

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

**AGREED-UPON PROCEDURES FOR
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE GRANTS AWARDED TO
THE KANSAS VOLUNTEER COMMISSION**

OIG REPORT NUMBER 07-15



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

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This report was issued to Corporation management on July 16, 2007. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than January 16, 2008 and complete its corrective actions by July 16, 2008. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.




OFFICE OF INSPECTOR GENERAL

July 16, 2007

TO: Kristin McSwain
Director, AmeriCorps State*National

Margaret Rosenberry
Director, Office of Grants Management

FROM: Carol Bates 
Assistant Inspector General for Audit

SUBJECT: Report 07-15, *Office of Inspector General (OIG) Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the Kansas Volunteer Commission*

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

In its review of the Commission, MHM questioned Federal share costs of \$18,401 and non-grant costs of \$14,153 related to AmeriCorps education awards. It also presented four findings on internal controls and compliance with grant terms and questioned grant matching costs of \$8,821.

In connection with the contract, we reviewed MHM's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express opinions on the conclusions expressed in the report. MHM is responsible for the attached report, dated May 14, 2007, and the conclusions expressed therein. However, our review disclosed no instances where MHM did not comply, in all material respects, with generally accepted government auditing standards.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by January 16, 2008. Notice of final action is due by July 16, 2008.

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

Attachment

cc: Shelby Hoytal, Executive Director, Kansas Volunteer
Commission, Kansas State Department of Education,
Randy Tongier, Financial compliance Audit Manager,
Kansas State Legislative Division of Post Audit
Randal G. Vellocido, Partner, Conrad Government
Services Division, Mayer Hoffman McCann, P.C.
Jerry Bridges, Chief Financial Officer
William Anderson, Deputy Chief Financial Officer
Sherry Blue, Audit Resolution Coordinator

**OFFICE OF INSPECTOR GENERAL
AGREED-UPON PROCEDURES FOR
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GRANTS AWARDED TO THE
KANSAS VOLUNTEER COMMISSION**

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AGREED-UPON PROCEDURES SCOPE

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Mayer Hoffman McCann P.C. (MHM) to perform agreed-upon procedures of grant cost and compliance for Corporation-funded Federal assistance provided to the Kansas Volunteer Commission (Commission) for grant awards and periods listed below. The agreed-upon procedures covered the allowability, allocability, and reasonableness of financial transactions claimed under funding provided by the Corporation for the following awards, as well as grant match costs. We also performed tests to determine compliance with grant terms and provisions. We performed our agreed-upon procedures during the period February 5 through April 6, 2007.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Testing Period</u>
AmeriCorps – Formula	03AFHKS002	09/01/03 to 12/31/06	10/01/04 to 09/30/06
AmeriCorps – Competitive	03ACHKS001	08/01/03 to 02/28/07	10/01/04 to 09/30/06
Administrative	04CAHKS001	01/01/04 to 12/31/06	01/01/05 to 12/31/06
PDAT	05PTHKS001	01/01/05 to 12/31/07	01/01/05 to 12/31/06
Disability	04CDHKS001	01/01/04 to 12/31/06	01/01/05 to 12/31/06
Learn & Serve America	03KCHKS001	10/01/03 to 12/31/07	01/01/05 to 12/31/06

The OIG’s agreed-upon procedures program, dated November 2006, specifically includes:

- Obtaining an understanding of the Commission and its subgrantee monitoring process;
- Reconciling grant costs claimed and match costs of the Commission and a sample of subgrantees to their accounting systems.
- Testing subgrantee member files to verify that the records support the eligibility to serve and allowability of living allowances and education awards.
- Testing compliance of the Commission and a sample of subgrantees on certain areas in the AmeriCorps Provisions, and award terms and conditions.
- Testing claimed grant costs and match costs of the Commission and a sample of subgrantees to ensure:
 - i. Proper recording of the AmeriCorps grants, Administrative grant, Program Development and Training (PDAT) grant, Learn and Serve America grant, and Disability Placement grant;
 - ii. Costs were properly matched; and
 - iii. Costs were allowable and supported in accordance with applicable OMB circulars, grant provisions, and award terms and conditions.

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 Kansas State Commission, and other entities to assist in the creation of full-time and part-time national and community service programs.

The Kansas Volunteer Commission is located in Topeka, Kansas. The organizational structure of the State of Kansas Government places the Commission within the Department of Education Services Division (DES). DES has fiduciary responsibility and records grant funds and costs within its accounting system. In addition, the Commission maintains a separate accounting system using a spreadsheet, which tracks the costs and compares expenditures to budget data. This provides the Commission with an additional control whereby it reconciles its spreadsheets to the DES accounting system each month.

As illustrated in the following table, the Commission received about \$6.2 million in funding for various Corporation programs, and has claimed costs of about \$3.7 million. Of the amount of funding received, the Commission awarded approximately \$4.9 million to the AmeriCorps subgrantees, including local school districts and nonprofit entities.

	<u>Funding Authorized</u>	<u>Claimed Within Audit Period</u>	<u>Draw Downs During Audit Period</u>
03AFHKS002 – AmeriCorps Formula	\$ 1,581,536	\$ 735,805	\$ 702,135
03ACHKS001 – AmeriCorps Competitive	<u>3,312,810</u>	<u>2,290,212</u>	<u>2,262,254</u>
Total AmeriCorps	\$ 4,894,346	\$ 3,026,017	\$ 2,964,389
04CAHKS001 – Administrative	334,477	144,379	140,513
04CDHKS001 – Disability	115,500	88,339	49,839
03KCHK001 – Learn & Serve America	592,461	330,474	314,848
05PTHKS001 – PDAT**	<u>225,370</u>	<u>144,996</u>	<u>144,906</u>
Total – Grants Administered	<u>\$ 6,162,154</u>	<u>\$ 3,734,205*</u>	<u>\$ 3,614,495*</u>

SUMMARY OF RESULTS

The detailed results of our agreed-upon procedures on claimed costs are presented in the Consolidated Schedule of Award Costs and supporting exhibit and schedules. As a result of applying our procedures, we questioned claimed Federal-share costs of \$18,401, matching costs of \$8,821, and education awards of \$14,153. A questioned cost is an alleged violation of provision of law, regulation, contract, grant, cooperative agreement, or other agreement or

document governing the expenditure of funds; or a finding that, at the time of testing, such cost is not supported by adequate documentation.

Costs Claimed

The Commission claimed total costs of \$3,734,205 from August 1, 2004, through December 31, 2006. As a result of testing a judgmental sample of transactions, we questioned costs claimed, as shown in the table below.

Description	Grant Number	Federal Share	Grant Match	Education Award
Costs Unsupported	03ACHKS001	\$ 100	\$ 1,500	
Member Eligibility Lacking Support	03ACHKS001	8,782	2,195	\$ 4,725
Unsupported Member Service Hours	03ACHKS001	-	-	4,725
		\$ 8,882	\$ 3,695	\$ 9,450
Member Eligibility Lacking Support	03AFHKS002	9,519	5,126	4,703
	Total	\$ 18,401	\$ 8,821	\$ 14,153

The procedures we performed did not result in questioned costs for the Administrative Grant (04CAHKS001), Learn and Serve America Grant (03KCHKS001), PDAT Grant (05PTHKS001), or the Disability Placement Grant (04CDHKS001).

AmeriCorps members who successfully complete terms of service are eligible for education awards funded by the National Service Trust. These award amounts are not funded by Corporation grants and thus are not costs claimed by the Commission. As part of our agreed-upon procedures, however, we determined the effect of audit findings on education award eligibility. Using the same criteria described above, we questioned education awards of \$14,153 due to non-compliance with the program requirements.

Details related to these questioned costs and awards appear in the *Independent Accountants' Report on Applying Agreed-Upon Procedures* that follows.

Compliance Issues

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

- Lack of Sufficient Subgrantee Monitoring by the Commission;

- Inadequate Controls over Recording and Reporting of Subgrantee Costs;
- Late and Missing Member Program Forms, Progress Reports and Financial Status Reports (FSRs); and
- Lack of Adequate Procedures to Ensure Program Compliance

Exit Conference

The contents of this report were discussed with the Corporation and the Commission at an exit conference held in Topeka, Kansas, on May 14, 2007. In addition, we provided a draft of this report to the Commission and to the Corporation for comment on June 4, 2007. Their responses to the draft report are included as Appendices A and B, respectively.



MMayer Hoffman McCann, PC
An Independent CPA Firm
Conrad Government Services Division

Inspector General
Corporation for National and Community Service

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

We have performed the procedures described below, which were agreed to by the OIG solely to assist it in grant-cost and compliance testing of Corporation-funded Federal assistance provided to the Commission for the awards and periods listed below. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards. The sufficiency of these procedures is solely the responsibility of the OIG. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or any other purpose.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Testing Period</u>
AmeriCorps – Formula	03AFHKS002	09/01/03 to 12/31/06	10/01/04 to 09/30/06
AmeriCorps – Competitive	03ACHKS001	08/01/03 to 02/28/07	10/01/04 to 09/30/06
Administrative	04CAHKS001	01/01/04 to 12/31/06	01/01/05 to 12/31/06
PDAT	05PTHKS001	01/01/05 to 12/31/07	01/01/05 to 12/31/06
Disability	04CDHKS001	01/01/04 to 12/31/06	01/01/05 to 12/31/06
Learn & Serve America	03KCHKS001	10/01/03 to 12/31/07	01/01/05 to 12/31/06

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed other procedures, other matters might have come to our attention that would have been reported to you.

The procedures that we performed included:

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

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

Results

The testing results are summarized in the Consolidated Schedule of Award Costs and the exhibit and schedules that follow. The schedules also identify instances of questioned education awards. These awards were not funded by Corporation grants, and accordingly are not included in claimed costs. As part of our agreed-upon procedures, however, we determined the effect of member timesheet exceptions on these awards.

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

- Lack of Sufficient Subgrantee Monitoring by the Commission;
- Inadequate Controls over Recording and Reporting of Subgrantee Costs;
- Late and Missing Member Program Forms, Progress Reports and Financial Status Reports (FSRs); and
- Lack of Adequate Procedures to Ensure Program Compliance

Corporation for National and Community Service Awards

**Kansas Volunteer Commission
Consolidated Schedule of Award Costs**

October 1, 2004, to December 31, 2006

<u>Award Number</u>	<u>Program</u>	<u>Approved Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Questioned Education Awards</u>	<u>Reference</u>
03AFHKS002	AmeriCorps	\$ 1,581,536	\$ 735,805	\$ 9,519	\$ 4,703	
03ACHKS001	AmeriCorps	<u>3,312,810</u>	<u>2,290,212</u>	<u>8,882</u>	<u>9,450</u>	
	Total AmeriCorps	\$ 4,894,346	\$ 3,026,017	\$ 18,401	\$ 14,153	Exhibit
04CAHKS001	Administrative	334,447	144,379	-	-	
04CDHKS001	Disability	115,500	88,339	-	-	
03KCHK001	Learn & Serve	592,461	330,474	-	-	
05PTHKS001	PDAT	<u>225,370</u>	<u>144,996</u>	<u>-</u>	<u>-</u>	
	Totals	<u>\$ 6,162,154</u>	<u>\$ 3,734,205</u>	<u>\$ 18,401</u>	<u>\$ 14,153</u>	

Notes to Consolidated Schedule of Award Costs

Basis of Accounting

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

Equipment

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

Inventory

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

EXHIBIT

KANSAS VOLUNTEER COMMISSION
Schedule of Award and Claimed Costs
03AFHKS002 and 03ACHKS001 – AmeriCorps Grants
October 1, 2004, to September 30, 2006

<u>Subgrantees</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Questioned Education Awards</u>	<u>Reference</u>
<u>03AFHKS002 – Formula</u>				
East Central Kansas Economic Opportunity	\$ 10,001	-	-	
Hope Street Youth Development	49,027	-	-	
Kansas Association for the Medically Underserved *	163,357	\$ 9,519	\$ 4,703	Schedule A-1
Kansas Campus Compact *	79,102	-	-	
Partnership for Children	267,734	-	-	
Sterling College *	127,638	-	-	
United Way of Douglas County	11,408	-	-	
United Way of Wyandotte County	<u>27,538</u>	<u>-</u>	<u>-</u>	
Sub-total	<u>\$ 735,805</u>	<u>\$ 9,519</u>	<u>\$ 4,703</u>	
<u>03ACHKS001 – Competitive</u>				
Inter-Faith Ministries Wichita, Inc. *	\$ 530,772	\$ 100	-	Schedule A-2
Kansas State Department of Wildlife	928,052	-	-	
Smoky Hill/Fort Hayes Educational Development Center	185,534	-	-	
Kansas Association for the Medically Underserved *	179,213	8,782	\$ 9,450	Schedule A-1
Wichita Public Schools	<u>466,641</u>	<u>-</u>	<u>-</u>	
Sub-total	<u>\$2,290,212</u>	<u>\$ 8,882</u>	<u>\$ 9,450</u>	
Subgrantee Total	<u>\$3,026,017</u>	<u>\$ 18,401</u>	<u>\$ 14,153</u>	

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

**KANSAS VOLUNTEER COMMISSION
Schedule of Award and Claimed Costs
Award Number 00ASCKS0171701 & 03AFHKS0020012
October 1, 2004, to September 30, 2006**

Kansas Association for the Medically Underserved

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$466,437</u>	Note 1
Claimed Federal Costs	<u>\$342,569</u>	Note 2
Questioned Costs:		
Lack Eligibility Support (00ASCKS0171701)	\$ 8,782	Note 3
Lack Eligibility Support (03AFHKS0020012)	<u>9,519</u>	Note 3
Total Questioned Costs	<u>\$ 18,301</u>	
Questioned Education Awards:		
Lack Eligibility Support (00ASCKS0171701)	\$ 4,725	Note 3
Lack Eligibility Support (03AFHKS0020012)	4,703	Note 3
Minimum Service Hours Not Met (00ASCKS0171701)	<u>4,725</u>	Note 4
Total Questioned Education Awards	<u>\$ 14,153</u>	

Notes

1. The amount shown above as Approved Budget represents the total funding to the Kansas Association for the Medically Underserved according to budget schedules.
2. Claimed Federal costs represent Kansas Association for the Medically Underserved's reported expenditures for the period October 1, 2004, through September 30, 2006.
3. Member files did not always contain necessary eligibility documentation, which resulted in questioned living allowances and education awards (*see* Finding 4). For any amount of the living allowance and fringe benefit costs determined unallowable, the associated administrative costs should also be recovered. Subgrant 00ASCKS0171701 is funded by Corporation grant 03ACHKS001.
4. Service hours reported to the Corporation's Web-Based Reporting System (WBRS) and used to qualify members for an education award did not reconcile with timesheets. As a result, we questioned the education award for the member(s) whose actual timesheet hours did not satisfy their minimum service hour requirements (*see* Finding 4).

KANSAS VOLUNTEER COMMISSION
Schedule of Award and Claimed Costs
Award Number 03ACHKS0010001
October 1, 2004, to September 30, 2006

Inter-Faith Ministries Wichita, Inc.

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$694,398</u>	Note 1
Claimed Federal Costs	<u>\$530,775</u>	Note 2
Questioned Costs:		
Lack of Support	<u>\$ 100</u>	Note 3
Total Questioned Costs	<u>\$ 100</u>	
Total Questioned Education Awards	<u>\$ _____</u>	

Notes

1. The amount shown above as Approved Budget represents the total funding to Inter-Faith Ministries Wichita, Inc. according to budget schedules.
2. Claimed costs represent Inter-Faith Ministries Wichita, Inc.'s reported Federal expenditures for the period October 1, 2004, through July 31, 2006. For any amount of unsupported costs determined unallowable, the associated administrative costs should also be recovered.
3. Costs claimed were not properly supported, resulting in questioned costs (*see* Finding 2).

Compliance and Internal Control

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

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

The Commission has established a plan for monitoring its subgrantees but did not follow its internally developed guidelines. Our review of the subgrantee monitoring files revealed that there had been no limited- or full-scope onsite visits conducted in calendar year 2006 and only four limited-scope visits conducted during calendar year 2005.

The Commission indicated it experienced structural changes due to personnel turnover and had found it difficult to manage the day-to-day activities. These changes and turnover left few resources for performing onsite visits of subgrantees. As a result, the Commission focused its monitoring in recent years on program-specific reviews accomplished through analysis of member data found in the WBRs. As of the completion of fieldwork on April 6, 2007, the Commission had scheduled three site visits for 2007.

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

- Unsupported Costs;
- Reports filed late;
- Missing member documents;
- Missing member eligibility documents;
- Member timesheet variances; and

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

Criteria:

The AmeriCorps General provision C.21., *Responsibilities under Grant Administration*, continues the requirements of prior years and states:

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

In accordance with 45 CFR § 2541.400(a), *Monitoring by grantees*:

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

Furthermore, 45 CFR § 2250.80 [sic] [45 CFR § 2550.80], *What are the duties of the State entities?*, states:

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

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

Internal policies at the Commission specify the frequency of monitoring visits take place as shown below.

Programs that have shown through past program performance and sound financial management practices to be in compliance with regulations, guidelines, and provisions of the Corporation for National and Community Service would be eligible for limited monitoring. This could be demonstrated by:

- 1) On-site monitoring every other year or
- 2) Limited-scope monitoring annually.

The limited-scope monitoring plan is designed to spend more time on the areas of highest risk and greatest importance to the goals. Less time will be spent on areas of low importance and low risk. Sampling plans are designed to be flexible; they are focused on the areas of importance. Information gathered from such an audit is likely to be valuable, because the testing was performed in the areas of greatest risk and importance. The duration of the monitoring visit is likely to be shorter overall.

Full-Scope Monitoring:

New programs and programs that have received notice of significant corrective actions are subject to full scale on-site monitoring visits annually. All elements of program compliance on financial and programmatic issues, as

stipulated in the Monitoring Tool, will be used to assess the program's ability to meet requirements."

Recommendations

We recommend the Corporation:

1. Ensure the Commission follows its internal policy to ensure limited and full-scope monitoring visits are performed on a regular basis.
2. Ensure the Commission enhances its policies to incorporate alternate procedures when staff resources affect its ability to perform onsite monitoring visits.
3. Obtain the Commission's monitoring plan and documentation that the plan was carried out.

Commission's Response

The Commission's planned actions indicate concurrence with the recommendations. The Commission asked the Kansas State Department of Education for authorization to hire an additional staff member and developed a monitoring plan for 2007-2008, which will include a full-scope or limited-scope review of all subgrantees. The Commission will also establish a desk-based system to ensure monitoring can take place when staff resources are limited.

Auditor's Comment

We generally agree with the actions planned by the Commission; however, we emphasize that maintaining adequate staff is necessary to fulfill monitoring responsibilities. The desk-based monitoring planned is a good step, but in some instances the risk may warrant onsite visits even when staff resources are limited. The Corporation should ensure the Commission plans to use a monitoring method commensurate with the risk involved with each subgrantee.

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

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

Inter-Faith Ministries of Wichita (Inter-Faith). Inter-Faith could not provide documentation that supported \$100 of claimed costs. In addition, costs claimed to the grant match included a double claim for \$1500, which would have been prevented had Inter-Faith followed its control policies by stamping the document as "canceled" when first claimed.

In accordance with 2 CFR § 230 Cost Principles for Non-Profit Organizations (OMB Circular A-122), (Appendix A to Part 230, paragraph A.2., *Factors affecting allowability of costs.*), states in part:

To be allowable under an award, costs must meet the following general criteria:

- a. Be reasonable for the performance of the award and be allocable thereto under these principles.
- b. Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.
- c. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization.
- d. Be accorded consistent treatment.
- e. Be determined in accordance with generally accepted accounting principles (GAAP).
- f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- g. Be adequately documented.

In addition, AmeriCorps General Provision, C.22.b, *Source Documentation*, 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.

Kansas Association for Medically Underserved (KAMU). KAMU reported costs to the Commission for its staff's effort on the AmeriCorps grant. A portion of salaries for the Executive Director and the Accountant was allocated to the grant. The basis for the allocations was the data that had originally been budgeted. Timesheets supporting actual level of effort were not prepared by either the Executive Director or the Accountant. Our examination of other pertinent documentation and our discussions with KAMU personnel lead us to believe the charges to the Commission to be equitable. As a result, we have questioned no costs. However, the lack of timekeeping represents a control weakness in recording costs incurred and claimed to specific awards.

In accordance with 2 CFR § 230 Cost Principles for Non-Profit Organizations (OMB Circular A-122), (Appendix B to Part 230, paragraph 8.m.), *Support of salaries and wages*, states in part:

- (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. (See subparagraph E.2 of Attachment A.)

(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.

(b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.

(c) The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.

(d) The reports must be prepared at least monthly and must coincide with one or more pay periods.

AmeriCorps General Provision, C.22.c.i., *Staff.*, requires 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 regardless of position, and by documented payrolls approved by a responsible official of the Grantee.

We believe the problems identified in this finding could have been found by Commission monitoring.

The Commission Grant Agreement with the subgrantee (referred to as the "Grantee" in the agreement), states in part:

As a recipient of an award under the AmeriCorps Kansas program, the Grantee agrees to administer its program and to expend the funds awarded to the Grantee in accordance with its approved project proposal and budget and all applicable statutes and regulations governing the program. The Grantee

agrees to comply with the applicable provisions of the AmeriCorps Provisions attachment....

Recommendations

We recommend that the Corporation:

4. Determine the allowability of the questioned costs and recoup unallowable costs that were charged to the grant;
5. Ensure the Commission trains and monitors its subgrantees in establishing controls that specifically address weaknesses identified above. This effort includes developing a record-keeping system such that grant documentation is retained and readily accessible; developing timekeeping procedures that comply with regulation and grant requirements; and designing controls to verify the accuracy of costs claimed.

Commission's Response

The Commission's planned actions indicate concurrence with the recommendation, and it agreed to provide training to its subgrantees that address the exceptions found during the review. In addition, the Commission will review financial policies and procedures during site visits and staff timesheets during desk-based monitoring.

Auditor's Comment

The Corporation should follow up after the Commission's planned actions are implemented to determine whether the actions taken were effective in correcting the deficiencies.

Finding No. 3: Late Submission and Missing Member Program Forms, Progress Reports, and Financial Status Reports (FSRs)

Late Submission. Two of the Commission's AmeriCorps subgrantees we tested did not submit required reports by the dates due, as shown in the table below.

<u>Subgrantees</u>	<u>Description of Non-Compliance</u>
Kansas Association Medically Underserved	- 6 of 8 required FSRs were submitted late
Inter-Faith Ministries Wichita, Inc.	- 8 of 15 enrollment forms sampled were submitted late - 5 of 15 exit forms were submitted late.

KAMU indicated that FSR's were not filed on time because other priorities took precedence.

Inter-Faith Ministries Wichita, Inc. indicated it did not gain access to WBRS "Approval" status until around February 2006. It also described its interpretation of the 30-day rule as

starting on the first working day of the next week if the 30th day had fallen during the weekend.

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

AmeriCorps Provisions, Section B.16, *Reporting Requirements*, states in part:

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

Section B.16 also provides that FSRs will be due April 30 for the period ending March 31 and October 31 for the period ending September 30, and that enrollment forms must be submitted no later than 30 days after a member is enrolled. Member Change-of-Status Forms must be submitted no later than 30 days after a member's status has changed. Exit/End-of-Term-of-Service Forms must be submitted no later than 30 days after a member exits the program or finishes his/her term of service.

Missing Program Documentation. We found instances of missing member documentation. These instances precluded the Commission from complying with the grant provisions.

<u>Subgrantee</u>	<u>Non-Compliances Description</u>
Sterling College	- Documentation was not provided to show that the 14 members sampled had attended orientation.
Kansas Campus Compact (KCC)	- Documentation was not provided to show that 4 of the 7 members sampled had attended an orientation
Inter-Faith Ministries Wichita, Inc.	- 4 of 14 members sampled that required a mid-term evaluation and also an end-of-term evaluation were missing both evaluations. - 2 of 15 members sampled were missing the signature page from their member contracts. - Documentation was not provided to show that 3 of the 15 members sampled had attended an orientation.

Missing Evaluations. Inter-Faith Ministries had community beneficiaries (where members are placed) perform member evaluations, but had difficulty in obtaining these documents from the placement sites. Without evaluations, the subgrantee may not be able to effectively evaluate whether the member has satisfactorily completed assignments; and whether the member has met other performance criteria that were communicated at the beginning of the term of service. In addition, the member will not be allowed to serve an additional term of service or receive an education award.

AmeriCorps Provisions, Section B.7.g., Training, Supervision and Support, Performance Reviews, states:

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 for Full and Half-Time members and an end-of-term written evaluation for less than Half-time (sic) members.

According to 45 CFR § 2522.220(d), *Participant performance review*, a participant is not eligible for a second or additional term of service without a satisfactory mid-term and final performance evaluation.

Missing Signed Contracts. Inter-Faith Ministries believes that the signature pages from the two member contracts were misfiled, misplaced, or that the signature pages may have been lost when it transferred the members' files from the active cabinet to the inactive cabinet. The subgrantee maintained a spreadsheet tracking the items needed in the member files. The spreadsheet indicates that both members had signed and submitted their contracts. Without the signature page, we cannot definitively conclude whether the members actually signed their contracts. The lack of a signed contract may place the subgrantee and the Commission at risk should legal questions arise.

AmeriCorps Provisions, Section B.7.b., *Training, Supervision and Support, Member Contracts*, provides that the Grantee must require that members sign contracts that, at a minimum, contain certain specific terms of the member's contract.

Lack of Orientation Documentation. There was no policy in place at Sterling College requiring the documentation of orientation attendance. Conversely, KCC's policy required documentation supporting member attendance, but one site where training was held did not follow the established policy. Exceptions relating to KCC were limited to that one site. Exceptions noted at Inter-Faith Ministries were the result of informal training provided to three members who had enrolled for minimum-term service during the summer. We were advised that these members enrolled after the formal orientation had taken place, and therefore proof of attendance was not documented.

Without proof of attendance, we cannot conclude whether all members actually received orientations training. If there were members who were not properly trained prior to service, they may not have been aware of their program rights and obligations, as well as the skills and knowledge necessary to perform the tasks required in their service.

AmeriCorps Provisions, IV.D.3., *Training, Supervision and Support*, states in part:

The grantee must conduct an orientation for members and comply with any pre-service orientation or training required by the Corporation. This orientation should be designed to enhance member security and sensitivity to the community. Orientation should cover member rights and responsibilities, including the Program's code of conduct, prohibited activities (including those specified in the regulations), requirements under the Drug-Free Workplace Act (41 U.S.C. 701 *et seq.*), suspension and termination from service, grievance procedures, sexual harassment, other non-discrimination issues, and other topics as necessary.

Recommendation

We recommend that the Corporation:

6. Ensure and verify that the Commission implements subgrantee procedures and reminders to ensure prompt and complete financial reporting, as well as member performance results, in accordance with the Commission requirement.
7. Ensure that the Commission assists Inter-Faith Ministries in obtaining signed contracts from all members.

Commission's Response

The Commission's planned actions indicate concurrence with the recommendations, and it plans to use desk-based monitoring to review orientation schedules for members and their sign-in sheets, and maintenance of member files. It also plans to stress mid-term and final member evaluations in its program director training sessions and in its updated Program Director's Handbook.

Auditor's Comment

The Commission's planned actions should increase compliance with Corporation regulations and grant provisions.

Finding No. 4 – Lack of Adequate Procedures to Ensure Program Compliance Requirements were followed

Eligibility Documentation. KAMU member files did not always contain necessary eligibility documentation. We sampled 14 member files and found 4 members whose citizenship or legal residency status was not determinable. As a result, we questioned the living allowances and fringe benefits claimed by KAMU, as shown below.

Living Allowances & Fringe Benefits	Match Living Allowance & Fringe Benefits	Education Awards
\$18,301	\$7,321	\$9,428

The subgrantee was unaware of acceptable documentation required by 45 C.F.R. 2522.200(c) and (d) to verify U.S. citizenship, U.S. national status or, U.S. lawful permanent resident alien status. Instead of relying upon the regulations for verifying eligibility, the subgrantee relied upon the requirements of the Department of Justice’s Form I-9, *Employment Eligibility Verification*. The subgrantee believed that a valid driver’s license and social security card would be sufficient for determining a member’s eligibility. KAMU indicated these requirements were not included during AmeriCorps training sessions conducted by the Commission or the Corporation. As a result, KAMU could have enrolled ineligible applicants into the program.

AmeriCorps Provisions, Section A., *Definitions*, defines, in part, an AmeriCorps member as an individual:

- a. Who enrolled in an approved national service position;
- b. Who is a U.S. citizen, U.S. national or lawful permanent resident alien of the United States;

AmeriCorps Provisions, Section B.14.b., *Verification.*, states:

To verify U.S. citizenship, U.S. national status or, U.S. lawful permanent resident alien status, the Grantee must obtain and maintain documentation as required by 45 C.F.R. 2522.200 (c) and (d). The Corporation does not require programs to make and retain copies of the actual documents used to confirm age or citizenship eligibility requirements, such as driver license, or birth certificate as long as the Grantee has a consistent practice of identifying the documents that were reviewed and maintaining a record of the review.

Timesheet Variances. Our testing showed that member service hours reported in WBRS did not always reconcile with member timesheets, causing the hours reported in WBRS to be overstated. The subgrantee made errors while entering the data into WBRS. As a result of the subgrantee relying upon the overstated hours in WBRS instead of the actual timesheets, it allowed some members to prematurely leave the program and before some members met the minimum service requirements to earn education awards.

Timesheet variances were caused by the following:

- Neither KAMU nor KCC have policies requiring second reviews to ensure the hours entered in WBRS agree with the timesheets.
- Certain members were counting only direct service hours, when they should have been recording the time spent for planning and travel. An adjustment was entered

into WBRS once the omission of member hours was discovered. The basis of the adjustment was verbal confirmation from members as to the number of hours that had been omitted.

- Some members phoned in their time to the subgrantee and never forwarded the actual timesheets as requested.

Timesheet variances and questioned education awards are shown in the table below:

<u>Subgrantee</u>	<u>Member</u>	<u>Program</u> <u>Year</u>	<u>Hours per</u> <u>WBRS</u>	<u>Hours Per</u> <u>Timesheets</u>	<u>Variance</u>	<u>Ed Award</u> <u>Questioned</u>
KAMU	Member A	2004-2005	1,704.00	1,652.50	(51.50)	\$ 4,725
KAMU	Member B	2004-2005	1,700.01	1,686.40	(13.61)	Note 1
KAMU	Member C	2005-2006	941.00	918.55	(22.45)	Note 2
KAMU	Member D	2005-2006	1,000.50	911.00	(89.50)	Note 2
KCC	Member E	2005-2006	512.56	523.00	10.44	-
KCC	Member F	2005-2006	317.35	314.25	(3.10)	Note 2
KCC	Member G	2005-2006	352.90	365.40	12.50	-
KCC	Member H	2005-2006	154.50	33.50	(121.00)	<u>Note 2</u>
<i>Total:</i>						<u>\$ 4,725</u>

Note 1 – We already questioned the education award for this member because eligibility documentation was missing.

Note 2 – Although the member hours per timesheets were less than WBRS hours, the member either had fulfilled the minimum service hours to receive an education award or did not receive an educational award.

AmeriCorps Provisions, Section C.22.c.ii., *AmeriCorps Members.*, 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 and dated both by the member and by an individual with oversight responsibility for the member”

Recommendations

We recommend that the Corporation:

8. Determine the allowability of the questioned costs and recover unallowable costs and applicable administrative costs (in making this determination, include a determination with regard to Note 1 in the table above for the member whose education award we questioned for lacking eligibility documentation and required service hours).
9. Ensure the Commission (1) requires subgrantees to review each member file and obtain required documentation whenever eligibility documentation is missing, and

(2) provides training to the subgrantees to ensure they are familiar with program requirements and provisions.

10. Ensure the Commission (1) strengthens controls over member timesheet reporting and (2) verifies that required hours were served and properly recorded in WBRS for all members exited since August 1, 2004, until the controls are strengthened.

Commission's Response

The Commission's actions indicate concurrence with the recommendations, and it plans to include review processes in its desk-based and onsite monitoring tools to address compliance issues, including background checks, member citizenship, proof of age, etc. In addition, the Commission plans to ensure that each subgrantee has procedures for reviewing hard copies of member timesheets to verify members' service hours entered into WBRS.

Auditor's Comment

The Commission's planned actions should increase compliance with grant provisions. The Corporation should follow-up to determine whether the planned actions were effective.

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

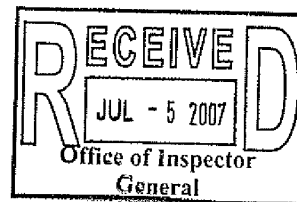


Woodbridge, Virginia
May 14, 2007

APPENDIX A

Kansas Volunteer Commission's Response to Draft Report

KANSAS
VOLUNTEER COMMISSION



July 3, 2007

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Prairie Village

David Battey

Shawnee Mission

Diane Caton

Hutchinson

Irene Caudillo

Kansas City, KS

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Peg Dunlap

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Kansas State Dept. Education, *Topeka*

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KS/MO State Corporation Ofc, *Topeka*

Margaret Perkins-McGuinness, Dir.

Roger Hill Volunteer Center, *Lawrence*

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Zona Clennan, Administrative Asst.

Carol Bates, Assistant Inspector General for Audit
Office of the Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW, Suite 830
Washington, DC 20525

Dear Ms. Bates:

Thank you for the opportunity to comment on the draft report of the *Office of Inspector General (OIG) Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the Kansas Volunteer Commission*. The commission's response to this report is attached. We were pleased to note there were no questioned costs or findings related to the Commission's Administrative, PDAT and Disability grants.

We look forward to completing the audit process with the final publication of the report and resolution with the Corporation. If additional information is needed, please let me know.

Sincerely,

Shelby Hoytal
Executive Director

cc: Ron Nitcher

Kansas Volunteer Commission Response to Draft Audit Report

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

The draft audit noted that, while the Commission establishes a monitoring plan each year, it did not follow the plan in 2005 and 2006. The Commission acknowledges that staff vacancies at the commission created workload pressures and caused problems with the timely completion of AmeriCorps on-site monitoring visits. The Commission has asked the Kansas State Department of Education to authorize the hiring of an additional staff member to the Commission to help ease workload pressures. Timely on-site visits continue to be a priority of the Commission. The Commission has a monitoring plan in place for 2007-2008 that includes a limited or full-scope visit for all 2007-2008 subgrantees.

The Commission will also establish a desk-based system to ensure monitoring can continue when staff resources affect its ability to perform timely on-site visits. The desk-based monitoring system will include detailed review of allowable costs and documentation (including staff timesheets) to ensure that subgrantees have adequate financial management systems. The Commission will also periodically request and review member files to ensure files contain all required documentation, i.e., signed enrollment/exit forms, signed member timesheets, signed member contracts, member evaluations and eligibility documentation. In addition, the Commission will periodically review orientation agendas and sign-in sheets to ensure all members attend required orientation.

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

The auditors found that one subgrantee did not have adequate supporting documentation for one claimed expenditure and one bill was inadvertently claimed twice. One other subgrantee was not recording time and attendance properly although the auditors did not question any costs because their review led them to believe the charges were equitable. The Commission will provide training and technical assistance to subgrantees to ensure that programs have adequate financial management systems in place and that policies and procedures are followed to ensure proper reporting and recording of costs. The Commission will offer PDAT funding for programs requesting additional assistance to attend financial management trainings offered by the Corporation. The Commission will also review financial policies and procedures during on-site visits.

The Commission has always maintained a strict policy on the requirements of subgrantee staff time sheets and has emphasized this in orientation training of new programs and in program director trainings. The Commission has instituted desk-based monitoring methods to ensure program staff timesheets are signed by the employees and supervisors.

Finding No. 3: Late Submission and Missing Member Program Forms, Progress Reports, and Financial Status Reports (FSRs)

The auditors noted that one subgrantee did not file FSRs on time and another did not always submit member enrollment and exit forms within required timeframes. The Commission has always

maintained strict policies on timely submittal of required financial, progress reports and WBRS forms and maintenance of member contracts, evaluations and evidence of orientation. We will continue to emphasize the importance of adequate file maintenance and timely submission of reports in orientation training for new program directors and in program director trainings.

The Commission provides a reporting schedule for both required financial and progress reports to all programs at the beginning of each program year. Commission staff also sends reminders via email prior to due dates. The Commission has reviewed with program directors the importance of submitting timely program forms, progress reports and FSRs.

The Commission will strengthen its policy on member orientation by performing periodic desk-based monitoring that will include submission of orientation agendas and sign-in sheets from member orientations. The Commission will also continue to stress mid-term and final evaluations for members at program director trainings and in the updated Program Director's Handbook. The Commission has instituted desk-based monitoring to ensure programs are retaining documentation to verify they are complying with grant requirements for conducting evaluations and completing and maintaining member contracts in program records. We will require programs to submit a random sample of signed member contracts for Commission review.

Finally, the Commission will continue to stress the importance of timely submission of exit form submission at program director training and in the updated Program Director's Handbook. The Commission has instituted desk-based monitoring methods to ensure programs exit members in a timely manner.

Finding No. 4 –Lack of Adequate Procedures to Ensure Program Compliance Requirements were followed

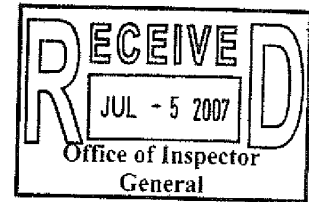
The auditors found that one subgrantee was not always maintaining member eligibility documentation as required. The Commission has always maintained a strict policy on citizenship documentation and has emphasized this in orientation training for new program directors and in program director trainings. The Commission will continue to stress U.S. citizenship documentation at program director trainings and in the updated Program Director's Handbook. The Commission has instituted desk-based monitoring methods to ensure programs have proper documentation to verify citizenship for all members. The Commission also utilizes, as part of its on-site monitoring tool, a Member File Checklist tool that addresses compliance issues, including background checks, member citizenship, proof of age, high school/GED requirements and enrollment status.

The commission also has a strict policy on the proper documentation of member service hours and has emphasized this in orientation training of new programs and in program director training. The Commission will continue to stress the importance of members' service hours being supported by signed member timesheets at program director training and in the updated Program Director's Handbook. The Commission will ensure that each subgrantee has procedures for reviewing hard copies of member timesheets to verify the adequacy of member service hours in WBRS. The Commission will recommend that subgrantees assign one person whose responsibility in the process is specifically to verify member hours before entering into WBRS throughout the term of service. This staff person should also reconcile signed timesheets with WBRS before certifying eligibility for an education award at the end of the term. The Commission will test member files during on-site visits and through desk-based monitoring to ensure programs have proper documentation to verify member service hours and are properly supported by signed timesheets.

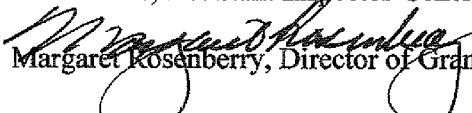
APPENDIX B

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

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 



To: Carol Bates, Assistant Inspector General for Audits

From: 
Margaret Kosanberry, Director of Grants Management

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

Date: July 3, 2007

Subject: Response to OIG Draft Audit Report: Agreed-upon Procedures for Corporation Grants awarded to the Kansas Volunteer Commission

Thank you for the opportunity to review the draft audit report of the Corporation's grants awarded to the Kansas Commission. As noted by the auditors, the Commission did not follow its on-site monitoring plan due to staff shortages during the audit period. The Corporation reviewed the Commission's response to the draft report which describes a desk monitoring process it will establish to address this finding and ensure monitoring can continue when staff resources make on-site monitoring difficult. These additional monitoring procedures should address the four findings when implemented.

We do not have other specific comments at this time. We will respond to all findings and recommendations in our management decision when the final audit is issued; we have reviewed the findings in detail; and worked with the Commission to resolve the audit.



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