 7 required exit forms submitted late</li> </ul>
West Virginia University Research Corporation	<ul style="list-style-type: none"> <li>• 2 of the 18 required PERs submitted late</li> <li>• 1 of the 3 required progress reports submitted late</li> </ul>
United Way of Central West Virginia	<ul style="list-style-type: none"> <li>• 2 of the 21 exit forms sampled submitted late</li> </ul>

The subgrantees were late in submitting documentation for a number of reasons. MCS indicated that reports were submitted late as a result of lack of time and staff. WVU indicated that the two late PERs occurred during consecutive months, and were due to an



error in the budgeting section of the report. WVU noticed that the budgeted amount for Other Program Costs had increased by \$2,000 and contacted the Commission. WVU spent several weeks attempting to identify the source of the budget increase. WVU eventually submitted the PER the way it had originally prepared it. WVU did not indicate the reason for submitting the grantee progress reports late, and United Way did not explain why the exit forms were submitted late.

By submitting documentation late, the Commission cannot properly review, track, and monitor the subgrantee's activities and objectives of the AmeriCorps program. Timely submission of reports would assist the Commission to properly monitor and correct any errors and/or deficiencies noted. Member enrollment and exit forms are also required to be submitted on time to maintain the accuracy of the National Service Trust Fund.

### Criteria

The cooperative agreement between the Commission and the subgrantee provides applicable criteria. Section II.F. *Reporting requirements*, states:

1. The Grantee agrees to submit to the Commission monthly expense reports, including both Federal and match expenditures, to be filed via a Periodic Expense Report (PER) in the Web-Based Reporting System (WBRS) by the 15<sup>th</sup> of each month or, if the 15<sup>th</sup> falls on a weekend or holiday, the next business day.
2. The Grantee agrees to submit to the Commission semiannual program progress reports. Such reports are to be filed via the Automated Progress Report (APR) module in WBRS. The Grantee agrees to approve its annual objectives in the APR by November 1. The following schedule of deadlines shall apply to both formula and competitive programs:
  - Program Year 2005-2006 mid-term due February 3, 2006
  - Program Year 2005-2006 final due October 29, 2006
  - Program Year 2006-2007 mid-term due March 1, 2007

AmeriCorps Provisions, IV, *AmeriCorps Special Provisions*, N, *Reporting Requirements*, states in part:

2. **AmeriCorps Member Related Forms.**
  - a. **Enrollment Forms.** Enrollment forms must be submitted no later than 30 days after a member is enrolled.
  - b. **Change of Status Forms.** Member Change-of-Status Forms must be submitted no later than 30 days after a member's status has changed.
  - c. **Exit/End-of-Term-of-Service Forms.** Exit/End-of-Term-of-Service Forms must be submitted no later than 30 days after a member exits the program or finishes his/her term of service.

### Recommendation

5. We recommend that the Corporation ensure and verify that the Commission implements subgrantee procedures and reminders to ensure prompt and complete financial reporting, as well as member performance results, in accordance with the Commission requirement.

### Commission's Response

The Commission states that, in addition to more rigorous training, monitoring, and compliance practices, it will also require AmeriCorps program directors to use the Commission's AmeriCorps Monitoring Instrument, *Module A: Record of Grantee Performance*, as a self-monitoring tool. This will reinforce for program directors the importance of timely submission of member forms, progress reports, monthly expense reports and FSRs.

### Auditor's Comment

The Commission's proposed actions are noted. The Corporation should follow-up with the Commission to determine whether the proposed actions were implemented and effective.

## **Finding No. 4 – Lack of Adequate Procedures to Ensure Program Compliance**

Subgrantees did not always comply with requirements for criminal background checks, member contracts, living allowances, and record retention.

**Criminal Background Check.** Background check documentation was not available for one member at the United Way. In addition, two members at MCS and one member at WVU started their term of service before the completion of criminal background checks. The members serving in these organizations had substantial access to children. The MCS members began serving on September 22, 2005, and September 26, 2006. However, the background results were dated February 17, 2006, and August 30, 2007, respectively. MCS representatives mentioned that one of the members was fingerprinted before the start of the program, but the background results were never received from the State Police. They followed up while we were onsite and were able to provide the information. They also mentioned that they wait until they have a group of fingerprints before submitting for background checks. As for the WVU member, we could not find evidence that a background check was conducted. While we were onsite we brought this issue to WVU's attention, and it contacted the vendor and obtained the evidence that the background check was performed.

**Member Contract.** MCS permitted an AmeriCorps applicant to receive living allowances and to record service hours before the member service agreement was signed. As a result, we questioned the living allowance of \$375 and the related fringe benefits of \$31 claimed for the period before the member service agreement was signed. We also questioned 41.5 service

hours that were charged to the program prior to the member's signed agreement. However, after reducing the member's total service hours by the questioned service hours, the member still met the minimum required service hours to receive an education award.

**Living Allowance.** MCS did not always pay member living allowances in equal increments. The payroll system used by MCS did not allow for the living allowance payments to remain the same throughout the program year. We did not question living allowance payments because MCS paid the full allowable living allowance to the members we reviewed, and those members had completed their terms of service.

**Record Retention.** The Commission indicated that it was aware of the record retention policies outlined in the AmeriCorps Provisions, but it did not have formal record policies as part of its official policies and procedures. The Commission needs to implement such policies to ensure that Commission and subgrantee documents remain available to the Corporation for the period specified in the AmeriCorps provisions.

### Criteria

AmeriCorps Provisions, IV, *AmeriCorps Special Provisions, C., Member Enrollment*, states in part:

**7. Criminal Background Checks.** Programs with members (18 and over) or grant-funded employees who, on a recurring basis, have access to children (usually defined under state or local law as un-emancipated minors under the age of 18) or to individuals considered vulnerable by the program (i.e. the elderly or individuals who are either physically or mentally disabled), shall, to the extent permitted by state and local law, conduct criminal background checks on these members or employees as part of the overall screening process.

The grantee must ensure, to the extent permitted by state or local law, that it maintains background check documentation for members and employees covered by this provision in the member or employee's file or other appropriate file. The documentation must demonstrate that, in selecting or placing an individual, the grantee or the grantee's designee (such as a site sponsor) reviewed and considered the background check's results.

The AmeriCorps Grant provisions, IV, *AmeriCorps Special Provisions, C., Member Enrollment*, states in part:

1. *Member Enrollment Procedures.*

- a. An individual is enrolled as an AmeriCorps member when all of the following have occurred:

- i. He or she has signed a member contract;
- ii. The program has verified the individual's eligibility to serve;
- iii. The individual has begun a term of service; and
- iv. The program has approved the member enrollment form in WBRS.

- b. Prior to enrolling a member in AmeriCorps, programs make commitments to individuals to serve. A commitment is defined as signing a member contract with an individual or otherwise entering into a legally enforceable commitment as determined by state law.

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

AmeriCorps Provisions, IV, *AmeriCorps Special Provisions, I., Living allowances, Other In-Service Benefits and Taxes*, states in part:

1. *Living Allowance Distribution.* A living allowance is not a wage. Programs must not pay a living allowance on an hourly basis. Programs should pay the living allowance in regular increments, such as weekly or bi-weekly, paying an increased increment only on the basis of increased expenses such as food, housing, or transportation. Payments should not fluctuate based on the number of hours served in a particular time period, and must cease when a member concludes a term of service.

AmeriCorps Provisions, V, *General Provisions, E., Retention of Records*, states:

The Grantee must retain and make available all financial records, supporting documentation, statistical records, evaluation and program performance data, member information and personnel records for 3 years from the date of the submission of the final Financial Status Report (SF 269A). If an audit is started prior to the expiration of the 3-year period, the records must be retained until the audit findings involving the records have been resolved and final action taken.

### Recommendations

We recommend that the Corporation:

6. Ensure the Commission (1) requires subgrantees to review each member file and obtain required documentation prior to the member's start of service, and (2) provides training to the subgrantees to ensure they are familiar with program requirements and provisions.

7. Ensure the Commission requires subgrantees to adhere to policies on distribution of living allowances (i.e., paid in equal increments).
8. Ensure the Commission revises its policies to include record retention, which at a minimum will adhere to the program regulations.
9. Determine the allowability of the questioned costs and recover unallowable costs and applicable administrative costs (in making this determination).

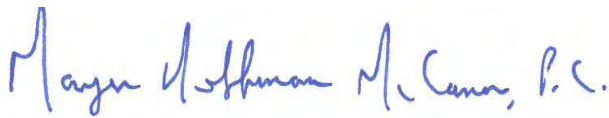
Commission's Response

The Commission stated that in addition to more rigorous training, monitoring and compliance practices, it will also develop a self-monitoring tool specifically targeted at assuring that member files are complete and criminal background checks are received and filed in a timely fashion. Finally, the Commission will establish a comprehensive records retention plan that complies with federal records retention requirements and the AmeriCorps provisions.

Auditor's Comment

The Commission's proposed actions are noted. The Corporation should follow-up with the Commission to determine whether the planned actions were implemented and effective.

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



Mayer Hoffman McCann P.C.  
Woodbridge, Virginia  
February 22, 2008

**APPENDIX A**

**West Virginia Commission for National and Community Service's  
Response to Draft Report**

710 Central Avenue  
Charleston, W.Va. 25302  
P.O. Box 11778  
Charleston, W.Va. 25339



Phone: (304) 558-0111  
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(800) 98-43577  
Facsimile: (304) 558-0101

To: Carol Bates, Assistant Inspector General for Audit  
Office of the Inspector General

From: Kim Barber Tieman, WVCNCS Executive Director

Date: February 8, 2008

Re: WVCNCS Audit Response

Please find enclosed the revised West Virginia Commission for National and Community Service's (WVCNCS) Response to the Draft Audit Report on Agreed-Upon Procedures for Corporation for National and Community Service Grants awarded to WVCNCS. Thank you for the learning experience and the opportunity to make the programs in West Virginia stronger.

Email cc: Jim Elmore  
Wilfredo Corps

**West Virginia Commission for National and Community Service's  
(WVCNCS) Response to the Draft Report on Agreed-Upon Procedures  
for Corporation for National and Community Service Grants awarded  
to WVCNCS**

**Compliance and Internal Control**

**Finding No. 1**

**Lack of Sufficient Subgrantee Monitoring by the Commission**

**Commission Response:** In the period covered by the audit, the WV Commission sustained an unusual turnover in the administration of the AmeriCorps program. In July 2004, the Commission hired two new program officers, with no overlapping service with the previous program officers, but with a wealth of documented procedures. Together they went for peer training at the Connecticut Commission as well as subsequent formal training with Walker & Company, AmeriCorps grantee meetings and the national conference.

At the end of March 2006, one left the WV Commission. The remaining assumed most of his portfolio of programs, except for the Education Award Only program which was assumed by the part-time Disability Coordinator.

Early in August 2006, the then part-time Disability Coordinator/Education Award Only program officer left the Commission and another employee took over as program officer for both Education Award Only and Disability Placement.

On January 18, 2007, the remaining full-time AmeriCorps program officer left the WV Commission for a program officer position with the Corporation. Because of miscommunication between the Corporation personnel office and the Commission's full-time AmeriCorps program officer, she was not sure that she had the position until very close to her start date and was able to give the WV Commission very little advance notice of her departure, and therefore no time to advertise her position before she left.

The program officer who was coordinating the Disability Placement and Education Award Only program, with the advice of the then-Executive Director, handled the entire AmeriCorps portfolio, in addition to her own Education Award Only and Disability Placement duties until March 20, 2007 when another program officer was hired. The new program officer came to the Commission with no prior National Service experience. She was with the Commission for barely 5 months when she left on August 31, 2007 for a position with the Corporation State Office.

The reduction in AmeriCorps staff from two program officers to 1.5, plus the staff turnover, resulted in site visits and monitoring originally planned for March to July 2006



never happening. That there were so few audit findings is a tribute to the Commission's previous diligent work with grantees.

**Commission Action:** After the long-time Executive Director retired, the WV Commission was fortunate to hire a new Executive Director who, like her predecessor, is well-versed in AmeriCorps and has the additional experience of having directed an AmeriCorps program for almost ten years. With a new Executive Director and strong new AmeriCorps team, the WV Commission is committed to restoring the rigorous training, monitoring, and compliance practices that helped the WV Commission strongly pass the Standards Review in September 2005. The AmeriCorps team is scheduled to attend the New Grantee Staff training in March 2008 sponsored by the Corporation. In addition, the Commission has already started an ambitious training and technical assistance schedule with grantee program directors and has scheduled site visits at all programs by the end of March 2008.

Within the next year, the WV Commission will work to model all granting and monitoring processes on the documented AmeriCorps procedures so that in the event of future turnover, staff from other grant programs will already be cross-trained and ready to assist until vacant positions are filled. The Commission is currently utilizing the Standards and AmeriCorps monitoring tools. The Performance Oversight Committee of the WV Commission is working with the AmeriCorps staff to ensure monitoring oversight and compliance. This committee meets at least quarterly.

**Detail regarding questioned costs in this finding:** NA

## **Finding No. 2**

### **Inadequate Controls over Recording and Reporting Costs**

#### **Finding #2.1(a) WVCNCS - Costs Incurred Before Award:**

**Commission Response:** WVCNCS financial staff developed a coding system within the constraints of the state of West Virginia's financial system. The system had a weakness identified by the WVCNCS which is that similar coding is used for consecutive budget periods for each 3-year grant. The Fiscal Manager and Office Administrator attended the Auditor of West Virginia's state conference in September 2007 and learned a solution to this coding problem. Commission staff started using the state financial system's 'grants module' in October of 2007. The implementation of this grant module will be utilized to separate each year of every three-year grant and will be fully implemented for each WV Commission grant by 2009, thus solving the issues related to costs being allocated to the correct grant program year.

**Commission Action:** The West Virginia Commission will improve its processes by using the Grants Module in the West Virginia Financial Information Management System (WVFIMS) for each individual budget period within three-year grants. This will provide the additional layer of coding needed to distinguish year-end expenses.

In addition, since two expenses cited were travel-related, the West Virginia Commission will establish its own internal requirements for travel reimbursements that will ensure timely identification and payment of travel costs.

**Detail regarding questioned costs in this finding:**

Costs Incurred Before Award - 06CAHWV001- \$939; 06CDHWV0001- \$40

All “questioned costs incurred before award” stemmed from the coding issues noted above regarding the need for separate codes for each grant year within extended multi-year grants. The Commission action described above should eliminate such issues in the future. The questioned costs included staff travel and a consultant contract.

**Finding #2.1(b) WVCNCS - Unallowable Recognition Costs:**

**Commission Response:** The WV Commission accepts the analysis of the auditors that the reviewer appreciation tokens should be regarded as "gifts" as defined in OMB Circular A-87 and are therefore unallowable. The Commission will in the future use non-matching funds for any appreciation tokens to volunteer peer reviewers. At the time that the questioned costs were incurred, WV Commission staff believed that the Corporation compensated its grant reviewers. The Commission would appreciate any guidance the Corporation can provide on appropriate ways to reward peer reviewers whose service is so vital to the process of selecting and awarding national service grants.

**Commission Action:** The Commission recognized from conversations with the auditors during the audit that we should not have purchased gift cards for peer grant reviewers. Therefore, the Commission has made adjusting entries to remove those expenses from federal grants and matching sources. The transactions and corrections in question both occurred within the 2007 grant year and have now been paid from another source.

**Detail regarding questioned costs in this finding:**

Unallowable Recognition Costs - 06CAHWV0001- \$135; 06KCHWV0001- \$75

These costs were all gift cards purchased as tokens of appreciation for the volunteer efforts of peer reviewers for the AmeriCorps Competitive, Formula, and the Learn and Serve - Project FLOW grant competitions.

**Finding #2.1(c) WVCNCS - Costs Incurred Without Prior Written Approval:**

**Commission Response:** The WV Commission disagrees with this finding. As the auditors noted, 2 CFR 225, Cost Principles for State, Local, and Indian Tribal Governments (formerly OMB Circular A-87), requires prior approval from the federal agency for a governmental unit to claim proposal costs as a direct expense. However, the WV Commission did not incur any proposal costs, a sub-grantee did. The WV Commission incurred the cost of awarding a grant to a sub-grantee. The WV Commission had permission to incur the cost of a sub-grant because it was included in

the approved budget. Since the sub-grantee was provided the grant from the WV Commission for the purpose of paying proposal costs, the sub-grantee's cost is allowable according to 2 CFR 230, Cost Principles for Nonprofit Organizations. The WV Commission's understanding is that since the sub-grantee is not a governmental unit, prior approval from the federal agency was not required as indicated by the auditors.

**Commission Action:** While the WV Commission approved proposal costs for this sub-grantee, this approval is extremely rare. Through the auditing process, the WV Commission has learned that sub-grants of this sort are easily questioned. In the future, the WV Commission will seek guidance from the Corporation before proceeding with unusual sub-grant requests.

**Detail regarding questioned costs in this finding:**

Costs Incurred Without Prior Written Approval - 06PTHWV001- \$1,050

The WV Commission approved a nonprofit sub-grantee to spend \$1,050 on proposal costs through a sustainability sub-grant of the Commission's PDAT grant.

**Finding #2.2 - Monroe County Schools - Payroll Allocation Method**

**Commission Response:** This finding discussed the fact the program director's time is recorded in the agency's financial system based on the proper budgeted percentage. However, the program director's actual time and effort exceeds the federal budget amount for her personnel expenses. She then counted this additional time as match but she documented these with notations which were not reconciled with the agency's accounting system.

**Commission Action:** Commission staff met with the program director to discuss proper documentation of her time and the process to allocate to match. Commission staff will follow up to ensure compliance.

**Detail regarding questioned costs in this finding:** NA

**Finding #2.3(a) West Virginia University Research Corp. - Entertainment Cost:**

**Commission Response:** As part of a three-day intensive training for Energy Express members the program provided karaoke as a teambuilding activity one evening. Program staff viewed the expense as part of training, but concedes that the proper documentation was not maintained to support the activity as teambuilding.

**Commission Action:** Commission will integrate examples of allowable and unallowable costs into the program director training sessions and meetings. Program directors will be encouraged to document all program expenditures that could potentially be considered different from the budget detail.

**Detail regarding questioned costs in this finding:**

Entertainment Cost - 03ACHWV0001- \$1,500

Program paid for a karaoke machine as part of member orientation for almost 500 college aged youth who make up their summer program corps.

**Finding #2.3(b) West Virginia University Research Corp. - Unbudgeted Personnel Costs:**

**Commission Response:** WVU submitted a budget transfer request, which was approved by the WV Commission, to cover site supervisor costs. Budget transfer request stated 'mandated pay raises,' which led the auditors to believe that the request was made to pay for raises for Energy Express staff at WVU, but then was used for site supervisor salaries. Program believes that the second reason for transfer was inadvertently omitted. At the time of the request, Energy Express staff spoke to the WV Commission's AmeriCorps Program Officer. By the time of the audit, the Commission's now-former program officer was a Program Officer at the Corporation for National and Community Service. She recalled the transaction and that the transfer for personnel costs was only partially for the mandated raises for WVU staff. See copy of message below.

**From:** (former program officer)  
**Sent:** Tuesday, October 23, 2007 11:37 AM  
**To:** (now-retired Executive Director)  
**Subject:** Re: Energy Express question

(Executive Director),

Sorry it took me a few days to get back to you but I was experiencing some technology issues. I do remember the transfer in question that took place last November. The program had requested to move additional monies in other categories to the personnel line item. I spoke with Shelia and Ruthellen over the phone clarifying the transfer. The transfer was made on the budget into the personnel line on the budget the commission views (because it is not as detailed) but should have been split out in their budget for site coordinators and for the mandated pay raises for staff. I do not remember all the details of the conversation but do remember the initial confusion with the transfer because it was not split out. I wonder if there are not notes of the transfer with the line item file for EE however, I should have had them correct their request. I hope this explanation will help you to clarify the transfer questions.

(Former Program Officer)

**Commission Action:** The WV Commission requests that this questioned cost not be sustained by the Corporation. While the wording in the line-item transfer was not exact, the Commission Program Officer understood the purpose of the budget transfer and approved that request. The Commission has instituted a procedure in which all telephone

requests must be documented after the call with an e-mail exchange that will clarify and formalize verbal requests.

**Detail regarding questioned costs in this finding:**

Unbudgeted Personnel Costs - 03ACHWV0001- \$22,500

Unbudgeted Personnel Costs that received a verbal approval from AmeriCorps Program Officer.

**Finding #2.4 United Way of Central West Virginia – Unbudgeted Rent Costs**

**Commission Response:** The program's original budget did not include rent as a federal cost. The LifeBridge AmeriCorps Program Director in 2005-2006, called a program officer at the West Virginia Commission, to ask how to properly document the rent cost that United Way was charging to the program, and asked if LifeBridge needed to amend the budget to allow for the cost. “(the program officer) stated that because rent was in the same section under ‘operational,’ it was acceptable to charge funds to this line item without a line item transfer or amendment to the budget,” because the change would be less than 10%.” That might be correct if the WV Commission did not have a policy that requires written permission, even if the Corporation does not require a budget revision. According to 2 CFR 230, Cost Principles for Nonprofit Organizations, the cost is allowable as charged. However, the cooperative agreement between WVCNCS and the United Way requires prior written permission for such a charge.

The program acted in good faith on erroneous information provided by their Commission program officer. The program officer is no longer with the Commission. However, the Commission concedes that the Commission’s own procedure was not followed in this particular instance.

**Commission Action:** The WV Commission requests that this questioned cost not be sustained by the Corporation since the cost is allowed according to 2 CFR 230. In addition, the WV Commission may reconsider the merit of maintaining our more stringent policy. Whatever the decision, the WV Commission will strengthen our subgrantee training, as well as the training of the Commission's new AmeriCorps team.

**Detail regarding questioned costs in this finding:**

Unbudgeted Rent Costs - 03ACHWV0001- \$2,207

Unbudgeted rent costs that were allowable under federal regulations – \$2,207.

**Finding No. 3**

**Late Submission of Member Program Forms, Progress Reports, and Periodic Expense Reports (PERs)**

**Commission Response:** We concur and refer you to the response to Finding 1 for descriptions of both the circumstances that led to these findings and our remedial action plan.

**Commission Action:** In addition to more rigorous training, monitoring and compliance practices by WV Commission staff described in our response to Finding 1, the Commission also will require AmeriCorps program directors to use the Commission's AmeriCorps Monitoring Instrument, *Module A: Record of Grantee Performance*, as a self-monitoring tool. This will reinforce for program directors the importance of timely submission of member forms, progress reports, monthly expense reports and FSRs.

**Detail regarding this finding:** NA

## **Finding No. 4**

### **Lack of Adequate Procedures to Ensure Program Compliance**

**Commission Response:** We concur and refer you to the response to Finding 1 for descriptions of both the circumstances that led to these findings and our remedial action plan, particularly with regard to AmeriCorps subgrantee compliance with securing criminal background checks and ensuring that members are enrolled before they begin service. Monroe County Schools has now developed a procedure outside the school system payroll system that assures that members are paid in equal increments, as required. WV Commission staff is fully aware of records retention policy in the AmeriCorps provisions, but will now make sure the policy is in writing.

**Commission Action:** In addition to more rigorous training, monitoring and compliance practices by the WV Commission's staff described in the response to Finding 1, the Commission also will develop a self-monitoring tool specifically targeted at assuring that member files are complete and criminal background checks are received and filed in a timely fashion. The WV Commission will establish a comprehensive records retention plan that complies with federal records retention requirements and the AmeriCorps provisions.

**Detail regarding this finding:**

Living Allowance Prior to Member Contract - 03AFHWW0001 - \$406

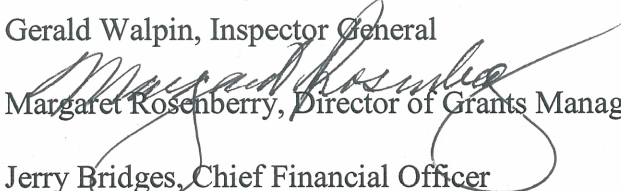
A total of \$406 in living allowance and fringe benefits was charged for a member who began service prior to her enrollment date with Monroe County Schools. The program had a group orientation at which members reviewed the contract, member handbook and procedures, after which members signed their contract, waivers and reporting forms, so that members were fully informed before making a commitment. The member in question started serving prior to the group meeting so that she could shadow a member from the previous year before that member left service. The member whose living allowance is being questioned served a total of 1,770 hours. Therefore, even with the disallowed time prior to the signed enrollment form she is eligible for her education award.

**APPENDIX B**

**Corporation for National and Community Service's Response to Draft  
Report**



**To:** Gerald Walpin, Inspector General

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

**Cc:** Jerry Bridges, Chief Financial Officer  
Kristin McSwain, Director of AmeriCorps  
William Anderson, Deputy CFO for Finance  
Andrew Kleine, Deputy CFO for Planning and Program Management  
Sherry Blue, Audit Resolution Coordinator, Office of the CFO

**Date:** February 11, 2008

**Subject:** Response to OIG Draft Audit Report: Agreed-upon Procedures for Corporation Grants awarded to the West Virginia Commission for National and Community Service

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Thank you for the opportunity to review the draft audit report of the Corporation's grants awarded to the West Virginia Commission for National and Community Service. We do not have specific comments at this time. We will respond to all findings and recommendations in our management decision when the final audit is issued; we have reviewed the findings in detail; and worked with the Commission to resolve the audit.