

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

**AUDIT OF CORPORATION FOR NATIONAL
AND COMMUNITY SERVICE GRANTS
AWARDED TO THE PUERTO RICO STATE
COMMISSION ON COMMUNITY SERVICE AND
SOCIAL ACTION SUBGRANTEES**

OIG REPORT NUMBER 06-05



Corporation for
**NATIONAL &
COMMUNITY
SERVICE**

Prepared by:

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This report was issued to Corporation management on February 13, 2006. 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 13, 2006 and complete its corrective actions by February 13, 2007. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



OFFICE OF INSPECTOR GENERAL

Corporation for National and Community Service
Audit Report 06-05

Audit of Corporation for National and Community Service Grants Awarded to the Puerto Rico
State Commission on Community Service and Social Action Subgrantees

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Conrad and Associates, L.L.P. (Conrad) to perform an incurred-cost audit of grants awarded to the Puerto Rico State Commission on Community Service and Social Action Subgrantees.

The grantees claimed costs of \$1,512,093 of which the auditors questioned \$155,067 as unallowable grant costs and \$64,595 of education awards. Overall, the auditors questioned approximately 10.3 percent of claimed grant costs. Costs questioned for allowability represents: an alleged violation or provision of law, regulation, grant or other agreement governing the expenditure of funds; a finding that, at the time of the audit, certain costs were not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions.

In accordance with our statutory responsibilities, we reviewed Conrad's report and related audit documentation, interviewed their representatives, and performed other procedures, as we deemed appropriate in the circumstances to provide reasonable assurance that the audit was performed in accordance with generally accepted government auditing standards. Our review was not intended to enable us to express, and we do not express, opinions on the Grantee's Consolidated Schedule of Award Costs, or conclusions on internal controls and on compliance with laws and regulations. Conrad is responsible for the attached reports dated June 16, 2005, and the conclusions expressed therein. However, our review disclosed no instances where Conrad did not comply, in all material respects, with generally accepted government auditing standards.

The Office of Inspector General provided officials of the Puerto Rico State Commission on Community Service and Social Action Subgrantees with drafts of this report for their review and comment. The Puerto Rico State Commission on Community Service and Social Action Subgrantees written responses are included as an Appendix A. The Corporation's responses are included in Appendix B.

This report is a matter of public record, and its distribution is not limited.



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Senior Corps



**Audit of Corporation for National and Community Service
Grants Awarded to
Puerto Rico State Commission on Community Service and Social Action Subgrantees**

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**Audit of Corporation for National and Community Service
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REPORT SUMMARY AND HIGHLIGHTS

Office of Inspector General
Corporation for National and Community Service

This report is issued under an Office of Inspector General (OIG) engagement with Conrad and Associates, L.L.P. to audit the costs claimed by the subgrantees of the Puerto Rico State Commission on Community Service and Social Action (Commission) from November 1, 2000, through March 31, 2005, under the grants awarded by the Corporation for National and Community Service (Corporation). This report focuses on the audit of claimed costs, instances of noncompliance with Federal laws, applicable regulations or award conditions, and internal control weaknesses disclosed during the audit of the Commission's subgrantees.

Executive Summary

As a result of our audit, we are questioning costs totaling \$155,067. We are also questioning match costs claimed. Some of the questioned match costs were claimed in excess of the minimum match required. The costs questioned are approximately 10.3 percent of the total \$1,512,093 in costs claimed by the subgrantees. Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the award, or those costs which require additional support by the grantee or require interpretation of allowability by the Corporation. Costs questioned include living allowances for which key eligibility documentation could not be located, costs not allocable to the AmeriCorps program, and administrative expenses claimed beyond the ceiling established within the provisions. Details related to questioned costs appear in the Independent Auditor's Report.

AmeriCorps members 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. However, as part of our audit, however, we determined the effect of audit findings on Education Award eligibility. Using the same criteria described above, we questioned Education Awards of \$64,595.

Background

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

The Corporation terminated the existence of the Commission in a letter dated June 7, 2005, due to previous problems that were left unresolved. The effective date of the termination was stated to be June 30, 2005. Therefore, our engagement was specific to costs claimed at the subgrantee level. More specifically, we were engaged to review only those subgrantees that were currently active. Following is background information on the active subgrantees on which we performed full-scope audits.

Centro de Intervencione e Integracion Paso a Paso (Paso a Paso)

The grant audited during fieldwork comprised 14 AmeriCorps members. Members provide mentoring and tutorial services to grade school children around the community and also assist social workers with care of the children. Centro de Intervencione e Integracion Paso a Paso is a non-profit organization and is located in Hatillo, Puerto Rico.

Centro de Servicios a la Juventud, Inc. (CSJ)

The two grants audited during fieldwork comprise 81 AmeriCorps members. Members provide Educational and social reform efforts to 11 public housing sites, seven special needs sites and two segregated homeless societies. The members also provide tutorials to grade school children and teach the community to maintain clean neighborhoods by removing debris from their neighborhoods and implementing recycling programs. Centro de Servicios a la Juventud is a non-profit organization and is located in Arecibo, Puerto Rico.

Centro de Ensenanza Para la Familia (Familia)

The three grants audited during fieldwork comprise 94 AmeriCorps members. They perform the following roles throughout the community: 1) academic tutorials, 2) extra curricular services and 3) housing project services in order to mentor children. Mentoring includes daily workshops for children ages 3 – 12 in the community's public housing sites. The workshops are designed to help children improve their decision-making skills, communication skills, and anger management. Children also participate in arts and crafts and sports recreation. Weekly workshops are provided focusing on drug and alcohol abuse and the prevention of tobacco use. Centro de Ensenanza Para la Familia is a non-profit organization and is located in Humacao, Puerto Rico.

Iniciativa Comunitaria de Investigacion, Inc. (Iniciativa)

The grant audited during fieldwork comprised nine AmeriCorps members. Members supplemented existing activities at the organization by providing assistance to the HIV clinic and to the homeless shelter. The members also assisted the organization in specific fundraising activities. Iniciativa Comunitaria de Investigacion, Inc. is a non-profit organization and is located in San Juan, Puerto Rico.

Peninsula de Cantera (Cantera)

The two grants audited during fieldwork comprise 42 AmeriCorps members. The roles of the members included landscape improvements throughout the Cantera Peninsula and supporting various school programs by providing tutorials to children and single mothers to help them become more self-sufficient. Cantera Peninsula Corporation is a quasi-governmental entity of the Puerto Rico government and is located in San Juan, Puerto Rico.

Universidad Interamericana (Interamericana)

The two grants audited during fieldwork comprise 50 AmeriCorps members. The members are students at the University Interamericana. They provide tutorials to grade school children, middle school adolescents and adults that did not complete high school. Certain AmeriCorps members provide general healthcare services such as assisting the elderly with household chores and assisted living. Universidad Interamericana is a private university with campuses throughout Puerto Rico. Its main campus is located in San Juan, Puerto Rico.

The active Puerto Rico subgrantees have received approximately \$2.55 million in funding and claimed \$1.5 million from Corporation AmeriCorps funds. Authorized funding and subgrantee claimed expenditures during the audit period by AmeriCorps grants are as follows:

	<u>Funding Authorized</u>	<u>Claimed within Audit Period</u>
<u>Centro de Intervencione e Integracion Paso a Paso</u>		
03AFHPR0010008 – Formula	\$ 86,743	\$ 38,091
Total AmeriCorps Funds	<u>86,743</u>	<u>38,091</u>
 <u>Centro de Servicios a la Juventud, Inc.</u>		
00ASFPR0400101 – Formula	726,119	679,145
03AFHPR0010002 - Formula	<u>111,279</u>	<u>8,031</u>
Total AmeriCorps Funds	<u>837,398</u>	<u>687,176</u>
 <u>Centro de Ensenanza Para la Familia</u>		
00ASFPR0401401 – Formula	204,729	78,443
02ASCPR0401001 – Competitive	125,364	15,076
03ACHPR0010001 - Competitive	<u>281,598</u>	<u>49,340</u>
Total AmeriCorps Funds	<u>611,691</u>	<u>142,859</u>
 <u>Iniciativa Comunitaria de Investigacion, Inc.</u>		
03ACHPR0010002 – Competitive	<u>142,745</u>	<u>84,457</u>
Total AmeriCorps Funds	<u>142,745</u>	<u>84,457</u>
 <u>Peninsula de Cantera</u>		
00ASFPR0400901 – Formula	361,993	330,325
03AFHPR0010005 – Formula	<u>100,746</u>	<u>67,474</u>
Total AmeriCorps Funds	<u>462,739</u>	<u>397,799</u>
 <u>Universidad Interamericana</u>		
00ASFPR0401601 – Formula	315,981	161,711
03AFHPR0010003 - Formula	<u>94,036</u>	<u>-</u>
Total AmeriCorps Funds	<u>410,017</u>	<u>161,711</u>
TOTALS – AmeriCorps Grants	<u>\$ 2,551,333</u>	<u>\$ 1,512,093</u>

Purpose and Scope of Audit

Our audit covered the costs claimed under the Corporation Grants and for the grant periods detailed on page 5.

The objectives of our audit were to determine whether:

- financial reports prepared by the subgrantees presented fairly the financial results of the awards;
- internal controls were adequate to safeguard Federal funds;
- the subgrantees had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, award conditions, and that member services were appropriate to the programs; and
- award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions.

We performed the audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the awards, as presented in the Consolidated Schedule of Award Costs and the subgrantee-specific Schedules of Award Costs (Exhibits A through F), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibits A through F. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. Our audit included reviews of audit reports prepared by the independent public accountants for the subgrantees in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. We believe our audit provides a reasonable basis for our opinion. We performed our audit during the period May 9 through June 16, 2005.

The contents of this report were disclosed to and discussed with each subgrantee at exit conferences held in Puerto Rico on June 20 and 21, 2005. In addition, we provided a draft of this report to each subgrantee and to the Corporation for comment on November 4, 2005, and received responses from the subgrantees in early December 2005 and the Corporation on December 2, 2005. Their responses are included in their entirety as appendices A and B, respectively.

AmeriCorps Grant Programs Audited

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

<u>Subgrantee</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Audit Period</u>
Paso a Paso	03AFHPR0010008	07/01/04 to 06/30/07	07/01/04 to 03/31/05
CSJ	00ASFPR0400101	11/01/00 to 03/31/04	11/01/00 to 03/31/04
CSJ	03AFHPR0010002	05/05/04 to 05/04/07	03/01/05 to 03/31/05
Familia	00ASFPR0401001	11/01/02 to 10/31/04	04/01/03 to 10/31/04
Familia	02ASCPR0401001	11/01/02 to 10/31/04	04/01/03 to 10/31/04
Familia	03ACHPR0010001	10/01/03 to 03/31/05	01/01/05 to 03/31/05
Iniciativa	03ACHPR0010002	10/01/03 to 03/31/05	03/03/04 to 02/28/05
Cantera	00ASFPR0400901	11/01/00 to 03/31/04	11/01/00 to 03/31/04
Cantera	03AFHPR0010005	05/05/04 to 05/04/07	05/05/04 to 03/31/05
Interamericana	00ASFPR0401601	11/01/02 to 10/31/04	06/01/03 to 10/31/04
Interamericana	03AFHPR0010003	05/05/04 to 05/04/07	See Footnote 1

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

	<u>Amount</u>	<u>Percentage of Budget/Claimed</u>
Award Budget	\$2,551,333	-
Claimed Costs	1,512,093	59.3 percent
Questioned Grant Costs	155,067	10.3 percent
Questioned Education Awards	64,595	

Costs Questioned

The following summarizes the costs questioned on these awards:

AmeriCorps Grants

Living Allowances	\$ 66,025
Costs Inadequately Documented to Determine Allowability	8,472
Personnel Costs Without Proper Timekeeping	50,709
Void Check Claimed	1,436
Reconciliation Variances	24,359
Overpayments by Commission to Subgrantee	1,847
Administrative Costs Claimed Above Provision Allowance	2,219
Education Awards	<u>64,595</u>
 Total costs questioned	 <u>\$219,662</u>

1 No costs had been claimed as of the end of fieldwork, June 16, 2005.

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

Compliance

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

1. Five of the six subgrantees did not comply with matching requirements in claiming costs to grant match. Unsupported costs and costs based on budget estimates were claimed to grant match operating costs, as well as equipment costs for which the cost basis was non-compliant.
2. Personnel costs claimed by three of the six subgrantees were unsupported due to inadequate timekeeping methodologies or the costs claimed were based on budget estimates.
3. At four of the six subgrantees, living allowances and fringe benefits were paid to AmeriCorps members who participated in prohibited activities or whose member files did not include appropriate eligibility documentation at four of six subgrantees.
4. Members' time sheets lacked appropriate signatures or were missing entirely at two of the six subgrantees audited.
5. Direct costs claimed and paid by the Corporation for the AmeriCorps program were questioned because they did not comply with certain cost principles at two of the six subgrantees audited.
6. All of the subgrantees failed to submit various required AmeriCorps documents within the established time frames.
7. AmeriCorps member files lacked proper documentation to support either enrollment or participation at all six of the subgrantees audited.
8. Member hours within WBRS were inaccurately reported at three of the six subgrantees audited.
9. Living allowances were not paid incrementally, as prescribed by the AmeriCorps, provisions, at four of the six subgrantees audited.
10. The living allowances paid to full-time members were less than the minimum amounts established in the application guidelines at one of the six subgrantees audited.

Internal Controls

Our audit disclosed the following internal control weaknesses:

11. Internal control weaknesses identified at four of the six subgrantees audited related to their accounting systems. In addition, two of the six subgrantees lacked written accounting policies.
12. Roles were not properly segregated within the accounting function at two of the six subgrantees audited.

The noncompliance findings numbered 1 through 5, and the internal control findings numbered 11 and 12, are also considered to be material internal control weaknesses.²

Report Release

This report is intended for the information and use of the Office of Inspector General, management of the Corporation for National and Community Service, the Puerto Rico State Commission on Community Service and Social Action Subgrantees, and the U.S. Congress.

² A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts, which would be material to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Office of Inspector General
 Corporation for National and Community Service

INDEPENDENT AUDITOR'S REPORT

We have audited the costs incurred by subgrantees throughout Puerto Rico for the award numbers listed below. These costs, as presented in the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A through F) are the responsibility of the management of each subgrantee. Our responsibility is to express an opinion based on our audit, on the consolidated Schedule of Award Costs and Exhibits A through F.

<u>Subgrantee</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Audit Period</u>
Paso a Paso	03AFHPR0010008	07/01/04 to 06/30/07	07/01/04 to 03/31/05
CSJ	00ASFPR0400101	11/01/00 to 03/31/04	11/01/00 to 03/31/04
CSJ	03AFHPR0010002	05/05/04 to 05/04/07	03/01/05 to 03/31/05
Familia	00ASFPR0401001	11/01/02 to 10/31/04	04/01/03 to 10/31/04
Familia	02ASCPR0401001	11/01/02 to 10/31/04	04/01/03 to 10/31/04
Familia	03ACHPR0010001	10/01/03 to 03/31/05	01/01/05 to 03/31/05
Iniciativa	03ACHPR0010002	10/01/03 to 03/31/05	03/03/04 to 02/28/05
Cantera	00ASFPR0400901	11/01/00 to 03/31/04	11/01/00 to 03/31/04
Cantera	03AFHPR0010005	05/05/04 to 05/04/07	05/05/04 to 03/31/05
Interamericana	00ASFPR0401601	11/01/02 to 10/31/04	06/01/03 to 10/31/04
Interamericana	03AFHPR0010003	05/05/04 to 05/04/07	See Footnote 3

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant management estimates, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

³ No costs had been claimed as of the end of fieldwork, June 16, 2005.

In our opinion, except for the issues related to the \$219,662 in questioned costs discussed above, the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A through F) referred to above present fairly, in all material respects, the costs claimed for the period November 1, 2000 to March 31, 2005, in conformity with generally accepted accounting standards in the United States of America.

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

This report is intended for the information and use of the Office of Inspector General, management of the Corporation for National and Community Service, the subgrantees audited, and the U.S. Congress.

Conrad and Associates, L.L.P.

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

**Corporation for National and Community Service Awards
Puerto Rico State Commission on Community Service and Social Action Subgrantees**

Consolidated Schedule of AmeriCorps Award Costs

November 1, 2000, to March 31, 2005

<u>Grant Number</u>	<u>Subgrantee</u>	<u>Approved Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Questioned Education Awards</u>	<u>Reference</u>
03AFHPR0010008	Paso a Paso	<u>\$ 86,743</u>	<u>\$ 38,091</u>	<u>\$ -</u>	<u>\$ -</u>	
	Total Paso a Paso	<u>86,743</u>	<u>38,091</u>	<u>-</u>	<u>-</u>	Exhibit A
00ASFPR0400101	CSJ	726,119	679,145	28,200	1,720	
03AFHPR0010002	CSJ	<u>111,279</u>	<u>8,031</u>	<u>-</u>	<u>-</u>	
	Total CSJ	<u>837,398</u>	<u>687,176</u>	<u>28,200</u>	<u>1,720</u>	Exhibit B
00ASFPR0401001	Familia	204,729	78,443	-	-	
02ASCPR0401001	Familia	125,364	15,076	4,591	-	
03ACHPR0010001	Familia	<u>281,598</u>	<u>49,340</u>	<u>-</u>	<u>-</u>	
	Total Familia	<u>611,691</u>	<u>142,859</u>	<u>4,591</u>	<u>-</u>	Exhibit C
03ACHPR0010002	Iniciativa	<u>142,745</u>	<u>84,457</u>	<u>16,867</u>	<u>12,845</u>	
	Total Iniciativa	<u>142,745</u>	<u>84,457</u>	<u>16,867</u>	<u>12,845</u>	Exhibit D
00ASFPR0400901	Cantera	361,993	330,325	81,589	49,405	
03AFHPR0010005	Cantera	<u>100,746</u>	<u>67,474</u>	<u>10,650</u>	<u>-</u>	
	Total Cantera	<u>462,739</u>	<u>397,799</u>	<u>92,239</u>	<u>49,405</u>	Exhibit E
00ASFPR0401601	Interamericana	315,981	161,711	12,039	625	
03AFHPR0010003	Interamericana	<u>94,036</u>	<u>-</u>	<u>1,131</u>	<u>-</u>	
	Total Interamericana	<u>410,017</u>	<u>161,711</u>	<u>13,170</u>	<u>625</u>	Exhibit F
	Totals	<u>\$2,551,333</u>	<u>\$1,512,093</u>	<u>\$155,067</u>	<u>\$64,595</u>	

**Corporation for National and Community Service Awards
Puerto Rico State Commission on Community Service and Social Action Subgrantees**

Notes to Consolidated Schedule of Award Costs

November 1, 2000, to March 31, 2005

Reporting Entity

The accompanying consolidated Schedule of Award Costs includes amounts budgeted, claimed, and questioned for active AmeriCorps subgrantees within Puerto Rico awarded Corporation funds for the period from November 1, 2000, to March 31, 2005.

Basis of Accounting

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

Equipment

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

Inventory

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

**PUERTO RICO STATE COMMISSION ON COMMUNITY SERVICE AND
SOCIAL ACTION SUBGRANTEES
Schedule of Award Costs
Corporation for National and Community Service
Grant Number 03AFHPR0010008
July 1, 2004, to March 31, 2005**

Centro de Intervencione e Integracion Paso a Paso (Paso a Paso)

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$86,743</u>	Note 1
Claimed Costs	<u>\$38,091</u>	Note 2
Total Questioned Match Costs	<u>\$ 2,549</u>	Note 3

Notes

1. The amount shown above as Approved Budget represents the total funding to Paso a Paso according to budget schedules.
2. Claimed costs represent Paso a Paso's reported expenditures for the period July 1, 2004, through March 31, 2005.
3. Costs claimed to match for the Program Director's effort were \$1,000 per month, based on an estimated budget amount. We recalculated actual costs, using salary information and the actual number of hours incurred, which resulted in a variance of \$2,549 from the amount claimed. The program ended in August 2005, two and a half months after the completion of our fieldwork. Although these costs are questioned, the subgrantee is on pace to meet its match requirement of 33 percent, as its recalculated match percentage as of March 31, 2005 is 41 percent. (Also see Compliance Finding No. 1.)

**PUERTO RICO STATE COMMISSION ON COMMUNITY SERVICE AND
SOCIAL ACTION SUBGRANTEES
Schedule of Award Costs
Corporation for National and Community Service
Grant Numbers 00ASFPR0400101 and 03AFHPR0010002
November 1, 2000, to March 31, 2005**

Centro de Servicios a la Juventud (CSJ)

		<u>Reference</u>
Approved Budget (Federal Funds)	\$ <u>837,398</u>	Note 1
Claimed Costs	\$ <u>687,176</u>	Note 2
Questioned Costs		
Reconciliation Variance	\$ 24,359	Note 3
Fuel Charges	1,994	Note 4
Overpaid by Commission	<u>1,847</u>	Note 5
Total Questioned Costs	\$ <u>28,200</u>	
Total Questioned Education Awards	\$ <u>1,720</u>	Note 6

Notes

1. The approved budget amount of \$837,398 represents total funding to CSJ for Program Years (PY) 2000-01 through 2004-05, per the budget schedules.
2. The claimed costs of \$687,176 represent the amount of reported expenditures by CSJ for the Program Years tested (PY 2000-01 through 2004-05).

3. Reconciliation Variances

We identified a variance between the costs claimed and the costs entered in the general ledger. The total cost claimed under the grant was \$831,640 compared to \$807,281 within the general ledger. Costs claimed to the grant and to the match were commingled within the general ledger. We were unable to determine whether the variance was isolated to costs claimed to the grant, costs claimed to grant match, or a combination of both categories because of the methodology in which CSJ accumulated costs within its accounting system. The table below demonstrates the costs claimed by CSJ.

Costs Claimed per Subgrantee Monthly Requests

<u>Program Year</u>	<u>Grant</u>	<u>Match</u>	<u>Total</u>
2000-01	\$216,673	\$ 55,228	\$271,901
2001-02	235,302	46,904	282,206
2002-03	<u>227,170</u>	<u>50,363</u>	<u>277,533</u>
Total	<u>\$679,145</u>	<u>\$152,495</u>	<u>\$831,640</u>

The following table demonstrates the variance when comparing costs claimed by CSJ, to costs per the CSJ general ledger.

<u>Program Year</u>	<u>Monthly Summary</u>	<u>Per General Ledger</u>	<u>Variance</u>
2000-01	\$271,901	\$259,646	\$12,255
2001-02	282,206	277,575	4,631
2002-03	<u>277,533</u>	<u>270,060</u>	<u>7,473</u>
Total	<u>\$831,640</u>	<u>\$807,281</u>	<u>\$24,359</u>

CSJ was unable to provide audit evidence that the variance was related to grant match costs. As such, we have questioned the variance as if the costs had been claimed to the Corporation and have classified the costs as being unsupported. (Also see Compliance Finding No. 5.)

4. Fuel Charges

We identified two transactions claimed to the grant for fuel purchased by AmeriCorps members and administrative staff at a local gas station. The documentation revealed that the charges were not allocable to the grant and were not provided for in the original award budget. We have therefore questioned \$1,994 associated with these transactions. (Also see Compliance Finding No. 5.)

5. Overpaid by Commission

We identified a variance between the grant funds requested by CSJ and the funds received from the Commission for the grant as shown below. (Also see Compliance Finding No. 5.)

<u>Program Year</u>	<u>Request</u>	<u>Received</u>	<u>Over (Under) Paid</u>
2000-01	\$216,673	\$219,838	\$3,165
2001-02	235,302	233,999	(1,303)
2002-03	<u>227,170</u>	<u>227,155</u>	<u>(15)</u>
Total	<u>\$679,145</u>	<u>\$680,992</u>	<u>\$1,847</u>

6. Questioned Education Award

We reviewed 40 member files and found one member that received a partial education award, and whose reason for leaving the program early was due to his discontent with the program. The reason stated for leaving does not meet the established criteria of compelling circumstances. As such, we have questioned the amount of the award totaling \$1,720. (Also see Compliance Finding No. 3.)

**PUERTO RICO STATE COMMISSION ON COMMUNITY SERVICE AND
SOCIAL ACTION SUBGRANTEES**
Schedule of Award Costs
Corporation for National and Community Service
Grant Numbers 00ASFPR0401001, 02ASCPR0401001 and 03ACHPR0010001
April 1, 2003, to March 31, 2005

Centro de Enseñanza Para la Familia (Familia)

		<u>Reference</u>
Approved Budget (Federal Funds)	\$ <u>611,691</u>	Note 1
Claimed Costs	\$ <u>142,859</u>	Note 2
Questioned Costs		
Unsupported Staff Personnel Costs	\$ 3,155	Note 3
Voided Check	<u>1,436</u>	Note 4
Total Questioned Costs	\$ <u>4,591</u>	
Questioned Match Costs		
Unsupported Staff Personnel Costs	\$ 19,829	Note 3
Voided Check	<u>707</u>	Note 4
Total Match Costs Questioned	\$ <u>20,536</u>	

Notes

1. The approved budget amount of \$611,691 represents total funding to Familia for PY 2003-04 through 2004-05, per the budget schedules.
2. The claimed costs of \$142,859 represent the amount of reported expenditures of Familia for the program years tested (PY 2003-04 through 2004-05).
3. Our review revealed that costs claimed for both administrative staff salaries were based on budget award figures. There were no timekeeping records to support the costs claimed to the Federal share or to the grant match. The following table represents the costs claimed that we have questioned. (Also see Compliance Finding Nos. 1 and 2.)

Grant	Federal Share	Grant Match
02ASCPR0401001	\$3,155	\$16,922
03ACHPR0010001	-	2,907
Total	\$3,155	\$19,829

4. We determined that a disbursement check claimed to the Federal share and to the grant match was voided but never credited to the grant, resulting in an overstatement of claimed costs as well as grant match. The following costs are unsupported and, as such, have been questioned. (Also see Compliance Finding Nos. 1 and 5.)

Grant	Federal Share	Grant Match
00ASFPR0401401	\$1,436	\$707

**PUERTO RICO STATE COMMISSION ON COMMUNITY SERVICE AND
SOCIAL ACTION SUBGRANTEES
Schedule of Award Costs
Corporation for National and Community Service
Grant Number 03ACHPR0010002
March 3, 2004, to February 28, 2005**

Iniciativa Comunitaria de Investigacion, Inc. (Iniciativa)

		<u>Reference</u>
Approved Budget (Federal Funds)	\$ <u>142,745</u>	Note 1
Claimed Costs	\$ <u>84,457</u>	Note 2
Questioned Costs		
Member Fund Raising Activities	\$ 14,343	Note 3
Unsupported Staff Personnel Costs	<u>2,524</u>	Note 4
Total Questioned Costs	\$ <u>16,867</u>	
Questioned Education Awards		
Member Fund Raising Activities	\$ 4,724	Note 6
Exiting without Compelling Circumstance	<u>8,121</u>	Note 7
Total Questioned Education Awards	\$ <u>12,845</u>	
Questioned Match Costs		
Member Fund Raising Activities	\$ 2,531	Note 3
Unsupported Staff Personnel Costs	3,300	Note 4
Input Keying Error	<u>850</u>	Note 5
Total Questioned Match Costs	\$ <u>6,681</u>	

Notes

1. The approved budget amount of \$142,745 represents total funding to Iniciativa for PY 2004-05 per the budget schedules.
2. The claimed costs of \$84,457 represent the amount of reported expenditures of Iniciativa for PY 2004-05.

3. We determined three of nine members at Iniciativa were solely engaged in fundraising activities for the organization. The activities are unallowable per the AmeriCorps provisions and, as such the members' living allowances have been questioned as shown below. (Also see Compliance Finding No. 3.)

Federal Share	Grant Match
\$14,343	\$2,531

4. Our review revealed that costs claimed for an administrative staff employee were based on budget award figures. There were no timekeeping records to support the costs claimed to the share paid by the grant or to the grant match. As a result, we have questioned costs claimed as shown below. (Also see Compliance Finding Nos. 1 and 2.)

Federal Share	Grantee Match
\$2,524	\$3,300

5. We determined that an \$850 transaction was erroneously claimed to grant match due to an input keying error. As a result, we have questioned these costs claimed to the grant match. (Also see Compliance Finding No. 1.)
6. The three members who engaged in fundraising activities, as discussed under Note No. 3, above also received Education Awards totaling \$4,724. We have questioned the Education Awards because the members engaged in prohibited activities, as defined by the AmeriCorps provisions. (Also see Compliance Finding No. 3.)
7. Two of the five member files reviewed lacked documentation on why the members exited early. The two members received partial Education Awards. Due to the lack of supporting documentation, we have questioned Education Awards for the two members, a total of \$8,121. (Also see Compliance Finding No. 3.)

**PUERTO RICO STATE COMMISSION ON COMMUNITY SERVICE AND
SOCIAL ACTION SUBGRANTEES
Schedule of Award Costs
Corporation for National and Community Service
Grant Numbers 00ASFPR0400901 and 03AFHPR0010005
November 1, 2000, to March 31, 2005**

Peninsula de Cantera (Cantera)

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$462,739</u>	Note 1
Claimed Costs	<u>\$397,799</u>	Note 2
Questioned Costs		
Member Time sheet Exceptions	\$ 40,731	Note 3
Staff Personnel Costs not Certified	45,030	Note 4
Petty Cash Advances	<u>6,478</u>	Note 5
Total Questioned Costs	<u>\$ 92,239</u>	
Questioned Education Awards		
Member Time sheet Exceptions	\$ 45,436	Note 3
Exiting without Compelling Circumstance	<u>3,969</u>	Note 7
Total Questioned Education Awards	<u>\$ 49,405</u>	
Questioned Match Costs		
Member Time sheet Exceptions	\$ 7,187	Note 3
Staff Personnel Costs not Certified	56,828	Note 4
Administrative Staff Based on Budget	<u>134,560</u>	Note 6
Total Questioned Match Costs	<u>\$ 198,575</u>	

Notes

1. The approved budget amount of \$462,739 represents total funding to Cantera for Program Years 2000-01 through 2004-05 per the budget schedules.
2. The claimed costs of \$397,799 represent the amount of reported expenditures of Cantera for PYs 2000-01 through 2004-05.

3. From our review of 21 member files, we noted 12 member time sheets that were either missing the supervisor’s signature, the member signature or both signatures. Our expanded review revealed that no members had signed their time sheets for the months of October 2002 and December 2003. Costs for these members were paid by the Corporation as well as claimed to the grant match. In addition, these members received Education Awards. We quantified these costs and have questioned them based on the exceptions we noted on member time sheets as shown below. (Also see Compliance Finding No. 4.)

Federal Share	Grant Match	Education Award
\$40,731	\$7,187	\$45,436

4. Two full-time Cantera staff members worked solely on the AmeriCorps project. The methodology of timekeeping, however, did not require it to be certified, as required by OMB Circular A-87. As a result, we have questioned the costs and match claimed to the grants for these two individuals as shown below. (Also see Compliance Finding Nos. 1 and 2.)

Grant	Federal Share	Grant Match
00ASFPR0400901	\$36,000	\$56,828
03AFHPR0010005	9,030	-
TOTAL	\$45,030	\$56,828

5. Petty cash advances were provided to the AmeriCorps project coordinator to purchase miscellaneous items for members while working at construction sites. The purchases included ice, beverages, snacks and lunches. The purchases also included various meals for AmeriCorps staff. These purchases were not provided for in the original budget and as such, we have questioned the costs associated with these items as shown below. (Also see Compliance Finding No. 5.)

Grant	Federal Share
00ASFPR0400901	\$4,858
03AFHPR0010005	1,620
TOTAL	\$6,478

6. Our review disclosed that Cantera’s administrative staff personnel were claimed to the grant match based on amounts provided for in the award budget. The administrative personnel committed part of their effort toward the AmeriCorps project, but the timekeeping methodology did not allow us to determine the exact level of effort. Personnel at Cantera punched in and out using timecards and time clocks. The hard copy timecards were maintained. This methodology of timekeeping, however, did not allow reporting of effort by project because the timecard only indicated when the employee arrived and left the office. As a result, we are questioning the entire portion of costs claimed to match for these individuals. (Also see Compliance Finding No. 1.)

00ASFPR0400901	03AFHPR0010005	Total
\$93,397	\$41,163	\$134,560

7. One of the 21 member files reviewed lacked documentation demonstrating why the member exited early. The member received a partial Education Award of \$3,969. Due to the lack of supporting documentation, we have questioned the Education Award. (Also see Compliance Finding No. 3.)

**PUERTO RICO STATE COMMISSION ON COMMUNITY SERVICE AND
SOCIAL ACTION SUBGRANTEES
Schedule of Award Costs
Corporation for National and Community Service
Grant Numbers 00ASFPR0401601 and 03AFHPR0010003
June 1, 2003, to October 31, 2004**

Universidad Interamericana (Interamericana)

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$ 410,017</u>	Note 1
Claimed Costs	<u>\$ 161,711</u>	Note 2
Questioned Costs		
Member Time sheet Exceptions	\$ 8,299	Note 3
Lacking Background Check	2,387	Note 4
Administrative Costs Beyond Ceiling	2,219	Note 5
No Hours Served	<u>265</u>	Note 6
Total Questioned Costs	<u>\$ 13,170</u>	
Total Questioned Education Awards		
Member Time sheet Exceptions	\$ 145	Note 3
Lacking Background Check	<u>480</u>	Note 4
	<u>\$ 625</u>	
Questioned Match Costs		
Member Time sheet Exceptions	\$ 1,461	Note 3
Lacking Background Check	421	Note 4
No Hours Served	46	Note 6
Labor & Fringe Benefits Budget Estimates	59,231	Note 7
Administrative Fee Based on Budget	11,489	Note 8
Equipment at Acquisition	7,075	Note 9
Unsupported Supplies and Telephone Costs	<u>1,308</u>	Note 10
Total Questioned Match Costs	<u>\$ 81,031</u>	

Notes

1. The approved budget amount of \$410,017 represents total funding to Interamericana for Program Years 2003-04 through 2004-05 per the budget schedules.
2. The claimed costs of \$161,711 represent the amount of reported expenditures of Interamericana for the Program Years tested (PY 2003-04 through PY 2004-05) for Grant No. 00ASFPR0401601. As of the completion of fieldwork, the subgrantee had not claimed expenditures toward Grant No. 03AFHPR0010003.
3. Our review disclosed two instances of members who had not signed their time sheets and 13 instances of members who had not completed time sheets. Accordingly, we could not determine whether the living allowances paid to these members were for actual service hours completed and have therefore questioned the costs claimed. As stated in Note No. 2 above, the subgrantee had not claimed costs toward Grant No. 03AFHPR0010003 during fieldwork. We reviewed, however, supporting schedules for reimbursement claims which were to be submitted to the Commission in the near future. These schedules, although not yet claimed, were the basis of our questioned costs specific to the Grant No. 03AFHPR0010003. (Also see Compliance Finding No. 4.)

Grant	Federal Share	Grant Match	Education Award
00AFPR0401601	\$7,168	\$1,260	\$145
03AFHPR0010003	1,131	201	-
Total	\$8,299	\$1,461	\$145

4. From our sample of 25 members, we found that one member's file did not include a background check. The member's service included contact with children. As a result, we have questioned the living allowances claimed to the Corporation, to grant match and costs associated with the member's Education Award. (Also see Compliance Finding No. 7.)

Grant	Federal Share	Grant Match	Education Award
00AFPR0401601	\$2,387	\$421	\$480

5. The subgrantee claimed administrative costs to the grant match using its approved indirect cost rate of 36 percent and also claimed administrative costs to the Corporation. The AmeriCorps provisions do not allow this. Once a subgrantee claims in excess of 10 percent to the grant match, it is precluded from claiming administrative costs to the Corporation. Accordingly, we have questioned the costs claimed to the Corporation totaling \$2,219. (Also see Compliance Finding No. 5.)

6. We determined that one member had been provided a monthly living allowance without serving any hours. Accordingly, we have questioned the costs associated with the living allowance. The costs reported for Grant No. 00AFPR0401601 were \$265 and to grant match \$46. (Also see Compliance Finding No. 3.)
7. We determined that University administrative staff personnel costs that were claimed to grant match, separate from the AmeriCorps project office, were based on budget estimates. Their timekeeping methodology, while meeting the requirements of OMB Circular A-21, did not allow us to determine the level of effort expended specific to the AmeriCorps grants. Therefore, we questioned the entire amount claimed for labor and fringe benefits claimed to grant match totaling \$59,231. (Also see Compliance Finding No. 1.)
8. We determined that Interamericana's calculation of administrative costs claimed to grant match was based on the budgeted figures described above under note No.7. We recalculated administrative costs by applying the 36 percent indirect rate applied to verifiable costs. This calculation resulted in a variance of \$11,489 that has been questioned. (Also see Compliance Finding No. 1.)
9. We determined that costs claimed to grant match for the use of donated equipment were based on acquisition cost rather than fair market value. There were no records available to determine the current fair market value. As such, we questioned the entire equipment costs claimed to grant match, totaling \$7,075. (Also see Compliance Finding No. 1.)
10. Costs claimed to grant match included budgeted costs for supplies and the use of telephones. These costs were not based on actual expenses and therefore were not supported. As such, we questioned the costs claimed to grant match of \$1,308. (Also see Compliance Finding No. 1.)

Office of Inspector General
 Corporation for National and Community Service

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

We have audited the Schedules of Award Costs, as presented in Exhibits A through F, that summarize the claimed costs of the Puerto Rico subgrantees under the Corporation grants listed below, and have issued our report thereon, dated June 16, 2005.

<u>Subgrantee</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Audit Period</u>
Paso a Paso	03AFHPR0010008	07/01/04 to 06/30/07	07/01/04 to 03/31/05
CSJ	00ASFPR0400101	11/01/00 to 03/31/04	11/01/00 to 03/31/04
CSJ	03AFHPR0010002	05/05/04 to 05/04/07	03/01/05 to 03/31/05
Familia	00ASFPR0401001	11/01/02 to 10/31/04	04/01/03 to 10/31/04
Familia	02ASCPR0401001	11/01/02 to 10/31/04	04/01/03 to 10/31/04
Familia	03ACHPR0010001	10/01/03 to 03/31/05	01/01/05 to 03/31/05
Iniciativa	03ACHPR0010002	10/01/03 to 03/31/05	03/03/04 to 02/28/05
Cantera	00ASFPR0400901	11/01/00 to 03/31/04	11/01/00 to 03/31/04
Cantera	03AFHPR0010005	05/05/04 to 05/04/07	05/05/04 to 03/31/05
Interamericana	00ASFPR0401601	11/01/02 to 10/31/04	06/01/03 to 10/31/04
Interamericana	03AFHPR0010003	05/05/04 to 05/04/07	See Footnote 4

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

Compliance

Compliance with laws, regulations, and the provisions of the awards is the responsibility of each subgrantees' management. As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and the terms and conditions of the awards. However, our objective was not to provide an opinion on overall compliance with such provisions. Instances of noncompliance include non-adherence to requirements, or violations of prohibitions contained in statutes, regulations, and the award provisions.

4 No costs had been claimed as of the end of fieldwork, June 16, 2005.

Compliance Findings

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

Finding No. 1: Questioned Program Grant Match Operating Costs

Subgrantees did not comply with matching requirements in claiming costs to grant match. Unsupported costs and costs based on budget estimates were claimed to grant match operating costs as well as equipment costs whose cost basis was noncompliant, as shown below. Problems encountered with match costs claimed were due to a lack of clear understanding of the requirements, and a lack of guidance from the Commission.

<u>Subgrantee</u>	<u>Unsupported</u>	<u>Budget Estimates</u>	<u>Equipment Based on Acquisition Price</u>	<u>Total</u>	<u>Note</u>
Paso a Paso	\$ -	\$ 2,549	\$ -	\$ 2,549	(A)
Familia	707	19,829	-	20,536	(B)
Iniciativa	850	3,300	-	4,150	(C)
Cantera	56,828	134,560	-	191,388	(D)
Interamericana	<u>1,308</u>	<u>70,720</u>	<u>7,075</u>	<u>79,103</u>	(E)
Totals	<u>\$59,693</u>	<u>\$230,958</u>	<u>\$7,075</u>	<u>\$297,726</u>	

In addition, we found that CSJ had only provided 23 percent of its own costs toward the operating match as opposed to its required 33 percent.

- (A) Claimed costs included a monthly estimate of \$1,000 for the Paso a Paso Director. We recalculated the actual level of effort, using the Director’s time sheets and salary information, to determine the variance in costs claimed as compared to the level of effort. The costs claimed to grant match through March 2005 had exceeded the actual level of effort by \$2,549. As such, we have questioned the variance. (See also Exhibit A, Note 3.)
- (B) We noted that personnel costs claimed for two Familia staff were based on the budgeted amounts rather than actual level of effort. As a result, we have questioned costs claimed to the two grants as shown below. (See also Exhibit C, Note 3.)

Grant	Grant Match
02ASCPR0401001	\$16,922
03ACHPR0010001	2,907
Total	\$19,829

We also noted a voided check that had been claimed to the Federal share and to the grant match. The portion claimed to grant match totaled \$707. As such, we have questioned these costs claimed to grant match as unsupported. (See also Exhibit C, Note 4.)

- (C) We determined an \$850 transaction had been claimed for equipment that was not purchased. The claim was made due to an input keying error. We also noted that personnel costs claimed as operating costs to the grant match were based on the established percentage from the award budget and not on time sheets records documenting the actual effort expended. The amount claimed for personnel costs to the grant match was \$3,300. (See also Exhibit D, Notes 4 and 5.)

(D) Full-Time AmeriCorps Staff

Personnel costs were claimed for an allocated portion of the full-time Cantera AmeriCorps staff employees. Time sheets were prepared by the two staff employees indicating that their level of effort was solely related to AmeriCorps. However, Cantera lacked certifications documenting that the employees’ level of effort was solely specific to the AmeriCorps grants. As a result, we are questioning the costs claimed to the grant match totaling \$56,828. (See also Exhibit E, Note 4.)

Cantera Administrative Staff

Cantera claimed personnel costs for administrative personnel whose efforts spanned various funding sources and were based on budget estimates rather than actual effort expended. As a result, we are questioning the costs claimed to the grant match as shown below, because we could not verify the costs from Cantera’s records. (See also Exhibit E, Note 6.)

00ASFPR0400901	03AFHPR0010005	Total
\$93,397	\$41,163	\$134,560

(E) Unsupported Costs

Documentation supporting costs for supplies and telephones totaling \$1,308 were not available during fieldwork. As a result, we have questioned the costs claimed as unsupported. (See also Exhibit F, Note 10.)

Budget Estimates

Personnel costs were claimed for University employees who administratively assisted the AmeriCorps project. The costs claimed were not verifiable because they were based on grant award budget estimates and also because the University time sheets did not segregate labor hours by project. As a result, we have questioned the entire amount of \$59,231 claimed to grant match. (See also Exhibit F, Note 7.)

Administrative costs were also claimed by applying the approved indirect cost rate to budget estimates.

Budget Estimates	\$123,282
Indirect Cost Rate	<u>36 percent</u>
Total Administrative Costs	<u>\$ 44,382</u>
95 percent Allocation to Match	<u>\$ 42,162</u>

We applied the indirect cost rate to the actual costs to determine the amount that should have been claimed to Administrative Costs match as follows:

Actual Verified Labor	\$85,204
Indirect Cost Rate	<u>36 percent</u>
Recalculated Costs	<u>\$30,673</u>

We questioned the variance of \$11,489 (\$42,162 less \$30,673). (See also Exhibit F, Note 8.) Total costs questioned for the use of budget estimates are \$70,720 (\$59,231 + \$11,489.)

Equipment Costs

Equipment costs were claimed at the acquisition cost of donated equipment rather than the current fair market value. There were no records available during fieldwork that allowed us to determine the fair market value of the equipment. As such, we have questioned the entire amount of \$7,075 claimed to grant match. (See also Exhibit F, Note 9.)

(A-C) With respect to the costs questioned above at Paso a Paso, Familia, and Iniciativa, the Code of Federal Regulations, Part 2543, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, at 45 C.F.R. § 2543.23 requires:

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

(1) Are verifiable from the recipient's records.

(D) In regards to timekeeping at Cantera, OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, Attachment B. Section 8., *Support of Salaries and Wages*, subsection h (3), states:

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the

employee or supervisory official having first hand knowledge of the work performed by the employee.

Moreover, AmeriCorps General Provision 22.c.i. *Financial Management Provisions, Time Attendance Records, Staff*, (2003) require that “salaries and wages charged directly to this Grant or charged to matching funds must be supported by signed time and attendance records for each individual employee.”

In regards to match costs for these entities, 45 C.F.R. § 2543.23 requires:

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

(1) Are verifiable from the recipient's records.

Based on the timekeeping system in place, the subgrantee did not meet the requirements of OMB Circular A-87 and therefore the costs claimed to match were not verifiable.

The other costs claimed to grant match for Cantera administrative personnel were not verifiable because the basis of these costs was budget estimates.

(E) With respect to unsupported costs for supplies and telephones at Interamericana, 45 C.F.R. § 2543.23 requires:

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

(1) Are verifiable from the recipient's records.

In addition, subsection 2543.23(f) requires that:

Donated supplies may include such items as expendable equipment, office supplies, laboratory supplies or workshop and classroom supplies. Value assessed to donated supplies included in the cost sharing or matching share shall be reasonable and shall not exceed the fair market value of the property at the time of the donation.

The effect of this condition on these subgrantees is as follows:

(A) Paso a Paso's match percentage has been reduced from 45 percent to 41 percent. Paso a Paso's grant has been extended through August 2005. Further questioned match costs may preclude Paso a Paso from meeting its 33 percent match requirement.

- (B) Including the questioned match costs of \$20,536, Familia had claimed adequate operating grant match to meet its 33 percent requirement.
- (C) Iniciativa is further from meeting its match percentage requirement of 33 percent. Questioned costs have reduced its match percentage from 15 percent to 4 percent.
- (D) Cantera has not met its match percentage requirement of 33 percent. The revised match percentage after questioned costs is 32.33 percent.
- (E) Interamericana has not met its match percentage requirement of 33 percent. The revised match percentage after questioned costs is 25 percent.

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

Recommendation

We recommend that:

1. All subgrantees review the applicable guidance and comply with the grant match requirements from OMB Circulars and the Code of Federal Regulations;
2. Cantera de Peninsula, Universidad Interamericana and Iniciativa Comunitaria de Investigacion, Inc. determine if there are other costs which were not claimed and that can be included as part of grant match costs; and
3. The Corporation determine the allowability of costs identified and recover costs that are not allowable or allocable to the grant, including excess Federal share that may result from match shortfalls.
4. The Corporation provide training to the subgrantees on the allowability of costs and the documentation required to support claimed costs.

Subgrantees' Response

Centro de Intervencione e Integracion Paso a Paso

- (A) The subgrantee agreed with the finding and has corrected its methodology in claiming match costs.

Centro de Ensenanza Para la Familia (Familia)

- (B) The subgrantee disagreed with the finding as it pertains to staff administrative salaries on the basis that the Program Director's time sheets revealed that there were surplus hours available to support the hours claimed to the grant. It calculated the excess hours per the response were total hours less those specific to a Department of Justice and United Way

grants. It reasoned the additional hours (surplus), by default, reflected hours worked on the AmeriCorps grants.

The subgrantee agreed with the finding that the void check had been claimed to grant match in error.

Iniciativa Comunitaria de Investigacion, Inc.

- (C) The subgrantee agreed with the \$850 transaction that was erroneously claimed. However, the subgrantee disagreed with the finding questioning staff personnel costs claimed to match based on the budget. The subgrantee stated that, since there were general time sheets completed by staff and that staff supervised three AmeriCorps members, the costs claimed to match should be considered allowable.

Peninsula de Cantera

- (D) The subgrantee did not respond to the finding.

Universidad Interamericana

- (E) The subgrantee disagreed with the finding on the basis that it is the University's regular practice to claim match costs to federally funded programs by using budget estimates. It also indicated it had supporting documentation to support costs claimed to grant match based on actual levels of effort.

Auditor's Comment

- (A) We agree with the subgrantee's response.
- (B) The method of backing into hours claimed to grants does not allow us to properly verify that the time claimed to the AmeriCorps grants was accurate. The assumptions would be that hours used from the Department of Justice and United Way grants were accurate and that the remaining hours (surplus) pertained only to AmeriCorps. The time sheets did not provide a breakdown between funding sources as levels of effort, which do not allow us to rely on the assumptions stated above. As such, the finding remains as stated.
- (C) The staff whose costs were questioned worked on the AmeriCorps grant as well as other non-AmeriCorps duties. Preparation of a general time sheet indicating the total hours the person worked on a given day does not properly segregate effort specific to AmeriCorps versus non-AmeriCorps activity. Claiming costs to the grant and to the grant match based on budget estimates does not provide audit evidence of effort actually performed nor does it comply with the OMB timekeeping requirements. As such, the finding remains as stated.
- (D) The finding remains as stated.

- (E) Additional supporting documentation providing evidence to support the costs claimed to match was not provided with the response and should be forwarded to the Corporation. The finding was based on documentation available to us during fieldwork. As such, the finding remains as stated.

Finding No. 2: Questioned Non-Member Support Personnel Costs

We noted instances where personnel costs claimed were unsupported due to poor timekeeping methods or for costs claimed based on budget estimates. The subgrantees reported they were unaware of the specific timekeeping requirements required to adequately document charges for personnel costs. The Commission, which was required to provide accurate and effective monitoring, reported it was also unaware of the requirements.

Subgrantee	Grant	Amount	Note
Familia	02ASCPR0401001	\$ 3,155	(A)
Iniciativa	03ACHPR0010002	2,524	(A)
Cantera	00ASFPR0400901	36,000	(B)
Cantera	03AFHPR0010005	9,030	(B)
Total		\$50,709	

- (A) Costs claimed for employees of Familia and Iniciativa were based on budget award figures. There were no timekeeping records maintained. (Also See Exhibit C, Note 3 and Exhibit D, Note 4.)

- (B) Cantera’s timekeeping data was captured through the use of punch time clocks. The hours claimed to the grants, however, were not certified by the employees’ supervisors. (Also See Exhibit E, Note 4.)

- (A-B) OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, Section 8.m. *Compensation for Personal Services, Support of salaries and wages*, states:

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph (2), except when a substitute system has been approved in writing by the cognizant agency.

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by non-profit

organizations to satisfy these requirements must meet the following standards:

(a) The reports must reflect an *after-the-fact* determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* Attachment B. Section 11, *Compensation for Personnel Services*, subsection h(5) states:

Personnel activity reports or equivalent documentation must meet the following standards:

(a) They must reflect an after-the-fact distribution of the actual activity of each employee,

(b) They must account for the total activity for which each employee is compensated,

(c) They must be prepared at least monthly and must coincide with one or more pay periods,

(d) They must be signed by the employee, and

(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

(i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

(ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and

(iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Moreover, AmeriCorps General Provision 22.c.i. *Financial Management Provisions, Time Attendance Records, Staff*, (2003) require that “salaries and wages charged directly to this Grant or charged to matching funds must be supported by signed time and attendance records for each individual employee.”

Based on the timekeeping systems in place, the subgrantees did not meet the requirements of OMB Circulars A-87 and A-122, and the AmeriCorps Provisions.

The effect of this condition is that unallowable and non-allocable costs may have been charged

to the grants.

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

Recommendation

We recommend that:

1. Familia and Iniciativa implement timekeeping procedures that meet the standards of the AmeriCorps Provisions, OMB Circulars A-122 or A-87, as applicable;
2. Cantera retroactively certify the pay periods in question and implement procedures to ensure the certifications occur in future periods; and
3. The Corporation determine the allowability of the costs questioned and recover costs that are not allowable or allocable to the grants.
4. The Corporation provide training to the subgrantees on the allowability of costs and the documentation required to support claimed costs.

Subgrantees' Response

Iniciativa Comunitaria de Investigacion, Inc.

- (A) The subgrantee disagreed with the finding stating that, since there were general time sheets completed by staff and that staff supervised three AmeriCorps members, the costs claimed should be considered allowable.

Centro de Ensenanza Para la Familia (Familia)

- (A) The subgrantee disagreed with the finding by indicating that the Program Coordinator had surplus hours available because she had worked overtime and that this overtime should be considered as effort spent on AmeriCorps.

Peninsula de Cantera

- (B) The subgrantee has retroactively certified payroll registers for the full-time AmeriCorps staff for August 2004 through January 2005 and has submitted this information to the Corporation. In addition, effective June 2005, the subgrantee has implemented procedures requiring part-time AmeriCorps staff to complete time sheets that indicate hours worked specific to AmeriCorps.

Auditor's Comment

- (A) The Iniciativa staff whose costs were questioned worked on the AmeriCorps grant as well as other non-related AmeriCorps duties. Preparation of a time sheet indicating the total hours the person worked on a given day does not properly segregate effort specific to AmeriCorps versus non-AmeriCorps activity. Claiming costs to the grant and to the grant match based on budget estimates does not provide audit evidence of effort actually performed, nor does it comply with the OMB timekeeping requirements. As such, the finding remains as stated.
- (A) Familia's hours claimed to AmeriCorps were not verifiable based on the assumption that surplus hours were spent on the grant. As such, the finding remains as stated.
- (B) The Corporation should review Peninsula de Cantera's certifications to determine their adequacy as it relates to this finding. We agree that the implementation of timekeeping methodologies for part-time AmeriCorps staff is appropriate for future claims.

Finding No. 3: – Unallowable Living Allowance and Education Awards

We noted several instances where living allowances and fringe benefits were paid to AmeriCorps members who participated in prohibited activities or whose member files did not include appropriate eligibility documentation. The problems with eligibility were due to a combination of poor filing and poor documentation. Prohibited activities identified at Iniciativa were due to the subgrantee not knowing the constraints of the AmeriCorps provisions. More important, however, was the fact it appeared that the Corporation had approved this type of activity in its awarding of the competitive grant because the activities had been identified in Iniciativa's proposal. Questioned costs by subgrantee were as follows:

<u>Subgrantee</u>	<u>Grant</u>	<u>Federal Share</u>	<u>Grant Match</u>	<u>Education Award</u>	<u>Note</u>
CSJ	00ASFPR0400101	\$ -	\$ -	\$1,720	(A)
Iniciativa	03ACHPR0010002	14,343	2,531	4,724	(B)
Iniciativa	03ACHPR0010002	-	-	8,121	(C)
Cantera	00ASFPR0400901	-	-	3,969	(D)
Interamericana	00AFPR0401601	265	46	-	(E)
Total		<u>\$14,608</u>	<u>\$2,577</u>	<u>\$18,534</u>	

Centro de Servicios a la Juventud

- (A) We found one member from our sample of 40 who exited the program early and received a partial Education award. The reason stated for leaving the program, however, did not meet

the compelling circumstance standards established in the AmeriCorps provisions because he exited due to discontent with the program. (Also see Exhibit B, Note 6.)

Iniciativa Comunitaria de Investigacion, Inc.

- (B) We found three of the nine Iniciativa members engaged solely in fund raising activities for the organization. The activities were identified within the Iniciativa grant application and ultimately approved by the Corporation. These activities, however, do not constitute allowable activities and as such, we have questioned these costs associated with the members. (Also see Exhibit D, Notes 3 and 6.)
- (C) We found two member files out of the five members tested that did not contain supporting documentation for their decisions to exit the program early. These members received Education Awards totaling \$8,121. As such, we have questioned the costs associated with these members' awards. (Also see Exhibit D, Note 7.)

Peninsula de Cantera

- (D) We found one member file out of 21 files reviewed that did not contain supporting documentation for exiting the program early. As a result, we have questioned the partial Education Award of \$3,969 for this member. (Also see Exhibit E, Note 7.)

Universidad Interamericana

- (E) We found one member from our sample of 25 who had been paid a living allowance without serving hours for an entire month. This payment is not considered allowable because no services were provided. As such, we have questioned the costs associated with the payment of the living allowance. (Also see Exhibit F, Note 6.)
- (A, C & D) The AmeriCorps Special Provision 9, *Release from Participation* (2003) sets out those compelling personal circumstances that permit a participant to leave a program early and receive a partial education award from a grantee. The provision states that compelling personal circumstances “do not include leaving a program . . . because of dissatisfaction with the program.”

- (B) The AmeriCorps Special Provision 5.a *Fund Raising, Members* (2003) states:

A member's service activities may not include organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar activities designed for the sole purpose of raising capital or obtaining contributions for the organization.

- (E) The AmeriCorps Special Provision 11.b. *Living Allowances, In-Service Benefits, and Taxes, Living Allowance Distribution* (2003) states that “[t]he living allowance is designed to help members meet the necessary living allowance incurred while participating in the AmeriCorps program.

The member did not qualify for the living allowance as she did not participate in the program during the month in question.

Corporation funds have been used to pay for living allowances and Education Awards that were not allocable to the AmeriCorps program. This finding is also considered to be an internal control weakness.

Recommendation

We recommend that:

1. Subgrantees review the AmeriCorps provisions to familiarize themselves with requirements for Education Awards;
2. Subgrantees implement procedures to ensure that proper documentation is maintained within member files;
3. The Corporation determine why Iniciativa's application was approved, despite the fact that it included prohibited activities; and
4. The Corporation determine the allowability of the costs questioned and recover costs that are not allowable or allocable to the grant, including administrative costs applied to the questioned costs.
5. The Corporation provide training to the subgrantees on the allowability of costs and the documentation required to support claimed costs.

Subgrantees' Response

Centro de Servicios a la Juventud

- (A) The subgrantee stated that the member whose partial education award was questioned was separated from the program due to emotional, physical and mental instability and that the member died on July 2, 2005.

Iniciativa Comunitaria de Investigacion, Inc.

- (B) The subgrantee disagreed with the finding, stating that member activities responded to the objectives of increasing sustainability to meet community needs and developing capacity building. In addition, members were designated to assist in self-financing projects, as stated in the original proposal to the Corporation. Lastly, the subgrantee cited that two monitoring visits from the Puerto Rico Department of Education did not question member activity as being non-compliant.

- (C) The subgrantee disagreed with the finding because the members did not have ample time to complete their minimum hour requirements. The program began in March 2004, but members did not begin serving until May 2004. The contract between Iniciativa and the Puerto Rico Department of Education expired at the close of February 2005. The subgrantee stated this ten-month period did not allow the members sufficient time to complete 1700 hours of service and acknowledged that this was not disclosed in the member files.

Peninsula de Cantera

- (D) The subgrantee stated that the member received a partial education award because he was unable to complete the required 1,700 hours for a full award because of absenteeism due to personal reasons. The subgrantee also stated that the Commission had approved this education award.

Universidad Interamericana

- (E) The subgrantee cited that it had been instructed by the Corporation's OIG and the local office to pay members full amounts regardless of time served by members. As a result of this instruction, members were paid in full regardless of hours served.

Auditor's Comment

- (A) The documentation supporting a partial education award did not indicate that the member was emotionally, physically and mentally unstable. Rather, documentation available to us during fieldwork indicated that the compelling circumstance enabling the member to receive a partial education award was the member's discontent with the program. The member's death on July 2, 2005, does not affect the finding since the member exited the program in March 2002.
- (B) We are aware of the structure of the organization and the role the members played within the organization. As stated in the finding, these activities, however, do not meet the criteria of allowable activities as defined by the provisions. Our recommendation specific to this finding is to determine why the Corporation originally allowed the activities to be permitted and to determine whether these activities should be allowed, given that they were stated before the fact in the proposal. The finding remains as stated.
- (C) As disclosed in the response, the subgrantee did not get its members' service started until two months after the program began. The use of partial education awards is not a tool designed for programs experiencing difficulty in getting members started. Rather it is used for members who have compelling circumstances to exit the program early on a case-by-case basis. The finding remains as stated.
- (D) The response given does not meet the criteria established for partial education awards. As such, the finding remains as stated.

(E) The member payment in question occurred in September 2004, prior to the OIG visit. Member living allowances are to be paid only if hours have been served. As such, the finding remains as stated.

Finding No. 4: – Member Time Sheet Exceptions

We noted several instances of time sheet exceptions where the member’s time sheets were lacking appropriate signatures or were missing entirely. As a result, we questioned the living allowances, the grant match costs and the Education Awards associated with these time sheets. These errors were due to subgrantees failing to strictly enforce requirements for member time sheet preparation. The table below provides detailed information on our results.

<u>Subgrantee</u>	<u>Members Sampled</u>	<u>Missing Signatures</u>	<u>Missing Time Sheets</u>	<u>Federal Share</u>	<u>Grant Match Costs</u>	<u>Education Award</u>	<u>Reference</u>
Cantera	21 ⁵	12	0	\$40,731	\$7,187	\$45,436	Exhibit E, Note 3
Interamericana	25	1	14	8,299	1,461	145	Exhibit F, Note 3
Total				<u>\$49,030</u>	<u>\$8,648</u>	<u>\$45,581</u>	

AmeriCorps General Provision 22.c.ii. *Financial Management Provisions, Time and Attendance Records, AmeriCorps Members* (2003) states:

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

Corporation funds have been used to pay for member living allowances and applicable Education Awards that may not have been earned by members through their service. This finding is also considered to be an internal control weakness.

⁵ Our original sample was expanded to include the entire months of October 2002 and December 2003 because we observed that no members had signed time sheets for these periods.

Recommendation

We recommend that:

1. Peninsula de Cantera and Universidad Interamericana implement procedures to pay member living allowances only after all time sheets have been signed by the member and his/her immediate supervisor; and
2. The Corporation determine the allowability of the costs questioned and recover costs that are not allowable or allocable to the grant.
3. The Corporation provide training to the subgrantees on the allowability of costs and the documentation required to support claimed costs.

Subgrantees' Response

Peninsula de Cantera

The subgrantee acknowledged that the time sheet exceptions existed and were due to an oversight.

Universidad Interamericana

The subgrantee stated that the program was new and experienced difficulties in reconciling incompatibilities between AmeriCorps requirements and the University's established procedures.

Auditor's Comment

The finding remains as stated.

Finding No. 5: – Questioned Other Direct Costs

We noted several instances where other direct costs claimed were questioned because they did not comply with the cost principles discussed below. Staff from the Commission and the various subgrantees said they did not have a working knowledge of these cost principles. We have questioned \$38,333 of other direct costs as follows:

<u>Subgrantee</u>	<u>Amount</u>	<u>Note</u>
CSJ	\$28,200	(A)
Familia	1,436	(B)
Cantera	6,478	(C)
Interamericana	<u>2,219</u>	(D)
Total	<u>\$38,333</u>	

(A) Centro de Servicios a la Juventud (CSJ)

Questioned costs of \$28,200 included three conditions:

1. CSJ's monthly spreadsheets to the Commission totaled \$831,640 inclusive of grant match. The general ledger, however, indicated only \$807,281 of costs. The questioned difference between the spreadsheets and the general ledger was \$24,359.

CSJ did not segregate costs within its accounting system between grant costs and grant match costs. Because the costs were commingled, we were unable to determine whether the variance applied to costs paid by the grant, grant match costs or a combination of both. Therefore, we questioned \$24,359 as if the variance was solely for costs paid by the grant. (Also see Exhibit B, Note 3.)

CSJ revised costs in the general ledger and submitted this information to the auditors on July 22, 2005. The revised general ledger increased costs by \$82,133. However, we could not determine if the added costs were paid by the grant or whether they applied to grant match. Various supporting documents were also submitted. However, there was no audit trail between the revised general ledger and the supporting documents provided. As a result, we were unable to determine the validity of the reconstructed general ledger. We therefore conclude that a variance exists and have questioned costs accordingly.

2. CSJ claimed costs of \$1,994 to the AmeriCorps program for fuel purchased at a local gas station from March through June 2001. The purchases were made by

AmeriCorps members, CSJ staff and non-AmeriCorps personnel. During this time period, member living allowances were not being paid on a timely basis due to difficulties in funding flows from the Commission and the Puerto Rico Department of Education. As a result, CSJ authorized members to obtain fuel so they could have transportation to the program site. We have questioned the following fuel purchases:

	AmeriCorps Member (Note i)	CSJ AmeriCorps Admin Staff (Note ii)	CSJ Non- AmeriCorps Admin Staff(Note iii)	Total (Note iv)
Invoice #1	\$450	\$407	\$ 90	\$ 947
Invoice #2	<u>489</u>	<u>332</u>	<u>226</u>	<u>1,047</u>
Total	<u>\$939</u>	<u>\$739</u>	<u>\$316</u>	<u>\$1,994</u>

Notes

- i. AmeriCorps member living allowances are designed to help members meet their necessary living expenses while participating in the program. We consider the cost of fuel for members' vehicles to be a necessary living expense. As such, these gas purchases appear to create a duplication of costs claimed to the Corporation.
- ii. Documentation for CSJ administrative staff purchases of fuel did not include justification for the purchase. We could not determine whether the charges were allocable to AmeriCorps.
- iii. Documentation for purchases by non-AmeriCorps personnel was not allocable to the grant.
- iv. Fuel costs were not included in the original award budget.

(Also see Exhibit B, Note 4.)

3. We identified a variance between costs requested by CSJ and the amount paid by the Commission through the Puerto Rico Department of Education as shown below.

<u>Program Year</u>	<u>Federal Share Requested</u>	<u>Received</u>	<u>Over (Under) paid</u>
2000-01	\$216,673	\$219,838	\$3,165
2001-02	235,302	233,999	(1,303)
2002-03	<u>227,170</u>	<u>227,155</u>	<u>(15)</u>
Total	<u>\$679,145</u>	<u>\$680,992</u>	<u>\$1,847</u>

This variance should be analyzed with costs claimed, thus reducing the amount of costs claimed to the Corporation. As such, we have included \$1,847 as being questioned costs. (Also see Exhibit B, Note 5.)

CSJ sent us additional information, after the completion of fieldwork, on July 22, 2005. Included were schedules indicating that the overpayment had actually been greater than we had originally calculated. CSJ contended that the variance had been offset partially by funds being returned, leaving a remaining balance due to the Department of Education of only \$1,131. The basis of CSJ's overpaid balance due was the reconstructed general ledger, which we could not verify, and reimbursement checks to the Department of Education, which were not provided. As a result, our original calculation of the overpaid amount of \$1,847 remains unchanged.

(B) Centro de Ensenanza Para la Familia

We noted that a voided check was erroneously claimed to the grant and had never been corrected. As such, we have questioned costs of \$1,436. (Also see Exhibit C, Note 4.)

(C) Peninsula de Cantera

We noted that petty cash advances throughout the grant years were provided to the AmeriCorps project director. Our review of the documentation revealed that the advances were used to purchase snacks, ice, water, and miscellaneous groceries. The documentation did not disclose justification for the charges, but Cantera officials indicated that these costs were incurred to provide snacks and lunches for the AmeriCorps members while they were working on their respective construction sites. These petty cash transactions claimed totaled \$6,478. We questioned the costs because they did not include a justification on each receipt and the costs and items were not provided for in the award budget. (Also see Exhibit E, Note 5.)

(D) Universidad Interamericana

Interamericana claimed costs under the Administrative Cost category both to the Corporation and to grant match. This approach is acceptable per the provisions as long as the portion claimed to the grant match does not exceed 10 percent. We noted, however, that Interamericana used its approved indirect rate of 36 percent to calculate Administrative Costs claimed to grant match. The use of a rate in excess of 10 percent thus excludes Interamericana from also claiming costs to the Corporation. As such, we have questioned \$2,219. (Also see Exhibit F, Note 5.)

(A.1, A.3 & B) AmeriCorps General Provision C.21.b. *Financial Management Provisions, Source Documentation* (2003), states:

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

(A.2) AmeriCorps Special Provision 11.b. *Living Allowances, In-Service Benefits, and Taxes* states that “[t]he living allowance is designed to help members meet the necessary living expenses incurred while participating in the AmeriCorps Program.” Those costs whose justification was not documented and whose allocability could not be determined, OMB Circular A-122, Attachment A, Section A(2) states that “[t]o be allowable under Federal awards, costs must . . . [b]e adequately documented.”

OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* Attachment A, Section C.1 *Basic Guidelines, Factors Affecting Allowability of Costs*, states that “[t]o be allowable under Federal awards, costs must . . . [b]e adequately documented.”

(D) The AmeriCorps Special Provision 22.c. *Administrative Costs, Fixed 5 %*, (2003) states:

If approved on a case-by-case basis by the Corporation, the grantee may charge, for administrative costs, a fixed 5 percent of the total of the Corporation funds expended. **In order to charge this fixed 5 percent, the grantee match for administrative costs may not exceed 10 percent of all direct cost expenditures.** (Emphasis added.)

The effect of this condition is that unallowable costs of \$13,984 (38,333 less 24,359) have been claimed. The remaining \$24,359 of these costs pertains to reconciliation variances we identified at CSJ. At this point, we cannot determine whether the variances relate to Federal share or to Match. These costs may or may not have been claimed to the grant.

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

Recommendation

We recommend that:

1. CSJ reconcile the variance between its general ledger and the reimbursement requests identified in A.1;
2. CSJ fully utilize its Peachtree accounting application to segregate costs claimed to the grant from costs claimed to grant match;
3. CSJ reimburse the Corporation for the amount overpaid, including interest;
4. The subgrantees implement policies to require documentation justifying the allowability and allocability of claimed costs;
5. Interamericana comply with the AmeriCorps provisions as they pertain to the administrative cost category;
6. The Corporation determine the allowability of the costs questioned and recover costs that are not allowable or allocable to the grant; and
7. The Corporation should provide training to the subgrantees on the allowability of costs and the documentation required to support claimed costs.

Subgrantees' Response

(A) Centro de Servicios a la Juventud (CSJ)

1. The subgrantee responded to costs questioned based on reconciling variances by reconstructing its general ledger and cited the report sent to us on July 21, 2005. The subgrantee believed the reconstruction resolved the finding.
2. The subgrantee did not specifically address the questioned fuel costs in its response.
3. The subgrantee did not agree it had been reimbursed \$1,847 in excess by the Commission. The response indicated that it had been reimbursed \$1,131 in excess by the Commission. The basis of this was the reconstructed general ledger and reimbursement check numbers 2627 and 2005, which reimbursed the Commission for the overpayments.

(B) Centro de Enseñanza Para la Familia

The subgrantee stated that it credited the grant, in its records, after the exception was brought to its attention by the audit team.

(C) Peninsula de Cantera

The subgrantee stated that the costs were included in the award budget due to the nature of the program, but agreed that, in the future, it would provide more detailed budgets outlining specific costs.

(D) Universidad Interamericana

The subgrantee reiterated its method of computing administrative costs claimed to the Corporation.

Auditor's Comment

(A)

1. The schedules sent to us on July 21, 2005, were sent with various supporting documents. However, there was no audit trail between the reconstructed general ledger and the supporting documentation. As a result, we were unable to validate the additional costs per the newly constructed general ledger and thus believe the finding should remain as stated.
2. The subgrantee did not specifically respond to the questioned fuel costs. The finding remains as stated.
3. The basis of CSJ reducing questioned costs from \$1,847 to \$1,131 was the reconstructed general ledger and check numbers 2627 and 2005, which reimbursed the Commission for overpayments. As discussed above, we were unable to verify the reconstructed general ledger. In addition, the reimbursement checks cited in the subgrantee response were a part of our analysis during fieldwork. Since the revised general ledger was not verifiable and the checks had already been considered in our analysis, this finding remains as stated.

(B) We agree with the treatment of the void check within the subgrantee's records, but recommend the Corporation determine whether the credit was also applied to claims against the grant.

(C) We agree that future budgets should provide more detailed cost information. However, we still believe that a justification is required on each receipt and the Corporation should further review the costs questioned. As such, the finding remains as stated.

(D) The computation of claiming administrative costs to the Corporation was not questioned in the finding. Rather, we questioned the allowability of claiming administrative costs to the Corporation because it claimed costs to Administrative grant match in excess of 10 percent. As stated in the finding, this methodology of claiming administrative grant match precludes the subgrantee from claiming any administrative costs directly to the Corporation. As such, the finding remains as stated.

Finding No. 6: – Late Submissions

We noted numerous instances where the subgrantees were not submitting required AmeriCorps documents within the established time frames. Specifically, we noted late submissions of Financial Status Reports (FSR), Progress Reports, Member Enrollment Forms, Member Status Change Forms, and Member Exit Forms. Each subgrantee has indicated the late submissions were due to technical difficulties with using WBRS. The following summarizes the instances of late submissions noted during the audit.

<u>Subgrantee</u>	<u>Total Members Enrolled</u>	<u>Member Files Reviewed</u>	<u>Late FSRs</u>	<u>Late Progress Reports</u>	<u>Late Enrollment Forms</u>	<u>Late Exit Forms</u>	<u>Late Change of Status Forms</u>
Centro de Intervencione e Integracion Paso a Paso	14	7	-	1	7	6	-
Centro de Servicios a la Juventud	81	40	12	15	24	13	2
Centro de Ensenanza para la Familia	94	40	-	-	11	16	-
Iniciativa Comunitaria de Investigacion	9	5	1	2	5	4	1
Peninsula de Cantera	42	21	3	2	15	-	-
Universidad Interamericana	50	25	2	5	16	15	-

In addition, we noted member status errors at Centro de Intervencione e Integracion Paso a Paso because two members shown as exiting the program were in fact still active.

AmeriCorps Special Provision B.16.a. *Financial Status and Progress Reports*, establishes due dates for quarterly reporting and states that grantees must submit FSRs and progress reports by these dates. Subsection B.16.b., *AmeriCorps Member Related Forms*, specifies the forms that grantees must submit to the Corporation to track AmeriCorps member status and hours.

By not submitting the required documents within established time frames, the Corporation and Commission cannot properly review, track, and monitor the subgrantees’ activities and objectives of the AmeriCorps program. In addition, without current member and financial information, the Corporation may be unable to make timely and effective management decisions.

Recommendation

We recommend that:

1. Subgrantees review their reporting requirements and implement controls to ensure that future compliance is achieved;
2. The Corporation provide technical assistance to the subgrantees to address any WBRS problems that still persist.

Subgrantees' Response

All subgrantees communicated that they had experienced substantial difficulty in using WBRS, which precluded them from meeting established deadlines.

Auditor's Comment

We concur with the difficulties cited in the subgrantee responses and witnessed these difficulties during fieldwork.

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

We noted numerous instances where AmeriCorps member files lacked proper documentation to support either enrollment or participation. These instances were due to poor recordkeeping and a general lack of understanding as to the grant requirements. At Universidad Interamericana, the lack of member contracts was the result of the University's position that members were not employees and, as such, contracts should not be established for them. Specifically, we noted the following exceptions:

Centro de Intervencione e Integracion Paso a Paso

Mid-term evaluations were not performed.

One of seven member files sampled lacked certification that the participant had obtained a high school diploma or an agreement to obtain a high school diploma or equivalency as required by AmeriCorps Special Provision B.14.b *Member Records and Confidentiality, Verification* (2003).

Centro de Ensenanza Para La Familia, Inc.

From our sample of 40 member files on Grant No. 00ASFPR0401401, we noted the following exceptions:

Number of Exceptions	Type of Exception
3	Files did not include signed contracts
2	Files did not include time sheets
6	Files did not include evidence of a criminal background check
3	Files did not include proof of U.S. citizenship or permanent resident status
2	Files did not include high school diploma certification or equivalency certificate
1	Member file was never established

The exceptions above were for members who left the program immediately after enrollment. As a result, there were no living allowances paid and therefore no questioned costs.

In addition, we noted one member file that lacked a year-end evaluation and one member file that did not contain parental consent (required for minors) for serving.

Iniciativa Comunitaria de Investigacion, Inc.

We determined that mid-term evaluations were not conducted.

Universidad Interamericana

We determined that the University had not established contracts with any of the members for Grant No. 00AFPR0401601. We also determined that mid-term and end-of-term evaluations had been conducted.

We found one member from our sample of 25 whose file lacked a background check. The member in question interacted with children. As a result, we have questioned the living allowances paid to the member, as well as the Education Award, as shown below. (Also see Exhibit F, Note 4.)

<u>Federal Share</u>	<u>Grant Match</u>	<u>Education Award</u>
2,387	421	480

AmeriCorps Special Provision B.7.b. *Training, Supervision, and Support, Member Contracts* (2003), states:

The Grantee must require that members sign contracts that, at a minimum, stipulate the following:

- i. The minimum number of service hours and other requirements (as developed by the Program) necessary to successfully complete the term of service and to be eligible for the Education Award;
- ii. Acceptable conduct;
- iii. Prohibited activities;
- iv. Requirements under the Drug-Free Workplace Act;

- v. Suspensions and termination rules;
- vi. The specific circumstances under which a member may be released for cause;
- vii. The position description;
- viii. Grievance procedures; and
- ix. Other requirements as established by the Program.

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

AmeriCorps Special Provision 6.h *Eligibility, Recruitment, and Selection, Criminal Record Checks* (2003) states:

Programs with members or employees who have substantial direct contact with children or who perform service in the homes of children or individuals considered vulnerable by the program, shall, to the extent permitted by state and local law, conduct criminal record checks on these members or employees as part of the screening process.

The effect of this condition is that:

1. Failure to maintain the appropriate documentation limits the subgrantees' ability to ensure that AmeriCorps members are eligible to serve or receive benefits.
2. The lack of documentation may lead to the Corporation funding living allowances and Education Awards for ineligible individuals not eligible to participate in the AmeriCorps program.
3. Failure to establish contracts with members could leave the subgrantee susceptible to litigation should conflicts arise.
4. Failure to evaluate members as the program progresses and as the members terminate, may preclude members from functioning at their highest capacity.
5. Failure to perform background checks could result in children and other vulnerable persons being placed in harm's way.

Recommendation

We recommend that:

1. Subgrantees comply with the grant requirements as they pertain to member enrollment and participation documentation;
2. Universidad Interamericana, Iniciativa Comunitaria de Investigacion, Inc., Centro de Intervencione e Integracion Paso a Paso and Centro de Ensenanza Para La Familia, Inc. implement procedures to perform mid-term and end-of-term evaluations;
3. Centro de Ensenanza Para La Familia, Inc. obtain criminal background checks when warranted;
4. Centro de Ensenanza Para La Familia, Inc. enroll members only after all appropriate documentation has been received and filed; and
5. Universidad Interamericana determine if a background check was completed on the member in question and submit this information to the Corporation.

Subgrantees' Response

Universidad Interamericana

The subgrantee stated that member contracts were initially prepared, but later determined to be disallowed under the University policies. A substitute internal agreement was prepared and signed by members during the audit visit. The subgrantee also stated that some members requested their background check for use on employment after their term had ended, but stated that all members had been requested to submit one prior to beginning service.

The other subgrantees did not respond to this finding.

Auditor's Comment

Universidad Interamericana

The missing contracts pertained to members whose service hours were from the previous grant and had already left the program. As such, we question whether these members ever signed an internal agreement and contend that the University was still at risk while the program existed because legally enforceable contracts did not exist at the time the members served. Lastly, we believe that eligibility documentation should be retained in the member files as evidence the member met all requirements. The finding remains as stated.

Finding No. 8: – Member Hours Incorrectly Reported within WBRS

We found instances in which member hours were inaccurately reported to WBRS as described below. Subgrantees indicated that the technical difficulties they experienced with WBRS precluded them from always entering member activity data.

Centro de Intervencione e Integracion Paso a Paso

All member hours were entered in WBRS under the “Training” category, rather than a combination of “Service” and “Training.”

Peninsula de Cantera

There were seven members whose hours within WBRS were overstated by 175 hours when compared to time sheets as of March 31, 2005.

Universidad Interamericana

There were eight members whose hours in WBRS were understated by 145 hours on Grant No. 00AFPR0401601 grant. There were 10 members whose hours in WBRS were understated by 1,856 hours on Grant No. 03AFHPR0010003.

AmeriCorps Special Provision B.7.e. *Training, Supervision, and Support, Limit on Education and Training Activities* (2003) states that “[n]o more than 20 percent of the aggregate of all AmeriCorps member service hours in a Program may be spent in education, training, or other non-direct activities.”

AmeriCorps General Provision C.21.c. *Time and Attendance Records, AmeriCorps Members* (2003) require that grantees keep time-and-attendance records on all AmeriCorps members to document their eligibility for in-service and post-service benefits.

The effect of this condition is that monitoring hours to determine whether the members will meet their commitment or comply with the training level provision cannot be accomplished if data within WBRS is not accurate or properly updated. In addition, the Corporation uses time-and-attendance information in WBRS to track member status, and this data is the basis for appropriate Education Awards.

Recommendation

We recommend that:

1. The three subgrantees mentioned above update member hour information in WBRS as soon as possible; and
2. The three subgrantees implement procedures to enter data in WBRS as soon as member time sheets have been properly completed.

Subgrantees' Response

The subgrantees did not respond to this finding.

Auditor's Comment

The finding remains as stated.

Finding No. 9: – Living Allowance Distribution

We determined that living allowances were not paid incrementally as prescribed by the AmeriCorps Special Provision B.11.b. *Living Allowances, Other In-Service Benefits and Taxes Provisions, Living Allowance Distribution* (2003), that states that “[p]rograms must not pay a living allowance on an hourly basis. . . . Programs should pay a living allowance in increments, such as weekly or bi-weekly.”

Subgrantee payments to members were not timely due to the Commission’s slowness in issuing payments through the Puerto Rico Department of Education. We noted this exception at the following subgrantees:

- Centro de Intervencione e Integracion Paso a Paso;
- Centro de Servicios a la Juventud;
- Centro de Ensenanza Para La Familia, Inc.; and
- Universidad Interamericana.

In addition, we noted that members serving on the Centro de Ensenanza Para La Familia first Grant No., 00ASFPR0401001 had been paid on an hourly basis.

Member dissatisfaction and high turnover rates occurred as a result of the untimely payments. Also, the overall success of the programs was negatively impacted.

Recommendation

The Corporation has begun to address this problem by initiating a system where the subgrantees can drawdown grant funds directly from the Department of Health and Human Services Payment Management System. We recommend that the Corporation implement and monitor this practice for all subgrantees in Puerto Rico.

Subgrantees' Response

The subgrantees did not respond to this finding.

Auditor's Comment

The finding remains as stated.

Finding No. 10: – Full-Time Member Living Allowances

Full-time members at Centro de Servicios a la Juventud (CSJ) were paid living allowances totaling \$8,500, as stated in their contracts for Program Years 2002 and 2003. CSJ stated that the Commission had instructed them to use these amounts when establishing member contracts. These amounts, however, do not meet the minimum allowance amounts.

AmeriCorps Special Provision B.11.a.i. *Living Allowances, Other In-Service Benefits And Taxes, Living Allowances, Full-Time Requirements*, (2003) incorporates by reference the applicable year's Grant Application Guidelines for that year's amount for an AmeriCorps' member's living allowance. The amounts for Program Years 2002 and 2003 are \$9,300 and \$9,600, respectively.

The effect of this condition is that the AmeriCorps members have not been paid the minimum amounts available to them.

Recommendation

We recommend that:

1. The Corporation determine whether retroactive payments should be made to the members; and
2. CSJ use the application guidelines when writing future contracts for members.

Subgrantee's Response

The subgrantee did not respond to this finding.

Auditor's Comment

The finding remains as stated.

Internal Control Findings

Finding No. 11: – Financial Management Systems

We identified internal control weaknesses in certain subgrantee accounting systems as described below. The weaknesses were due to the subgrantees' limited resources as well as their lack of knowledge of grant requirements.

Centro de Ensenanza Para la Familia & Centro de Intervencione e Integracion Paso a Paso

The subgrantees are capturing their cost data within Excel spreadsheets. The spreadsheets, however, have not been designed to track costs by budget category. Comparison of costs to budget is not performed until the monthly requests are prepared and submitted to the Commission for reimbursement.

In addition, we noted that Centro de Intervencione e Integracion Paso a Paso lacks an established set of accounting policies.

Centro de Servicios a la Juventud & Iniciativa Comunitaria de Investigacion

The subgrantees use accounting software packages, but do not utilize the budgetary module within the application to track expenditures by budget category.

In addition, Centro de Servicios a la Juventud has not segregated its costs between grant costs and grant match costs, as discussed earlier under compliance finding No. 5.

Peninsula de Cantera

Petty cash advances granted to employees are not compared and adjusted to payments recorded in the accounting system. There is no internal control in place to ensure that the actual disbursements from the advance were properly reflected in the general ledger.

AmeriCorps General Provision C.21.a. *Financial Management Provisions, General* (2003) states:

The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this Grant from expenditures not attributable to this Grant. This system must be able to identify costs by programmatic year and by budget category and to differentiate between direct and indirect costs or administrative costs.

Weak internal controls could lead to errors going undetected, cost overruns or possible misuse or misappropriation of funds.

Recommendation

We recommend that:

1. Centro de Ensenanza Para la Familia & Centro de Intervencione e Integracion Paso a Paso consider purchasing a software application package that can accommodate the requirements of the provisions or modify their Excel spreadsheets to meet the requirements;
2. Centro de Servicios a la Juventud & Iniciativa Comunitaria de Investigacion utilize their accounting software to its fullest extent to ensure that costs are incurred within budget and that compliance with all provisions is achieved;
3. Subgrantees develop formal accounting policies that guide the accountant and/or personnel within their accounting department; and
4. Cantera implement controls to ensure that funds used for petty cash advances are properly accounted within the general ledger and reported accurately to the Corporation.

Subgrantees' Response

Peninsula de Cantera

The subgrantee expected to complete its accounting and policies and procedures by December 2005. It also has discontinued its use of the petty cash fund for AmeriCorps activity.

There was no response in regard to this finding from the other subgrantees.

Auditor's Comment

We agree with the corrective action taken by Peninsula de Cantera.

Finding No. 12: – Segregation of Duties

We identified areas within the accounting functions of two subgrantees that were not properly segregated as discussed below.

Centro de Ensenanza Para la Familia

The Accountant at Centro de Ensenanza Para la Familia is responsible for the following duties:

Receipts

- Receives cash receipts;
- Prepares deposits;
- Takes deposits to the bank; and
- Prepares bank reconciliations.

Non-Payroll Disbursements

- Prepares disbursements;
- Has access to blank checks;
- Has access to checks after being printed; and
- Has access to checks after being signed.

Payroll Disbursements

- Prepares payroll disbursements;
- Records payroll transactions in the general ledger;
- Has the ability to change salary amounts; and
- Has access to signed payroll checks.

Audit – The accountant also performs the annual independent audit of the financial statements as required by United Way Foundation, a major funding source for Centro de Enseñanza Para la Familia.

These weaknesses were the result of the subgrantees' lack of size and its limited resources.

Peninsula de Cantera

The Accounting Director at Peninsula de Cantera is responsible for the following duties:

Receipts

- Receives cash receipts;
- Prepares deposits; and
- Prepares bank reconciliations.

Non-Payroll Disbursements

- Prepares disbursements;
- Has access to blank checks;
- Has access to checks after being printed; and
- Has access to checks after being signed.

Payroll Disbursements

- Prepares payroll disbursements;
- Records payroll transactions in the general ledger;
- Has the ability to change salary amounts; and
- Has access to signed payroll checks.

Officials at Peninsula de Cantera had not previously considered segregating specific functions performed by the Accounting Director.

AmeriCorps General Provision C.21.a. *Financial Management Provisions, General* (2003) states:

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.

Duties which are clearly segregated within the accounting function are standard practices designed to safeguard assets and strengthen internal controls. Entities whose accounting functions are not properly segregated are at risk because inappropriate activities can take place, unnoticed and undetected. The lack of properly segregated duties described above does not represent standard accounting practices. The subgrantees, therefore, have not complied with the provision stated above.

Recommendation

We recommend the Peninsula de Cantera and Centro de Enseñanza Para la Familia assign functions within their accounting departments to various personnel to achieve a proper segregation of duties. For roles that cannot be re-assigned, we recommend a mitigating control be established to offset the apparent weakness.

Subgrantees' Response

Peninsula de Cantera

The subgrantee has included, in its Fiscal Year 2006 budget, the costs for an accounting administrative assistant that will enable segregation between accounting functions.

There was no response in regard to this finding from the other subgrantee.

Auditor's Comment

We agree with the corrective action taken by Peninsula de Cantera.

Internal Controls Over Financial Reporting

In planning and performing our audit of awards costs as presented in Exhibits A through F for the period November 1, 2000 to March 31, 2005, we considered the subgrantees' internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal control over financial reporting that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the subgrantees' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Compliance findings numbered 1 through 5, and internal control findings numbered 11 and 12, as set forth in the Compliance and Internal Control Findings Sections of this report, are also considered as internal control reportable conditions.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe all of the reportable conditions identified above represent material weaknesses.

Conrad and Associates, L.L.P.

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

Appendix A1

Response of Centro de Intervencione e Integracion Paso a Paso

Appendix A2

Response of Centro de Servicios a la Juventud, Inc.

December 2, 2005

Ms. Carol Bates
Acting Inspector General
Corporation for National and Community Service
Officer of Inspector General
Suite 830
1201 New York Ave., N.W.
Washington, DC 20525

Dear Ms. Bates:

Thank you for the opportunity to comment on the draft audit of the Grant numbers 00ASFPR0400101 and 03AFHPR0010002. The report presented the following questioned costs:

Questioned Costs

Reconciliation Variance	\$24,359
Fuel Charges	1,994
Overpaid by Commission	<u>1,847</u>

Total Questioned Costs **28,200**

Total Questioned Education Awards **\$1,720**

As for the amount of 1,720 in questioned related to the Education Award, please know that at the time, the participant was separated from the program due to emotional, physical and mental instability. We later found out he passed away on July 2, 2005. Unfortunately, we did not have any knowledge of his condition when he was enrolled in the Program.

Reconciliation Variance \$24,359:

We have made additional and substantial procedures to revise our expenditure report to reflect properly the actual costs. This report was sent to Conrad & Associates, LLP on July 21, 2005, by Certified Mail, Return Receipt Requested.

The Table below illustrates the variance when compared with the claimed costs by the Centro de Servicios a la Juventud, Inc. to the cost Per Revised General Ledger.

Program Year	Per Revised General Ledger	Received	Over (under paid)
2000-01	\$ 271,901	\$ 280,530	\$ [8,629]
2001-02	282,206	301,072	[18,866]
2002-03	277,533	307,812	[30,279]
	\$ 831,640	\$ 889,414	\$ [57,774]

√ **See Attachment A**

We do not agree with the over paid amount of \$1,847 by the commission. We have revised our accounting (federal funds).

The following Table identifies the variance between the funds paid by the Centro de Servicios a la Juventud, Inc. and the funds received from the commission for the grants as shown below General Ledger.

Program Year	Per Revised General Ledger	Received	Over (under paid)
2000-01	\$ 214,574	\$ 223,045	\$ [8,471]
2001-02	238,428	234,000	4,428
2002-03	226,857	233,004	[7,102]
	\$ 679,859	\$ 691,004	\$ [11,144]

Funds returned / Ck. # 2627 / July 23, 2003 (Program Year 01-02)	\$ 3,207
Funds returned / Ck. # 2005 – February 22, 2005 (Program Year 02-03)	<u>6,806</u>
	<u>\$[1,131]</u>

Cordially,

Nidra Torres Martínez
Executive Director

Enclosures

Appendix A3

Response of Centro de Enseñanza Para la Familia

CENTRO DE ENSEÑANZA PARA LA FAMILIA, INC.
 Ave. Font Martelo #125 E
 Humacao, P.R. 0701
 Tel. 852-0645 Fax 285-5978

*Protegiendo y mejorando las familias
 de los residenciales públicos*

PROGRAMAS:
 Explosión Dinamita
 Tutorías
 Compu-English Fire Hearts



December 4, 2005



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



Dear Ms. Bates:

Best wishes!



We appreciate the opportunity you give us to comment on the draft audit.

1. We would like to clarify the grant number of the \$3,155 CNCS share. We understand it is 00ASFPR0401401.
2. There are timekeeping records for the costs claimed for administrative salaries. The amount of \$3,155 corresponds to the first three months of salary of the Program Coordinator. In these three months she had to work 173.33 hours per month, 130 of these hours corresponded to the CNCS Federal Share and 43.33 hours corresponded to United Ways of Puerto Rico. The Program Coordinator worked more than those hours. Her time sheets for those months reflect the following:



**FIDEICOMISO
 DE LOS NIÑOS**

Month	Total hours	Surplus hours
July 2003	210.25	36.95
August 2003	234.75	61.42
September 2003	269.25	95.92



The hours worked in excess were worked for the AmeriCorps Program. In those months Member recruitment and training was done.



Ganadores del Golden Rule Award™ Mayo 2000

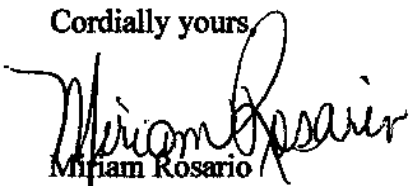
Somos una Corporación 501 (C)(3)

3. The cost claimed questioned of \$19,829 it is also stated in the Program's Director timesheets. She had to work 29.75% of her time to the AmeriCorps Program for a total of 51.57 hours per month; 76.44 hours to Compu-English Program (funds from Department of Justice); and 45.32 hours to United Ways of Puerto Rico. Her time sheets for those months reflect that she complied with all the hours and had a surplus of the following:

Month	Total hours	Surplus hours
July 2003	236.25	62.92
August 2003	259.50	86.17
September 2003	347.00	173.67
October 2003	346.00	172.67
November 2003	290.15	116.82
December 2003	295.75	122.42
January 2004	271.00	97.67
February 2004	287.50	114.17
March 2004	297.75	124.42
April 2004	296.75	123.42
May 2004	306.80	133.47
June 2004	330.50	157.17
July 2004	210.25	36.92
August 2004	292.25	118.92
September 2004	293.00	119.67
October 2004	352.00	178.67
November 2004	257.75	84.42
December 2004	267.25	93.92
January 2005	242.00	68.67
February 2005	273.50	100.17
March 2005	297.00	123.67

4. The voided check was credited to the grant in our records. This was done as soon as the Auditors told us about it.

Cordially yours


 Miriam Rosario
 Program Director

Appendix A4

Response of Iniciativa Comunitaria de Investigacion, Inc.



INICIATIVA COMUNITARIA

November 29, 2005

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

Dear Ms Bates:

We received the audit draft report sent by your office recently. Our Program is closed since March 1st of this year but we are aware of the relevance of the audit. These are the comments in relation to the exceptions found and described in the letter dated November 4, 2005 and discussed previously in meeting held on June 20, 2005.

Comments are numbered in accordance to notes of exhibit D to facilitate reading:

Number 1 – No comment

Number 2 – No comment

Number 3- We do not agree with finding. Members were in activities that responded to the objective of increasing sustainability to meet community needs and developing capacity building. This was stated since page 1 of the original proposal submitted to the Corporation for National and Community Service directly. Also, in the performance measurement objective submitted in the proposal it was stated that members would be designated in self financing projects. We are very concerned with this issue because we had two monitor visits from the Department of Education during our program period and this had never been pointed as non compliance.

Number 4 – We do not agree with finding. Eventhough, staff did not keep separated time sheets that read AmeriCorps, there were general time sheets in existence and this person supervised three Americorps members.

Number 5 – We accept this \$850.00 transaction as erroneously claimed.

Number 6 – We do not agree, comment stated in finding #3 applies in this case also.

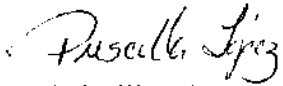
Number 7 – We do not agree with finding. Members ended their service on February 28, 2005 because contract with Education terminated on that time. The program started running for the first time on March 2005 and members began service on May 3 so it was almost imposible to complete the 1700 hours in only ten months. If the weaver system is reviewed no member in the program completed the hours. We understand that members



should have the portion of education award that they are entitled to. This is not stated in the member files but we did express this issue in the discusión meeting of 6/20/2005.

We expect to have clarified the findings submitted by your office. We know that the proposal of Iniciativa Comunitaria was different from other recipients and we are willing to clarify any other doubt you have. You can contact us at (787) 250-8629 or email priscilla_lpez@yahoo.com., at your best convenience.

Sincerely,

A handwritten signature in cursive script that reads "Priscilla López".

Priscilla López, MPHE
Program Director

Appendix A5

Response of Peninsula de Cantera



Proyecto Península de Cantera
¡Nuestro Orgullo!

December 5, 2005

Mrs. Carol Bates
Assistant Inspector General for Audit
Corporation for National &
Community Service
1201 New York Avenue
NW Suite 830
Washington, DC 20525

Dear Ms Bates:

Happy holidays from the staff of Peninsula of Cantera Project. Attached you can find our response regarding Exhibit E of the draft report about the exceptions found during the audit of Peninsula de Cantera's grants for years 2000-2005.

Also, you can find all the support documentation for each exception.

If you have any questions, please contact Mrs. Marycelis Durán, Accountant or who subscribes at our phones (787) 728-7641, (787) 268-3138 or by e-mail at pencante@coqui.net.

Cordially,

Tania Y. Arroyo Rivera
Director Program

cc. Peg Rosenberry
Director, Office of Grants Management

COMPAÑÍA PARA EL DESARROLLO INTEGRAL DE LA PENINSULA DE CANTERA

PO Box 7187, San Juan, PR 00916-7187 • Tel. (787) 268-3138/728-7641 • Fax: (787) 727-0278/728-7658



Proyecto Península de Cantera
¡Nuestra Orgullo!

**Corporation for National Community Services Puerto Rico
Sub-Grantee: Cantera Peninsula Project
Corrective Plan for Tentative Findings
As of May 17, 2005**

Finding #1: Lack of Accounting Policies and Procedures

Comments: Peninsula of Cantera Project started the process for updating accounting policies and procedures and the employees' manual on May 2, 2005. Our agency expects to finish the Policies Protocol for the month of December 2005.

Finding #2 – Lack of Segregation of Duties

Comments: Due to budgetary restraints the Administration and Finance Department is composed by the Director and a Human Resources Technician. For fiscal year 2006, beginning on July 1, 2005, Peninsula of Cantera Project separates a line on its budget to hire an accounting administrative assistant in order to segregate duties as establish by accounting rules. See **Annex 1**.

Finding #3: Lack of Internal Control over Petty Cash Transactions

Comments: From now on the program will end the practice of using petty cash for the monthly activities required. Instead of petty cash the disbursements will be made directly to the suppliers previous invoice presentation for each activity.

Finding #4: Lack of Member's High School Diplomas and Parental Consent

Comments: After searching all programs' files we submit for your evaluation the following:

- ✓ Hector Santiago's high school diploma. This member is attending college since the beginning of the program. For these reason on his file is a credit transcript for the college instead of his high school diploma. However, we ask the member for this document and it's identified as **Annex 2**.

COMPañÍA PARA EL DESARROLLO INTEGRAL DE LA PENINSULA DE CANTERA

P.O. Box 7187, San Juan, PR 00916-7187. Tel. (787) 268-3138/728-7641. Fax: (787) 727-0278/728-7658

**Corrective Plan for Findings
Cantera Peninsula Project**

- ✓ Hector Sierra's parental consent. This document was found into the Coordinator's reading file 2003-04 and it's identified as **Annex 3**.

Finding #5: Lack of Member and Supervisory Signatures on Members Timesheets

Comments: For the months and years presented the timesheets for the members were not signed as each case establish. The Program's Coordinator was the employee in charge of verifies and approves the timesheets. By human error the Coordinator focus in entering the amount of hours completed by members in WBRS program and oversight the member's initials in the timesheet. As it can be establish by revising the timesheets, the total member's hours were calculated but he Coordinator fails in signing them.

Finding #6: Lack of Member Midterm and /or Final Evaluations

Comments: After a detailed verification of members files we find the members evaluations within the files for year 2001-2002. For this year we identified the final evaluation as **Annex 4**. For the year 2002-2003, the evaluation were on an independent file and we oversight it. Attached you can find midterm and final evaluation for members 2002-2003 and they are identified as **Annex 5**.

Finding #7: Lack of Compelling Circumstances to leave Program

Comments: The member Luis Daniel Rivera didn't leave the program early. He doesn't complete the required 1,700 hours to earn a complete award due to his absenteeism for personal reasons as establish on his midterm evaluation. At year end and based on the Compelling Circumstances Provision we determine that the personal situation of the member qualifies for a prorated award. We enter the information on WBRS and it is the Commission who approves or denies the award.

Finding #8: Variances noted between members hours and time-records

Comments: We review the member's timesheets and WBRS hours and found that usually the differences were due to human errors, program's rounding or adjustments made on the members timesheets and fail to fix them in WBRS. Also, we re-calculate the total members' hours and the sum of it differs from the total calculated by the auditors.

The most extreme case was for member Sofia Torres. As establish on finding #8 the difference is of 116 hours. This member was a special case regarding timesheets. First, she absents with much regularity. Second, she usually

***Corrective Plan for Findings
Cantera Peninsula Project***

indicates that forget to sign the timesheet after the hours were put on WBRs. At the Program's end and after a meeting with Mrs. Torres the staff certifies a total of 74 hours more that the ones on her timesheets.(See **Annex 6**) The difference in hours was not find.

Finding #9: Lack of Supporting Documentation for High School Drop-outs

Comments: As the member begins his service year the Programs requires an official school transcript and the drop-out letter. These official documents were produced by the school or the Education Department. After reviewing them we cannot find a section that establishes the drop-out exact date, instead there is the last year finish by the student. For future occasion we are requiring a section with the exact date, but this is a-situation out of our control.

Finding #10: Progress Reports and FSR are not submitted to WBRs in a timely manner

Comments: WBRs page isn't always available to enter. Also, due to technical difficulties and lack of appropriate training the system is very uncooperative to enter the required reports on a timely basis. As an alternative for this problem we submitted a paper copy of this reports to the Commission on time. We attached a copy of this reports as **Annex 7**.

For the years under evaluation we completed four (4) Progress Reports, one for each year. These reports were submitted on WBRs as soon as the web page was available in each period.

Finding #11: Untimely submission of member's enrollment form

Comments: The member's enrollment forms were submitted on WBRs as soon as the web page was available each period. Sometimes the access to the web page was impossible and/or our passwords expired and we have to wait for the commission to obtain new ones.

Finding #12: Accounting records were not properly maintained

Comments: As explained prior to July 2003 Peninsula of Cantera has a problem with its accounting systems due to a virus and hardware deficiencies. Due to budgetary restrictions and lack of personnel the accounting system can't be recreated for the lost periods. After working with the computer technician we access the old accounting system and print the G/L for the fiscal years 2001, 2002 and 2003. Also, we print a Project Management report for the AmeriCorps expenses for the years mentioned earlier and it is attach as **Annex 8**.

***Corrective Plan for Findings
Cantera Peninsula Project***

Finding #13: Full time AmeriCorps staff time certification not in accordance with OMB-87

Comments: The program was not aware of the OMB-87 requirements and the commission doesn't require as part of the Program documentation any written certification of the full time AmeriCorps staff. This situation arises as part of lack of adequate training or clear indications for the documentation requirements of the AmeriCorps Programs. For the year 2003-2004 we are issuing a full time staff certification that the staff worked solely in the AmeriCorps Program. We attached the semiannual certification from August 2004 to January 2005 issued on May 18, 2005 as **Annex 9**.

Finding #14: Administrative staff payroll cost contributed to the AmeriCorps program were not adequately supported

Comments: Since the first year of the AmeriCorps program at the Peninsula of Cantera Project the administrative staff payroll charged to it was calculated based on a fixed percent of the actual salaries for the staff as established on the proposal. This includes the marginal benefits for the staff. The Commission doesn't require any evidence for the costs charged except for an occasional payroll sheet from Cantera. Based on this we understand that the fix percent allocation was a acceptable evidence for the AmeriCorps Program. From the month of June 2005 we are requesting from each administrative staff a detailed allocation of hours for the AmeriCorps proposal in order to have adequate supporting evidence. We attached the Hours Allocation for AmeriCorps Program Document as **Annex 10**.

Finding #15: Lack of Signature for time certification for the member's living allowance

Comments: SEE FINDING #5

Finding #16: Items purchased in the AmeriCorps program were not approved in the budget

Comments: Based on our proposal, each year the Cantera AmeriCorps has to complete a set of activities for the community. These activities were supported by a group of expenses that goes from materials for the activity to lunch or snacks for the members and the community volunteers that supports our initiatives. The approve line budgets are leading concepts that includes a very unique and extended expenses categories that contributes to the success of the activity. For example, the community activities budget line can support an Environmental Club Final Activity which represents expenses for: educative

***Corrective Plan for Findings
Cantera Peninsula Project***

materials, graduation certificates for the students that participate on the club, snacks, and little presents for the link teachers and an award for the school that allows the AmeriCorps presence in it. We understand that maybe the concept is too broad and we need to itemize the expenses for each activity and for each budget line. For now on we are going to submit more detailed budget line in the proposals along with a detailed narrative budget.

Findings #17: Minimum matching requirement not met

Comments: NONE

Appendix A6

Response of Universidad Interamericana



**UNIVERSIDAD INTERAMERICANA DE PUERTO RICO
RECINTO METROPOLITANO**



Iniciativa de Servicio Comunitario/AmeriCorps

December 5, 2005

Ms. Carol Bates, Director
Assistant Inspector General for Audit
Office of Inspector General
Corporation for National and Community Service

RE: Response to Exhibit F of Draft Report on the Audit

Dear Ms. Bates:

1. As of the date of the audit Inter American University (IAUPR) had twice submitted reimbursement petitions for expenditures through March, 2005, with the official forms provided by the Puerto Rico Department of Education (DE) AmeriCorps Program. They been returned twice due to a discrepancy regarding claimed match funds. Upon revision of their records, it was found that the budget DE had was the initial budget submitted early in 2004. After that initial budget, our program had to submit at least four additional revisions under instructions from the local AmeriCorps office. In fact, two of those revisions took place at the AmeriCorps office, with all programs gathered, under detailed specific instructions. IAUPR's claims were according to the last revision submitted. The final contract was handed to this office with a total budget amount, which coincided with the last revision submitted. We did not receive copy of the detailed revision. Hence, we were unaware that the initial budget was used for the contract, in spite of the mandated revisions submitted.
2. Members were paid their living allowances periodically as per the local office and the OIG officer's instructions. Sometimes they would only serve very few hours but our program was under pressure due to the OIG officer's claim that members had complained of being paid according to actual hours served (which did happen only in the initial payment) and not the total living allowance. We were in fact advised of possible reporting to the federal DA if our program did not submit evidence members were paid in full. Our program was instructed to pay the full amount regardless of total time served, as long as they had attended at least three hours per month. In some instances, members that had attended activities in the presence of the Coordinator or the Supervisor were paid their allowance, even if the time sheet was not signed by them, because the officers could sign the authorization and members would complain.
3. Our program complained that OIG's and local office instructions to pay the full amount regardless of time had been served did not stimulate compliance with the service agreement. We were instructed to develop a schedule for adjusted payments and get permission from the Corporation to implement it. With time running out for program completion, this was considered highly desirable but ineffective as of March, 2005.
4. Administrative costs were established according to a contracted rate established between IAUPR and DHHS, applying to all federal grants, not 36% but 5% of 36% of total personnel budget. Copy

of such agreement was obtained from the Central External Resources Office and submitted on both program years to the Executive Directors of the local AmeriCorps office and to the visiting auditors.

5. Match costs were based on budget estimates as is the regular practice in all externally and/or federally funded programs. The University provided far more administrative support hours, use of facilities, equipment and services than budgeted, due to its large human and facilities resources, and to its own complex control and bureaucratic systems and officers. IAUPR has been a recipient of federal funds from many agencies for many years and regularly submits OMB Circular A-21, copy of which was submitted to AmeriCorps's Executive Director immediately after it was requested. The program can submit detailed actual costs from work logs and Equipment & Property Office's records. This was offered through the audit and at the exit conference but it was refused as an "after the fact" evidence. We request additional time to provide these. It is believed IAUPR reached and overreached the required 33%.

6. Being a new program without prior experience with AmeriCorps administrative specifications, our office found incompatibilities with the Corporation's procedures and the established IAUPR systems. The most important aspect was the determination and disbursement of student allowances due to the obligation to include typical payroll FICA and income tax. IAUPR was unable the student allowance method established for this program and had to negotiate special conditions for using the payroll system. This implied creating parallel systems within the program and new, unexpected tasks for the coordinator and the supervisors, besides larger amounts of time employed by the Director, Human Resources and financial officers. This situation led to a negotiation with the Central Payroll Office to treat members' allowances as regular payroll tied to actual time served in order for them to receive emergency first payments. They were adjusted thereafter, and throughout the second year, and the program kept separate records, as per provisions, with actual timesheets while providing payroll with fixed timesheets to guarantee full payments. The auditors and OIG inspector were shown full amounts paid members. They were all paid in incremental amounts in spite of the initial situation.

7. The OIG's inspection took almost a 45 days off the Coordinator's and the Supervisor's (the only program employees) time, as well as additional Director's time having to obtain and interpret records available from the University administrative officers, including obtaining and forwarding all cancelled checks for the whole year from the Central Administration, which are located in separate buildings in another area of the city of San Juan.

8. Some members requested their Police certification (background check) to use for another job if they left the program. All were requested to submit one, as well as a health certificate (above IAUPR regulations) as per the local AmeriCorps office and appropriate submittal was checked by supervisors before beginning service.

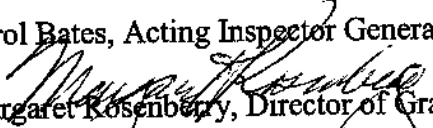
9. Program staff had minimal training in WBRS. Besides, our program was mistakenly assigned 900-hour member slots by AmeriCorps when our proposal and budget requested 675-hour slots. This problem was unresolved for many months, in spite of continuous requests for assistance. In fact, the three last first year members' (March 2003-October, 2204) wrong hours were fixed due to the OIG's officer intervention in February, 2005. Both these factors prevented full member registration and the submittal of timely WBRS reports. Besides, with the reimbursement problems, the program depended on established institutional financial record systems to be reinterpreted into the WBRS language and forms, with minimal training and almost solely by the Director, assisted by the Coordinator. For example, students sometimes received checks which included payment for

Appendix B

Responses of the Corporation for National and Community Service

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

To: Carol Bates, Acting Inspector General

From:  Margaret Rosenberry, Director of Grants Management

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

Date: December 2, 2005

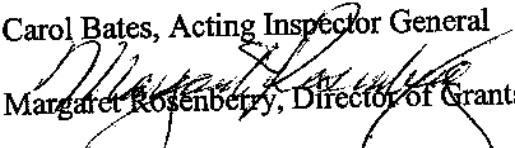
Subject: Response to OIG Draft Report on the AmeriCorps Grant Awarded to the Universidad Interamericana

Thank you for the opportunity to review the draft audit report on the Corporation's grant awarded to the Universidad Interamericana. The Universidad became a direct grantee of the Corporation in August 2005 because the Puerto Rico Commission was not operating. The auditors questioned costs claimed for administrative expenses that were in excess of amounts allowed per the grant provisions. Organizations may choose to use their indirect cost rate and claim up to 5% of the federal share for administrative costs and remainder as match. Or, grantees can choose to use a fixed 5%-10% method under which they can only claim 10% of the budget as administrative cost. We will work with the Universidad Interamericana during audit resolution to determine which method they used and if they appropriately applied the grant provisions.

We do not have other specific comments at this time. Resolving the costs will require working directly with Universidad Interamericana to review documentation and reconcile costs to the accounting system. 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 Universidad Interamericana to resolve the audit.



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

To: Carol Bates, Acting Inspector General
From:  Margaret Rosenberry, Director of Grants Management
Cc: Rosie Mauk, Director of AmeriCorps
Tory Willson, Audit Resolution Coordinator
Date: December 2, 2005
Subject: Response to OIG Draft Report on the AmeriCorps Grant Awarded to the
Iniciativa Comunitaria de Investigacion, Inc.

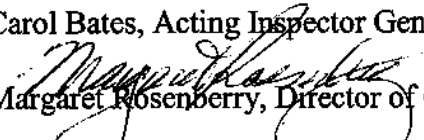
Thank you for the opportunity to review the draft audit report on the Corporation's grant awarded to the Iniciativa Comunitaria. Iniciativa became a direct grantee of the Corporation in August 2005 because the Puerto Rico Commission was not operating. We agree that AmeriCorps members cannot engage in fundraising activities and will work with the Iniciativa to understand the member activities.

We do not have other specific comments at this time. We need to work with the organization to review documentation and resolve the questioned costs. 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 Iniciativa Comunitaria de Investigacion to resolve the audit.



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

To: Carol Bates, Acting Inspector General

From: 
Margaret Rosenberry, Director of Grants Management

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

Date: December 2, 2005

Subject: Response to OIG Draft Report on the AmeriCorps Grant Awarded to the Peninsula de Cantera

Thank you for the opportunity to review the draft audit report on the Corporation's grant awarded to the Peninsula de Cantera. Peninsula de Cantera became a direct grantee of the Corporation in August 2005 because the Puerto Rico Commission was not operating. The Corporation agrees that salary costs must be claimed based on after-the-fact time records. We will work with the Peninsula de Cantera once the report is issued to resolve the costs.

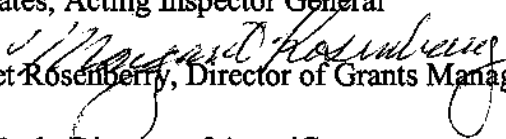
The auditors also questioned costs claimed by Peninsula de Cantera because they were not specifically included in the approved budget. However, the Corporation allows re-allocation of funds up to 10% of the approved budget without prior approval from the Corporation. Therefore, since the amount questioned was well below this threshold and were for costs that are allowable under the grant, we will allow the costs in our management decision.

We do not have other specific comments at this time. Resolving other costs will require working directly with Familia to review documentation. We will respond to the other remaining questioned cost in our management decision when the final audit is issued, we have reviewed the findings in detail, and worked with Familia to resolve the audit.



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

To: Carol Bates, Acting Inspector General

From: 
Margaret Rosenberry, Director of Grants Management

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

Date: December 2, 2005

Subject: Response to OIG Draft Report on the AmeriCorps Grant Awarded to the Centro de Ensenanza Para la Familia

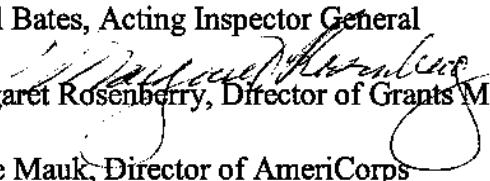
Thank you for the opportunity to review the draft audit report on the Corporation's grant awarded to the Centro de Ensenanza Para la Familia (Familia). Familia became a direct grantee of the Corporation in August 2005 because the Puerto Rico Commission was not operating. The Corporation agrees that salary costs must be claimed based on after-the-fact time records. We will work with Familia once the report is issued to resolve the costs.

We do not have other specific comments at this time. Resolving the costs will require working directly with Familia to review documentation. We will respond to the other remaining questioned cost in our management decision when the final audit is issued, we have reviewed the findings in detail, and worked with Familia to resolve the audit.



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

To: Carol Bates, Acting Inspector General

From: 
Margaret Rosenberg, Director of Grants Management

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

Date: December 2, 2005

Subject: Response to OIG Draft Report on the AmeriCorps Grant Awarded to the
Centro de Servicios a la Juventud

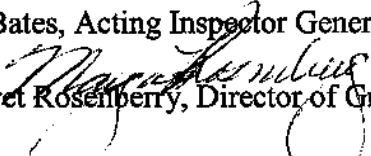
Thank you for the opportunity to review the draft audit report on the Corporation's grant awarded to the Centro de Servicios a la Juventud (CSJ). CSJ became a direct grantee of the Corporation in August 2005 because the Puerto Rico Commission was not operating. We agree that federal costs claimed must reconcile to the CSJ general ledger. We will work with CSJ during audit resolution to reconcile the costs and revise financial reports as necessary.

We do not have other specific comments at this time. Resolving the costs will require working directly with CSJ to review documentation and reconcile costs to the accounting system. 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 CSJ to resolve the audit.



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

To: Carol Bates, Acting Inspector General

From: 
Margaret Rosenberry, Director of Grants Management

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

Date: December 2, 2005

Subject: Response to OIG Draft Report on the AmeriCorps Grant Awarded to the
Centro de Intervencione e Integracion Paso a Paso

Thank you for the opportunity to review the draft audit report on the Corporation's grant awarded to the Centro de Intervencione e Integracion Paso a Paso (Paso a Paso). Paso a Paso became a direct grantee of the Corporation in August 2005 because the Puerto Rico Commission was not operating.

We agree that salary costs must be supported by after-the-fact time records and cannot be based on budgeted amounts. Paso a Paso also agreed with the finding and agreed to the adjustments made by the auditors. The costs will be disallowed. However, the costs were claimed as match and Paso may well exceed its matching requirements by the end of the project period. If so, the disallowed costs will not result in any reduction in federal costs claimed.

