

Office of Inspector General Corporation for National and Community Service

**AGREED-UPON PROCEDURES OF CORPORATION
FOR NATIONAL AND COMMUNITY SERVICE
GRANTS AWARDED TO THE NORTH DAKOTA
WORKFORCE DEVELOPMENT COUNCIL – STATE
COMMISSION ON NATIONAL AND COMMUNITY
SERVICE**

OIG REPORT 08-10



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

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Washington, DC 20005

This report was issued to Corporation management on March 5, 2008. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than September 5, 2008 and complete its corrective actions by March 5, 2009. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



OFFICE OF INSPECTOR GENERAL

March 5, 2008

TO: Kristin McSwain
Director, AmeriCorps*State and National

Margaret Rosenberry
Director, Office of Grants Management

FROM: Carol Bates 
Assistant Inspector General for Audit

SUBJECT: Report 08-10, *Agreed-Upon Procedures of Corporation for National and Community Service (Corporation) Grants Awarded to the North Dakota Workforce Development Council – State Commission on National and Community Service (Commission)*

We contracted with the independent certified public accounting firm of Regis and Associates, P.C. (Regis) to perform agreed-upon procedures in its review of Corporation grants awarded to the Commission. The contract required that Regis conduct its review in accordance with generally accepted government auditing standards.

Regis is responsible for the attached report, dated December 18, 2007, and the conclusions expressed therein. We do not express opinions on the Commission's Consolidated Schedule of Awards, and Claimed and Questioned Costs; conclusions on the effectiveness of internal controls; or compliance with laws, regulations, and grant provisions.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by September 5, 2008. Notice of final action is due by March 5, 2009.

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

Attachment

Courtesy Copy Distribution: See next page



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cc: James Hirsch Executive Director, North Dakota Workforce
Development Council – State Commission on National and
Community Service
The Honorable Robert Peterson, State Auditor for North
Dakota
William Anderson, Deputy Chief Financial Officer
Sherry Blue, Audit Resolution Coordinator
Peter R. Regis, CPA, Managing Partner, Regis & Associates, PC

**AGREED-UPON PROCEDURES OF
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GRANTS AWARDED TO
THE NORTH DAKOTA WORKFORCE DEVELOPMENT COUNCIL-
STATE COMMISSION ON NATIONAL AND COMMUNITY SERVICE**

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EXECUTIVE SUMMARY

Summary of Results

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Regis & Associates, PC to perform agreed-upon procedures of grant cost and compliance for Corporation-funded Federal assistance provided to the North Dakota Workforce Development Council - State Commission on National and Community Service (Commission). As a result of applying these procedures, we questioned claimed Federal-share costs of \$8,580. The detailed results of our agreed-upon procedures (AUP) on claimed costs are presented in Exhibit A in the *Consolidated Schedule of Awards, and Claimed and Questioned Costs* and the *Subgrantees' Schedule of Awards, and Claimed and Questioned Costs*. A questioned cost is an alleged violation of a 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 and Questioned Costs. The Commission claimed total grant costs of \$1,057,930 for the testing period. As a result of testing a judgmental sample of transactions, we questioned costs, as shown below.

<u>Program</u>	<u>Award Number</u>	<u>Funding Authorized</u>	<u>AUP Period</u>	<u>Claimed within AUP Period</u>	<u>Questioned Costs</u>
AmeriCorps- Formula	06AFHND001	\$ 500,000	10/01/06-03/31/07	\$ 181,869	\$ 2,145
AmeriCorps- Formula	03AFHND001	<u>1,207,655</u>	04/01/05-09/30/06	<u>662,339</u>	<u>6,435</u>
Total AmeriCorps		<u>\$ 1,707,655</u>		<u>\$ 844,208</u>	<u>\$ 8,580</u>
Administration	06CAHND001	146,181	01/01/06-06/30/07	68,899	-
PDAT	06PTHND001	164,418	01/01/06-06/30/07	111,199	-
Disability	06CDHND001	<u>49,766</u>	01/01/06-06/30/07	<u>33,624</u>	-
Total		<u>\$ 2,068,020</u>		<u>\$ 1,057,930</u>	<u>\$ 8,580</u>

Details on questioned costs are discussed in the *Independent Accountants' Report on Applying Agreed-Upon Procedures*.

Compliance and Internal Control. The detailed results of our agreed-upon procedures revealed instances of non-compliance with grant provisions, regulations, or Office of Management and Budget (OMB) circulars. Those instances of non-compliance are shown below and in Exhibit B in the Compliance and Internal Control section of the *Independent Accountants' Report on Applying Agreed-Upon Procedures*.

- Commission monitoring procedures were not fully performed, or results were not always documented;
- Inadequate controls over approval and payment of subgrantee costs; and
- Lack of adequate procedures to ensure that all program compliance requirements were followed.

Exit Conference and Responses to Draft Report. The contents of this report were discussed with the Corporation and the Commission at an exit conference held in Bismarck, North Dakota, on December 18, 2007. In addition, on January 23, 2008, we provided a draft of this report to the Commission and to the Corporation for comment. The Commission’s response to the findings and recommendations in the draft report are included in Appendix A and summarized in each finding. The Commission did not propose corrective actions except with regard to Recommendation 2. The Corporation did not respond to the individual findings and recommendations. Its response is in Appendix B.

Agreed-Upon Procedures Scope

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

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>AUP or Testing Period</u>
AmeriCorps- Formula	06AFHND001	10/01/06 - 09/30/09	10/01/06 - 03/31/07
AmeriCorps- Formula	03AFHND001	09/08/03 - 09/30/06	04/01/05 - 09/30/06
Administration	06CAHND001	01/01/06 - 12/31/08	01/01/06 - 06/30/07
PDAT	06PTHND001	01/01/06 - 12/31/08	01/01/06 - 06/30/07
Disability	06CDHND001	01/01/06 - 12/31/08	01/01/06 - 06/30/07

We also performed tests to determine compliance with grant terms and provisions. We performed our procedures during the period September 24 through December 18, 2007.

The OIG’s agreed-upon procedures program, dated February 2007, provides guidance for understanding the Commission; reconciling claimed and matched costs to accounting records; testing compliance with provisions of the grant; and testing claimed grant and matched costs. We used judgmental sampling for our testing. These procedures are described in more detail on page 3, in the Independent Accountants’ Report on Applying Agreed-Upon Procedures.

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 North Dakota Workforce Development Council - State Commission on National and Community Service, and other entities to assist in the creation of full-time and part-time national and community service programs.

Since its inception in 2002, the Commission has received AmeriCorps grant funds from the Corporation. The Commission is an independent entity organizationally located within the Workforce Development Division of the North Dakota Department of Commerce. The North Dakota Department of Commerce serves as the fiscal agent and provides professional and support staff to the Commission. The Director of the Workforce Development Division is also the Director of the Commission.

**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 the OIG 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 for any other purpose.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Testing Period</u>
AmeriCorps - Formula	06AFHND001	10/01/06 - 09/30/09	10/01/06 - 03/31/07
AmeriCorps - Formula	03AFHND001	09/08/03 - 09/30/06	04/01/05 - 09/30/06
Administration	06CAHND001	01/01/06 - 12/31/08	01/01/06 - 06/30/07
PDAT	06PTHND001	01/01/06 - 12/31/08	01/01/06 - 06/30/07
Disability	06CDHND001	01/01/06 - 12/31/08	01/01/06 - 06/30/07

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 claimed and matched grant 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 the Commission's and a sample of subgrantees' compliance with certain grant provisions and award terms and conditions; and
- Testing claimed and matched grant costs of the Commission and a sample of subgrantees to ensure:

- i. Proper recording of the Administrative grant, PDAT grant, Disability grant and AmeriCorps grants;
- ii. That costs were properly matched; and
- iii. That costs were allowable and supported in accordance with applicable regulations, OMB circulars, grant provisions, and award terms and conditions.

Results

As a result of applying the agreed-upon procedures, we questioned Federal-share costs of \$8,580. The questioned costs are summarized in Exhibit A in the *Consolidated Schedule of Awards, and Claimed and Questioned Costs* and the *Subgrantees' Schedule of Awards, and Claimed and Questioned Costs*. The compliance and internal control testing results are summarized in Exhibit B. Issues identified include the following:

- Commission monitoring procedures were not fully performed, or results were not always documented;
- Inadequate controls over approval and payment of subgrantee costs; and
- Lack of adequate procedures to ensure that all program compliance requirements were followed.

EXHIBIT A

**THE NORTH DAKOTA WORKFORCE DEVELOPMENT COUNCIL -
STATE COMMISSION ON NATIONAL AND COMMUNITY SERVICE**

CONSOLIDATED SCHEDULE OF AWARDS, AND CLAIMED AND QUESTIONED COSTS

<u>Program</u>	<u>Award</u>	<u>Authorization</u>	<u>Claimed within AUP Period</u>	<u>Questioned Costs</u>
AmeriCorps- Formula	06AFHND001	\$ 500,000	\$ 181,869	\$ 2,145
AmeriCorps- Formula	03AFHND001	<u>1,207,655</u>	<u>662,339</u>	<u>6,435</u>
Total AmeriCorps		<u>1,707,655</u>	<u>844,208</u>	<u>8,580</u>
Administration	06CAHND001	146,181	68,899	-
PDAT	06PTHND001	164,418	111,199	-
Disability	06CDHND001	<u>49,766</u>	<u>33,624</u>	<u>-</u>
Total		<u>\$ 2,068,020</u>	<u>\$ 1,057,930</u>	<u>\$ 8,580</u>

SUBGRANTEES' SCHEDULE OF AWARDS, AND CLAIMED AND QUESTIONED COSTS

<u>Subgrantees</u>	<u>Award Number</u>	<u>Award Amount</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>
<u>06AFHND001- Formula</u>				
Cooperstown Community Activities*	06AFHND0010006	\$ 134,985	\$ 51,486	\$ -
Youthworks	06AFHND0010005	46,761	21,063	-
Jamestown Public School System	06AFHND0010007	51,754	11,825	-
ND Council on Abused Women	06AFHND0010004	44,850	1,006	-
Fargo Moorhead Family YMCA*	06AFHND0010003	182,483	80,244	2,145
Grand Forks Public School	06AFHND0010002	<u>39,167</u>	<u>16,245</u>	<u>-</u>
Sub-total		<u>\$ 500,000</u>	<u>\$ 181,869</u>	<u>\$ 2,145</u>
<u>03AFHND001- Formula</u>				
Cooperstown Community Activities*	03AFHND0010002	\$ 365,351	\$ 226,423	\$ -
Youthworks	03AFHND0010001	121,386	75,168	-
Jamestown Public School System	03AFHND0010007	128,684	71,035	-
ND Council on Abused Women	03AFHND0010003	100,800	35,299	-
Fargo Moorhead Family YMCA*	03AFHND0010006	84,378	67,122	6,435
Western Wellness	03AFHND0010008	259,967	169,780	-
Tri-College	03AFHND0010004	97,665	1,220	-
Grand Forks Public School	03AFHND0010009	<u>49,424</u>	<u>16,292</u>	<u>-</u>
Sub-total		<u>\$1,207,655</u>	<u>\$ 662,339</u>	<u>\$ 6,435</u>
Subgrantees' Total		<u>\$1,707,655</u>	<u>\$ 844,208</u>	<u>\$ 8,580</u>

* Subgrantees selected for AUP testing

**THE NORTH DAKOTA WORKFORCE DEVELOPMENT COUNCIL -
STATE COMMISSION ON NATIONAL AND COMMUNITY SERVICE**

COMPLIANCE AND INTERNAL CONTROL ISSUES

Finding 1. Commission Monitoring Procedures were not Fully Performed, or Results were not always Documented

The Commission established an onsite monitoring plan, which provided procedures for subgrantee fiscal and programmatic monitoring. Although the Commission performed annual fiscal and programmatic onsite monitoring, we found that the monitoring procedures were not fully performed, or results were not always documented.

For example, on fiscal reviews, the procedures indicated that invoices, receipts, and other documents must be reviewed to determine the allowability and allocability of charges; however, the review at Fargo Moorhead Family YMCA showed that the monitoring official reviewed bank charges but did not review invoices or receipts that support the bank charges. A review of these documents is necessary to avoid claiming or approving unallowable costs.

Our reviews at Cooperstown Community Activities (Cooperstown) and Fargo Moorhead Family YMCA (Fargo) showed instances of non-compliance with grant provisions that were not noted in the monitoring documentation. For example, at Cooperstown, our review showed instances of missing end-of-term evaluations; lack of orientation documentation; and late submission of change of status, and exit and enrollment forms. At Fargo, our review showed applicants recorded service hours before they were fully enrolled as members, which was also not reported in the monitoring documentation.

The Commission advised that it did not follow its internally developed monitoring guidelines and policies and procedures because of its excessive workload.

Performance and documentation of the required monitoring procedures and timely documentation of the onsite monitoring would have provided an opportunity for early detection and correction of the conditions discussed in Finding 3 with regard to:

- Unsupported Claimed Costs;
- Missing end-of-term evaluations;
- Lack of orientation documentation;
- Late submission of change of status, and exit and enrollment forms; and
- Service hours were recorded by Applicants before they were fully enrolled as members.

Onsite monitoring is a tool that provides subgrantees with timely feedback or advice for administering the subgrants, and increases the likelihood that costs are claimed in accordance with grant provisions and cost principles.

Criteria

The Commission's AmeriCorps Site Visit Fiscal Review Workpaper, Section III, Allowable/Unallowable Costs, states in part that the monitor should:

Obtain from the sub-grantee, a list of expenditures charged to AmeriCorps grant. Randomly select expenditures to review. Have the sub-grantee pull the cancelled checks and invoices or timesheets for expenditures. Review the expenditures to determine if they are an allowable expenditure under the AmeriCorps grant. Document the review of the expenditures....

The AmeriCorps Grant Provisions (2005 ed.), Section V.A., *General Provisions, Responsibilities under Grant Administration*, states in part:

1. Accountability of Grantee. The grantee has full fiscal and programmatic responsibility for managing all aspects of the grant and grant-supported activities, subject to the oversight of the Corporation. The grantee is accountable to the Corporation for its operation of the AmeriCorps Program and the use of Corporation grant funds. The grantee must expend grant funds in a judicious and reasonable manner, and it must record accurately the service activities and outcomes achieved under the grant.

Title 45 CFR § 2541.400(a), *Monitoring by grantees*, states:

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 Section 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.

Recommendations

We recommend that the Corporation ensure and verify that the Commission:

- 1.a. Follows its internally developed guidelines for subgrantee monitoring and performs the procedures required by its guidelines.
- 1.b. Documents the results of monitoring procedures performed and keeps monitoring files updated.

Commission's Response

The Commission stated its existing policies, and also requested that the finding be withdrawn because it has on file copies of the worksheets and a sample of information that was reviewed during monitoring visits.

Auditor's Comment.

The Commission's response did not address the deficiencies noted in the finding. The Corporation should take the recommended actions.

Finding 2. Inadequate Controls Over Approval and Payment of Subgrantee Costs

The Commission's program officer, responsible for monitoring the activities of the subgrantees, is also responsible for reviewing and approving payments to subgrantees. Our review of subgrantees' costs claimed showed that adequate supporting documentation was not always provided to the Commission so that it could determine the allowability and allocability of costs claimed. The claims were, however, approved for payment. Segregation of duties in processing payments to subgrantees would help the Commission ensure that costs claimed are supported.

Criteria

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

Title 45 CFR § 2541.200, *Standards for financial management systems*, states in part, "(3) *Internal control*. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

Furthermore, for non-profit organizations such as the subgrantees, 45 CFR § 2543.21, *Standards for financial management systems*, states in part, “(3) *Effective control over and accountability for all funds, property and other assets*. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.”

Recommendations

We recommend that the Corporation ensure that the Commission:

2. Incorporates into its policies and procedures the segregation of duties so that payment requests are reviewed by someone other than the program officer, and follows the enhanced policies and procedures.

Commission’s Response

The Commission stated that it has segregated the duties of personnel involved in the payment process.

Auditor’s Comment

The Corporation should review the actions taken by the Commission to ensure that its new protocol, dated November 30, 2007, and included in the Commission’s response as Attachment I, is implemented.

Finding 3. Lack of Adequate Procedures to Ensure that all Program Compliance Requirements were Followed

Unsupported Claimed Costs: Our review of the other direct costs by subgrantees showed that Fargo credit card expenditures, totaling \$8,580, were not adequately documented. General ledger postings provided the only supporting documentation for these expenditures. The subgrantee was unable to provide credit card statements, receipts, or invoices to support these charges in time for our review. The Commission’s program officer did not perform the required procedures specified in the monitoring plan that would have detected, and provided a means for early correction of this condition. As a result, we questioned costs of \$8,580.

Criteria

The Commission’s site visit fiscal review work paper, Section III, *Allowable/Unallowable Costs* requires that the monitor obtain from the subgrantee cancelled checks, invoices, or timesheets for the expenditures.

The AmeriCorps Grant Provisions, Section V.B., *General provisions, Financial Management Standards*, states in part:

1. *General.* The grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear

audit trail and written cost allocation procedures, as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this grant from expenditures not attributable to this grant. The systems must be able to identify costs by programmatic year and by budget category and to differentiate between direct and indirect costs or administrative costs.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A., *General Principles*, paragraph A.2, *Factors affecting allowability of costs*, states that costs must:

- 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.

Recommendation

We recommend that the Corporation:

- 3.a. Ensure that the Commission provides training to subgrantees to improve record keeping systems, such that charges to grants are supported and that documentation is retained and readily accessible. The Corporation should follow up to determine whether the training was effective.
- 3.b. Disallow and recover the \$8,580, plus applicable administrative costs.

Commission's Response

The Commission provided a list of prior training sessions. It questioned why the auditors would request credit card receipts that it would not use, and requested the removal of the finding.

Auditor's Comment

The Commission did not address the deficiencies discussed in the finding. The OIG, in its award notification letter, advised the Commission that documents supplied late would be handled in the resolution process. The auditors and the OIG also reemphasized, in the entrance conference, that data provided late would not be considered by the auditors. The credit card information was not in the files at the time the auditors visited, but was provided weeks after the auditors gave the subgrantee an opportunity to provide the receipts. The auditors and the OIG explained again at the exit conference that the credit card information was delivered too late and would be analyzed during the resolution process. The credit card receipts delivered late were forwarded to the Corporation via the OIG. The Corporation should take the recommended actions.

Missing End of Term Evaluations: Our review of 44 member files found that 5 Cooperstown member files lacked end-of-term evaluation forms. The program officer said the end-of-term evaluations were prepared and sent to members for their signatures, but that the program officer forgot to collect the evaluations from members. Without final evaluations, the subgrantee may not be able to determine whether a member satisfactorily completed his or her term of service, is eligible for an education award, or eligible to serve a second term.

Criteria

The AmeriCorps Grant Provisions, Section IV.D., *AmeriCorps Special Provisions, Training, Supervision and Support*, states in part, “6. *Performance Reviews*. The grantee must conduct and keep a record of at least a midterm and end-of-term written evaluation of each member's performance for Full and Half-Time members and an end-of-term written evaluation for less than Half-time members.”

In accordance with 45 CFR § 2522.220 (c), *Eligibility for second term*, states:

A participant will only be eligible to serve a second or additional term of service if that individual has received satisfactory performance review(s) for any previous term(s) of service in accordance with the requirements of paragraph (d) of this section. Mere eligibility for a second or further term of service in no way guarantees a participant selection or placement.

Recommendation

We recommend that the Corporation:

- 3.c. Ensure that the Commission communicates to its subgrantees procedures that must be followed to comply with the end-of-term evaluation requirements of the grant provisions. The Corporation should follow up to verify that required evaluations were completed for all members.

Commission's Response

The Commission provided information on policy and related training sessions conducted previously and believed that it had taken the steps that would ensure compliance. It requested the removal of this finding.

Auditor's Comment

The Commission did not address the deficiencies discussed in the finding. It addressed prior training and existing policy, but proposed no new actions. We are concerned that, although evaluations were not prepared, or were missing, the Commission is satisfied that it needs to take no new corrective action to ensure compliance with regulations and the AmeriCorps Provisions. The Corporation should take the recommended actions.

Lack of Orientation Documentation: Our review of 44 member files showed that there were no New Member Orientation sign-in sheets for 12 Cooperstown members. The established policies for documenting member orientation were not always followed prior to program year 2007-2008. As a result of a monitoring visit, the subgrantee now complies with the documentation requirements for orientation. Therefore, a recommendation is unnecessary.

Late submission of Change of Status, and Exit and Enrollment Forms: Our review of 44 member files showed that Cooperstown submitted forms after the due dates, as follows:

- one change of status form
- three exit forms
- eight enrollment forms

Erroneous member status may affect the computation of service hours for successful completion of the program and eligibility for education awards. Late submission of exit and enrollment forms would not allow the Commission to properly review, track, and monitor a subgrantee's activities and accomplishment of the objectives of the AmeriCorps program. Timely submission of reports would assist the Commission to monitor and correct errors in the submitted forms.

Criteria

The AmeriCorps Grants Provisions, Section IV.N., *AmeriCorps Special Provisions, Reporting Requirements*, states in part:

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

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

b. *Change of Status Forms.* Member Change of Status Forms must be submitted no later than 30 days after a member's status is changed. By forwarding Member Change of Status Forms to the Corporation, State Commissions and Parent Organizations signal their approval of the change.

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

Recommendation

We recommend that the Corporation:

- 3.d. Ensure that the Commission requires the subgrantees to implement adequate policies and procedures that would ensure that the members' forms are reported in a timely manner and meet the requirements of the grant.

Commission's Response

The Commission discussed the results of its prior monitoring reviews, in which it found checklists in the members' files that were reviewed. It requested removal of the finding from the report.

Auditor's Comment

The Commission did not address the deficiencies noted in the finding. The checklist provides no assurance that forms are submitted by the due dates. The Corporation should take the recommended action.

Service Hours were recorded by Applicants Before Fully Enrolled as Members: Our review of 44 member files found that 2 Fargo applicants began serving and recording service hours before they had signed member contracts. The contracts' start date was April 29, 2005, however, the applicants began recording service hours on April 4, 2005. We did not question the education awards because the members served sufficient hours after the contracts were signed.

Applicants do not become members until they sign AmeriCorps contracts. Applicants who record service time before contracts are in place may receive benefits, living allowances, and education awards and interest forbearance to which they are not entitled.

Criteria

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

1. Member Enrollment Procedures.

- a. An individual is enrolled as an AmeriCorps member when all of the following have occurred:
 - i. He or she has signed a member contract;
 - ii. The program has verified the individual's eligibility to serve;
 - iii. The individual has begun a term of service; and
 - iv. The program has approved the member enrollment form in WBRIS.
- b. Prior to enrolling a member in AmeriCorps, programs make commitments to individuals to serve. A commitment is defined as signing a member contract with an individual or otherwise entering into a legally enforceable commitment as determined by state law.

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

Recommendation

We recommend that the Corporation:

- 3.e. Ensure that the Commission permits only members, meeting the criteria of an AmeriCorps member, to record hours of service and follow up to ensure compliance.

Commission's Response

The Commission discussed its existing policies and procedures, monitoring reviews, and prior training. The Commission is assured, through these previous actions, that subgrantees understand the legal requirements of a member contract. It also requested removal of this finding.

Auditor's Comment

We are concerned that the Commission is assured, through its prior actions, that the subgrantee understands the legal requirements of a member contract. It proposes no new

action, although hours were wrongly recorded. The Corporation should take the recommended action.

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

Regis & Associates, PC

Regis & Associates, PC
December 18, 2007

**Appendix A – North Dakota Workforce Development Council - State Commission on
National and Community Service's Response to the Draft Report**



February 15, 2008

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

Dear Ms. Bates:

Thank you for the opportunity to respond to the draft report on the Inspector General's *Agreed-Upon Procedures of Corporation for National and Community Service (Corporation) Grants Awarded to the North Dakota Workforce Development Council – State Commission on National and Community Service (State Commission)*.

The State Commission is committed to administering the very best AmeriCorps programs possible and is fully committed to providing effective management, control and accountability for all grant and sub grant funding, real and personal property and other assets.

During the process of conducting the on-site work by Regis & Associates, PC, the State Commission learned some valuable lessons which we intend to follow in future OIG audits. This includes making sure that the requests for documents and copies by the auditor are in writing and that we maintain a log of documents and copies supplied to the auditor.

The following is our response to the findings and recommendations contained in the "draft" report.

Findings and Recommendations:

1. Commission Monitoring Procedures were not Fully Performed, or Results were not always documented.

Recommendation:

We recommend that the Corporation ensure and verify that the Commission:

1. a. Follows its internally developed guidelines for sub grantees and performs the procedures required by its guidelines.

Response: The State Commission fully agrees that onsite monitoring is a tool that provides sub-grantees with timely feedback or advice for administering the sub-grants, and increases the likelihood that costs are claimed in accordance with grant provisions and cost principles.

The State Commission, per our Policy 1-04-04(0) adopted on January 7, 2004, conducts at a minimum one program and one financial monitoring visit for each sub-grantee annually. The worksheet used documents the samples reviewed and the documents reviewed to support the findings.

Review protocol is as follows:

- Obtain a general ledger printout of costs charged to the AmeriCorps project by the sub-grantee. The general ledger must contain, at least, the name of the vendor, the date of the transaction, the check number (or EFT notification) and the amount incurred.
- In reviewing the general ledger's total amount booked it is compared to WBRs financial reports. This is done to determine if items were booked but not claimed or if items were claimed but not booked. Transactions captured on this general ledger printout must be listed by individual transaction.
- A sample of checks from this general ledger printout is selected for review. If the number of transactions is few then all transactions are selected for review. During the review the supporting documentation is reviewed for the determination of allowability of the transaction. If the determination was made that the item purchased is allowable a review of the bank statement is made to assure the transaction was not voided out later.

The State Commission has on file copies of the worksheets and sample of information that was reviewed related to the sub grantee program and financial monitoring review.

Based on the supporting information, this part of the finding should be removed from the record.

1. b. Documents the results of monitoring procedures performed and keep monitoring files updated.

Response: The State Commission on April 19, 2006, adopted Policy 1-28-06(0) "Member File Checklist". The sub-grantee must respond to all the items on the checklist. The member file must include all documentation to support the sub-grantees "yes"

responses and, when applicable, provide documentation to support the sub-grantees “In the Program Files” responses.

Currently, as part of the programmatic reviews, members are randomly selected from the previous year to determine if their files contain things such as exit evaluations. If this is determined to have occurred for a member it is reported in the monitoring tool, and to the sub-grantee. All project coordinators are made aware that no member can serve a second term without a successful first year exit evaluation.

Orientation documentation is reviewed to see that all member files selected for review received a member orientation at the beginning of their term. Most sub-grantees do a group member orientation at the beginning of the grant year. During the group orientation the project coordinators have the members complete a sign-in sheet. For those members who enroll after the group orientation an individual orientation is conducted. This is noted on their timesheets that they received the orientation. There is no provision that requires all members to sign an individual training document for the orientation. Since the member and site supervisor and / or project coordinator sign the member’s timesheet, thus approving the occurrence of the activity listed on the timesheet, this process should be acceptable documentation for the orientation having occurred.

Since orientation has taken on a different format by each sub grantee the State Commission will consider adoption of Policy on Member Orientation which will identify the minimum standard elements to be covered by orientation and require as part of the member file a signed Member Orientation checklist to verify that the orientation was provided and date it was completed.

Based on the supporting information, this part of the finding should be removed from the record.

2. Inadequate Controls over Approval and Payment of Sub-grantee Costs

We recommend that the Corporation ensure and verify that the Commission:

2. a. Incorporates into its policies and procedures segregation of duties so that payment requests are reviewed by someone other than the Program Officer, and follows the enhanced policies and procedures.

Response: We do have issues with the terminology “Inadequate Controls.” We do concur with the segregation of duties. **ATTACHMENT I summarize the current procedure for segregation of duties related to the verification** and approval of payments of requests for reimbursement by sub grantees. Within the division of workforce development the initial review and approval will be done by the Grants/Contract Officer with final review and approval completed by the Program Officer. If either the Grants/Contact Officer or Program Officer is not available the final review and approval will be done by the division director.

The State Commission concurs with the lack of segregation of duties statement but believes the wording “inadequate” is in appropriate title of the finding and should be more appropriately worded as “lack of segregation of duties...” Inadequate notes the State Commission has poor or inefficient controls which is not evident.

3. Lack of Adequate Procedures to ensure that all Program Compliance Requirements were followed.

Recommendation:

3.a. Ensure that the Commission provides training to sub grantees to improve record keeping systems, such as charges to grants are supported and that documentation is retained and readily accessible. The Corporation should follow up to determine whether the training was effective.

Response: Financial Training has been identified as an area of need and special emphasis during our PDAT training needs survey. The State Commission has taken steps to address the financial and record keeping training was provided to sub grantees. The State Commission has records showing that financial trainings were provided on the following dates:

- ▶ January 12, 2005 - Project Coordinator’s on the types of costs that are claimed as program operating, member costs and administrative costs. The differences between cash and in-kind match and the requirements for in-kind documentation were reviewed.
- ▶ July 28, 2005, - Project Coordinator’s training on how to determine if a cost is a program operating cost or an administrative cost. Also covered was how to value in-kind costs.
- ▶ June 15, 2006 - Project Coordinator’s training on the tools the State Commission uses for programmatic and fiscal reviews. Covered was what the State Commission needs for a general ledger printout that details the check number / EFT transaction, the amount, date and to whom the payment was made to. Also covered were the supporting documents to determine if expenditures are allowable and the bank statements to make sure the transaction was executed.
- ▶ September 7, 2006 - Project Coordinator’s training on the “AmeriCorps Fiscal – North Dakota Guide” that was developed by the State Commission. This guide carefully explains how to capture value and record all costs claimable under the AmeriCorps program.
- ▶ June 21, 2007 - Cross Stream Event on using Excel to budget and analyze AmeriCorps project costs. Also covered were what expenditures are allowable and unallowable and how the expenditures should be classified.
- ▶ October 17, 2007 - Project Coordinator’s training on how to build an AmeriCorps budget. Reviewed were what costs are allowable costs and how to budget appropriately for those said costs.

All trainings are followed up with surveys about the effectiveness of the trainings that are completed by the attendees and the State Commission considers heavily the responses

obtained by these surveys in development and presentation of new trainings. The effectiveness of the training is also considered based on results of program and financial monitoring reviews.

Based on the supporting information, this part of the finding should be removed from the record.

3. b. Disallow and recover the \$8,580, plus applicable administrative costs.

Response: During their on-site visit at the Fargo Moorhead Family YMCA, Regis was provided a binder that included copies of credit card charge receipts. They again were provided to Regis staff on December 5, 2007, via e-mail from Ms. Jill Deitz. The supporting documents were available for review and were supplied to the Auditor. None of the supporting documents provided to the auditor are documents that could have been created after the fact. The exit conference with the sub grantee did not identify issues with missing or lack of documentation. If the exit conference had identified missing documentation it could have been cleared up on-site.

The State Commission has on files copies of the supporting documentation that was Available during the on-site review and provided to Regis by email after the on-site review was completed. We do not understand why Regis would request copies of the documents and then choose to disregard them in their recommendations.

The full \$8,580.16 is accounted for and supported. The \$8,580.16 should be allowed.

3. c. Ensure that the Commission communicates to its sub-grantees procedures that must be followed to comply with the end-of-term evaluation requirements of the grant provisions. The Corporation should follow up to verify the required evaluations were completed for all members.

Response:

The Member Checklist must be included in the members file according to the April 19, 2006, adopted Policy 1-28-06(0) "Member File Checklist." In January 2005 Amy Thompson of CAC Consulting presented for 2 days on AmeriCorps requirements and provisions in which final evaluations were discussed. Following this training the State Commission set up a series of conference calls between the sub grantees and Amy Thompson. One of the topics was member retention and recognition in which Ms. Thompson discussed the importance of a final evaluation. Again in June 2006 Ms. Thompson presented on Member Management and Support & Recruiting and Managing Volunteers in which final evaluations were discussed. Also at this event the State Commission's Program Officer developed an "AmeriCorps Program – ND Guide" in which final evaluations are discussed. This came from the State Commission's adoption of the policy concerning the member checklist. In October 2007 the project coordinators attended a training in which there was a discussion about the member service term policy.

It was clarified that if a member served as an AmeriCorps or VISTA member that in order for them to serve again they needed, amongst all things, a successful final evaluation in order to serve another term. We believe that we have taken steps to ensure that the Commission communicates with sub grantees procedures which must be followed to comply with end-of-term evaluation and requirements of the grant provisions. This is a part of the Program Monitoring which annually all sub grantees are subject to.

Based on the supporting information, this part of the finding should be removed from the record.

- 3. d. Ensure that the Commission requires the sub grantees to implement adequate policies and procedures that would ensure that the members' forms are reported in a timely manner and meet the requirements of the grants.**

Response:

Again, Policy 1-28-06(0) "Member File Checklist" states the required member forms that are needed and how / where they need to be maintained. This checklist is required to be in the members file at all times. This is a part of the annual sub grantee Program Monitoring reviews. For the 2006-07 program year, this checklist was found in each of the members files that were chosen for review.

Based on the supporting information, this part of the finding should be removed from the record.

- 3. e. Ensure that the Commission permits only members, meeting the criteria of an AmeriCorps member, to record hours of service and follow up to ensure compliance.**

Response:

The State Commission regularly communicates with sub grantees requirements that only members, meeting the criteria for an AmeriCorps member, is allowed to record hours of service. We agree with the auditors statement that any hours logged before the member officially started the member service time is not used in determining member's eligibility for an education award. Through the annual program monitoring reviews, the trainings already sited, and offered the State Commission is assured that sub grantees understand the legal requirements of a contract and what services and time can be counted towards a successful completion of a member's service.

Based on the supporting information, this part of the finding should be removed from the record.

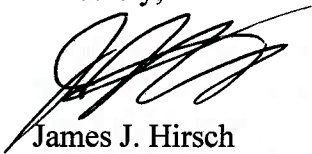
Overall Response:

Be assured the State Commission will continue its emphasis on providing sub grantees with technical assistance and training to insure that they are able to fully comply with the contact and grant requirements of the AmeriCorps program. The State Commission will continue to communicate all the topics questioned within this report to its sub-grantees to illustrate the importance of being in compliance with the AmeriCorps rules and provisions. We intend to continue our annual program and financial monitoring of each sub grantee annually to insure that North Dakota operates a program which is an example and a standard for the country.

It is our belief the items listed in points 1 and 3 have been and will continue to be addressed with sub-grantees to assure the Corporation of the State Commission's projects compliance with the AmeriCorps rules and provisions.

Again, thank you for the opportunity to respond.

Sincerely,

A handwritten signature in black ink, appearing to read 'James J. Hirsch', written over a horizontal line.

James J. Hirsch
Director

Enclosures: Attachment I

ATTACHMENT I

November 30, 2007

TO: Lavonne Stair Michelle Halone
 Office Manger Accounting Budget Specialist I

 Jerry Houn Ryan Volk
 Senior Program Officer Grants/Contract Officer

FROM: James J. Hirsch
 Division Director

SUBJECT: Procedures for processing AmeriCorps Sub-Grantee Requests for Reimbursement

The following procedure will be followed in processing all Sub-Grantee Requests for reimbursement.

1. All requests for reimbursement will be submitted on form "NORTH DAKOTA AMERICORPS*STATE PROGRAM REQUEST FOR ADVANCE OR REIMBURSEMENT FORM" and follow the instructions developed for the request.
2. Sub-Grantee's will submit the "NORTH DAKOTA AMERICORPS*STATE PROGRAM REQUEST FOR ADVANCE OR REIMBURSEMENT FORM" in signed hard copy at times established by the ND Department of Commerce Office Manager which will allow sufficient time to process the reimbursements and have a direct deposit completed by the 1st and 15th of each month.
 - a. Sub-Grantees may submit the "NORTH DAKOTA AMERICORPS*STATE PROGRAM REQUEST FOR ADVANCE OR REIMBURSEMENT FORM" by e-mail to allow additional time to process the reimbursement, but under no circumstances will the request for reimbursement be finalized until the signed hard copy of the request has been received and gone through the approval process.
3. At the time that the Department of Commerce Administrative Support Section receives a "NORTH DAKOTA AMERICORPS*STATE PROGRAM REQUEST FOR ADVANCE OR REIMBURSEMENT FORM" the form will immediately be provided to the Accounting Budget Specialist I for processing with a copy provided simultaneously to the Division of Workforce Development, Grants and Contract Officer and/or Senior Program Officer for review.
4. Both the Accounting Budget Specialist I and either the Grants/Contract Officer or Senior Officer will check the "NORTH DAKOTA AMERICORPS*STATE PROGRAM REQUEST FOR ADVANCE OR REIMBURSEMENT FORM" to insure reasonableness

and that the match requirements are being met and that the sub-grantee account will not be overdrawn.

5. The “NORTH DAKOTA AMERICORPS*STATE PROGRAM REQUEST FOR ADVANCE OR REIMBURSEMENT FORM” once processed and signed off on by both the Accounting Budget Specialist I and the Grants/Contract Officer will be forwarded to the Senior Program Officer for final review and signoff.
 - a. If the Senior Program Officer completes the initial review and sign off, the “NORTH DAKOTA AMERICORPS*STATE PROGRAM REQUEST FOR ADVANCE OR REIMBURSEMENT FORM” will then be provided to the Division Director or his designee for final review and sign-off.
6. The Senior Program Officer, the Division Director, or his designee, will transmit the signed “NORTH DAKOTA AMERICORPS*STATE PROGRAM REQUEST FOR ADVANCE OR REIMBURSEMENT FORM” to the Accounting Budget Specialist III for coding.
7. Once the Accounting Budget Specialist III codes the “NORTH DAKOTA AMERICORPS*STATE PROGRAM REQUEST FOR ADVANCE OR REIMBURSEMENT FORM” it is then provided the Administrative Staff Officer for data entry input into the OMB automated system for payment.
8. Any questions that may arise in the process of approving payment of the “NORTH DAKOTA AMERICORPS*STATE PROGRAM REQUEST FOR ADVANCE OR REIMBURSEMENT FORM” will be immediately handled by phoning the sub grantee for clarification or if the issues involves compliance, in writing.
9. Any decisions to withhold payment will require a written notification to the sub grantee stating the reason for withholding payment, corrective action required and timeline for completion of the corrective action.
10. Processed “NORTH DAKOTA AMERICORPS*STATE PROGRAM REQUEST FOR ADVANCE OR REIMBURSEMENT FORM” will be kept on file with the Administrative Section of the North Dakota Department of Commerce.
11. A Copy of the “NORTH DAKOTA AMERICORPS*STATE PROGRAM REQUEST FOR ADVANCE OR REIMBURSEMENT FORM” reviewed by staff of the Workforce Development Division will be filed in the sub grantee Contract File.

Appendix B – Corporation for National and Community Service’s Response to the Draft Report



To: Carol Bates, Assistant Inspector General for Audit

From: Margaret Rosenberry, Director of Grants Management /by *Claire Moreno*

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

Date: February 22, 2008

Sub: Response to OIG Draft of Agreed-Upon Procedures of Grants Awarded to North Dakota Workforce Development Council – State Commission on National and Community Service

Thank you for the opportunity to review the draft Agreed-Upon Procedures report of the Corporation's Grants Awarded to North Dakota Workforce Development Council – State Commission on National and Community Service.

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