

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

**AGREED-UPON PROCEDURES OF CORPORATION FOR  
NATIONAL AND COMMUNITY SERVICE GRANTS  
AWARDED TO SERVE MINNESOTA**

**OIG REPORT 08-14**



Prepared by:

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This report was issued to Corporation management on March 28, 2008. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than September 29, 2008 and complete its corrective actions by March 28, 2009. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



## OFFICE OF INSPECTOR GENERAL

March 28, 2008

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

Margaret Rosenberry  
Director, Office of Grants Management

FROM: Carol Bates   
Assistant Inspector General for Audit

SUBJECT: Report 08-14, *Agreed-Upon Procedures of Corporation for National and Community Service (Corporation) Grants Awarded to ServeMinnesota*

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

MHM is responsible for the attached report, dated March 6, 2008, and the conclusions expressed therein. We do not express opinions on the ServeMinnesota's Consolidated Schedule of Award costs; conclusions on the effectiveness of internal controls; or compliance with laws, regulations, and grant provisions.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by September 29, 2008. Notice of final action is due by March 28, 2009.

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

### Attachment

cc: Audrey Suker, Executive Director, ServeMinnesota  
William Anderson, Deputy Chief Financial Officer  
Sherry Blue, Audit Resolution Coordinator  
Ronald E. Rolwes, CPA, CFE, Shareholder, Mayer Hoffman  
McCann P.C., Conrad Government Services Division



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**AGREED-UPON PROCEDURES OF CORPORATION FOR NATIONAL AND COMMUNITY  
SERVICE GRANTS AWARDED TO SERVE MINNESOTA**

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## EXECUTIVE SUMMARY

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 ServeMinnesota.

### **Results**

As a result of applying our procedures, we questioned claimed Federal-share costs of \$56,847, matching costs of \$104,648, and education awards of \$10,450. A questioned cost is an alleged violation of provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; or a finding that, at the time of testing, such cost is not supported by adequate documentation. The detailed cost results of our agreed-upon procedures are presented in the Consolidated Schedule of Award Costs and supporting exhibits and schedules.

ServeMinnesota claimed total costs of \$10,777,650 from April 1, 2005, through June 30, 2007. As a result of testing a judgmentally selected sample of transactions, we questioned costs claimed, as shown in the following table.

Description by Grant	Federal Share	Grant Match	Education Award
03ACHMN001			
Unsupported Costs	\$ 23,078	\$ 64,743	\$ -
Credits Not Applied	-	3,116	-
Cost Claimed to the Wrong Grant	1,777	6,182	-
Costs Questioned for Allowability	25	5,459	-
Unsupported Member Service Hours	-	-	9,450
Costs Not in the Approved Budget	<u>19,911</u>	<u>22,515</u>	<u>-</u>
Subtotal	\$ 44,791	\$ 102,015	\$ 9,450
04AFHMN001			
Unsupported Costs	\$ 411	\$ 1,548	\$ -
Credits Not Applied	417	1,367	-
Costs Claimed to the Wrong Grant	5,876	(282)	-
Unsupported Member Service Hours	<u>-</u>	<u>-</u>	<u>1,000</u>
Subtotal	\$ 6,704	\$ 2,633	\$ 1,000
06CAHMN001 - Costs Questioned for Allowability	\$ 1,106	\$ -	\$ -
06PTHMN001 - Cost Questioned for Allowability	\$ 2,646	\$ -	\$ -
06CDHMN001 - Cost Questioned for Allowability	<u>\$ 1,600</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 56,847</u>	<u>\$ 104,648</u>	<u>\$ 10,450</u>

The procedures we performed did not result in questioned costs for the Education Award Grant (05ESHMN001).

AmeriCorps members who successfully complete terms of service are eligible for education awards and accrued interest awards (interest forbearance) funded by the National Service Trust. These award amounts are not funded by Corporation grants and thus are not costs claimed by ServeMinnesota. As part of our agreed-upon procedures, however, we determined the effect of audit findings on eligibility for education and accrued interest awards. Using the same criteria described above, we questioned education awards of \$10,450 due to non-compliance with program requirements, but did not question accrued interest awards.

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

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 controls or controls not implemented over reporting and recording of Federal and match costs;
- Costs questioned for allowability;
- Late and missing member forms, progress reports, expense reports, and Financial Status Reports (FSR);
- Lack of adequate procedures to ensure that members signed their contracts before starting service and that the subgrantees entered enrollment information into the Web-Based Reporting System (WBRS) in a timely manner; and
- Costs claimed were not in the approved budget.

## **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 ServeMinnesota, and other entities to assist in the creation of full-time and part-time national and community service programs.

ServeMinnesota is located in Minneapolis, Minnesota. In 2002, it separated from the State government and became a non-profit organization. It has been subject to the Single Audit Act and has received unqualified opinions on its financial statements and the audit of its Major Federal Awards. ServeMinnesota is staffed with an Executive Director and seven employees and supported by a contractor, who is a chief financial officer.

All accounting functions are performed in house. ServeMinnesota performs monitoring on its subgrantees based on risk. The types of monitoring and how often it occurs depends upon the risk factors at each subgrantee. Tools used for onsite monitoring include program and fiscal compliance. In addition to onsite monitoring, ServeMinnesota performs a quarterly desk review of member timesheets and eligibility documentation.

As illustrated in the following table, ServeMinnesota received grants totaling about \$17.2 million for various Corporation programs, and claimed costs of about \$10.8 million. Of the amount of funding authorized, ServeMinnesota awarded approximately \$16 million to its AmeriCorps subgrantees.

	<u>Funding Authorized</u>	<u>Claimed Within Testing Period</u>
03ACHMN001 – AmeriCorps Competitive	\$ 8,605,345	\$ 4,929,500
06ACHMN001 – AmeriCorps Competitive	4,370,024	2,218,904
04AFHMN001 – AmeriCorps Formula	<u>3,058,182</u>	<u>2,745,284</u>
Total AmeriCorps	\$ 16,033,551	\$ 9,893,688
06CAHMN001 – Administrative	494,949	376,443
06PTHMN001 – PDAT	311,500	225,597
06CDHMN001 – Disability	326,410	227,768
05ESHMN001 – Education Award Grant	<u>60,000</u>	<u>54,154</u>
Total – Grants Administered	\$ <u>17,226,410</u>	\$ <u>10,777,650</u>

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

#### **Agreed-Upon-Procedures Scope**

The agreed-upon procedures covered the allowability, allocability, and reasonableness of financial transactions claimed under funding provided by the Corporation for the following awards, as well as grant match costs. We also performed tests to determine compliance with grant terms and provisions. We performed our agreed-upon procedures during the period August 27 through November 7, 2007.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Testing Period</u>
AmeriCorps – Competitive	03ACHMN001	09/01/03 – 08/31/06	04/01/05 – 08/31/06
AmeriCorps – Competitive	06ACHMN001	08/10/06 – 09/09/09	08/10/06 – 03/31/07
AmeriCorps – Formula	04AFHMN001	08/01/04 – 10/31/07	04/01/05 – 03/31/07
Administrative	06CAHMN001	01/01/06 – 12/31/09	01/01/06 – 06/30/07
PDAT	06PTHMN001	01/01/06 – 12/31/08	01/01/06 – 06/30/07
Disability	06CDHMN001	01/01/06 – 12/31/08	01/01/06 – 06/30/07
Education Award	05ESHMN001	08/01/05 – 07/31/08	08/01/05 – 06/30/07

The procedures performed, based on the OIG’s agreed-upon-procedures program dated February 2007, have been included in the *Independent Accountants’ Report on Applying Agreed-Upon Procedures* section of this report.

## **Exit Conference**

The contents of this report were discussed with the Corporation and ServeMinnesota at an exit conference held in Minneapolis, Minnesota, on November 27, 2007. In addition, we provided a draft of this report to ServeMinnesota and to the Corporation for comment on February 5, 2008. ServeMinnesota generally did not address the recommendations but its response to the findings in the draft report are included in Appendix A and summarized in each finding. The Corporation did not respond to the individual findings and recommendations. Its response is in Appendix B.





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 ServeMinnesota 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 – Competitive	03ACHMN001	09/01/03 – 08/31/06	04/01/05 – 08/31/06
AmeriCorps – Competitive	06ACHMN001	08/10/06 – 09/09/09	08/10/06 – 03/31/07
AmeriCorps – Formula	04AFHMN001	08/01/04 – 10/31/07	04/01/05 – 03/31/07
Administrative	06CAHMN001	01/01/06 – 12/31/09	01/01/06 – 06/30/07
PDAT	06PTHMN001	01/01/06 – 12/31/08	01/01/06 – 06/30/07
Disability	06CDHMN001	01/01/06 – 12/31/08	01/01/06 – 06/30/07
Education Award	05ESHMN001	08/01/05 – 07/31/08	08/01/05 – 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 ServeMinnesota and its subgrantee monitoring process; reconciling Federal costs claimed and match costs to the accounting systems of ServeMinnesota and of selected subgrantees; reviewing subgrantee member files to verify that the records supported member eligibility to serve and allowability of living allowances and education awards; testing compliance of ServeMinnesota and a sample of subgrantees on selected grant provisions and award terms and conditions; and testing claimed grant costs and match costs of ServeMinnesota and a sample of subgrantees to ensure: (i) Proper recording of the AmeriCorps grants, Administrative grant, PDAT grant, Disability grant, and Education Award grant; (ii) Costs were properly matched; and (iii)

Costs were allowable and supported in accordance with applicable regulations, OMB circulars, grant provisions, and award terms and conditions.

### **Results – Costs Claimed**

The testing results of costs are summarized in the Consolidated Schedule of Award Costs and the exhibits 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 and eligibility exceptions on these awards.

**CONSOLIDATED SCHEDULE OF AWARD COSTS**

**ServeMinnesota**

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

<u>Award Number</u>	<u>Program</u>	<u>Approved Budget</u>	<u>Claimed Costs</u>	<u>Questioned Federal Costs</u>	<u>Questioned Match Costs</u>	<u>Questioned Education Awards</u>	<u>Reference</u>
03ACHMN001	AmeriCorps – Competitive	\$ 8,605,345	\$ 4,929,500	\$ 44,791	\$ 102,015	\$ 9,450	
06ACHMN001	AmeriCorps – Competitive	4,370,024	2,218,904	-	-	-	
04AFHMN001	AmeriCorps – Formula	<u>3,058,182</u>	<u>2,745,284</u>	<u>6,704</u>	<u>2,633</u>	<u>1,000</u>	
	Total AmeriCorps	\$ 16,033,551	\$ 9,893,688	\$ 51,495	\$ 104,648	\$ 10,450	Exhibit A
06CAHMN001	Administrative	494,949	376,443	1,106	-	-	Exhibit B
06PTHMN001	PDAT	311,500	225,597	2,646	-	-	Exhibit C
06CDHMN001	Disability	326,410	227,768	1,600	-	-	Exhibit D
05ESHMN001	Education Award	<u>60,000</u>	<u>54,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	
	Totals	\$ <u>17,226,410</u>	\$ <u>10,777,650</u>	\$ <u>56,847</u>	\$ <u>104,648</u>	\$ <u>10,450</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 ServeMinnesota. The information presented in the schedules has been prepared from reports submitted by ServeMinnesota to the Corporation and accounting records of ServeMinnesota 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 costs for the period within our audit scope.

**Inventory**

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

**EXHIBIT A**

**Schedule of Award and Claimed Costs – AmeriCorps Grants  
03ACHMN001, 06ACHMN001 and 04AFHMN001  
April 1, 2005 through March 31, 2007**

<u>Subgrantees</u>	<u>Claimed Costs</u>	<u>Questioned Federal Costs</u>	<u>Questioned Match Costs</u>	<u>Questioned Education Awards</u>	<u>Reference</u>
<b><u>03ACHMN001 and 06ACHMN001 - Competitive</u></b>					
Admission Possible *	\$ 625,274	\$ -	\$ 28,806	\$ -	Schedule A-6
Duluth Area Family YMCA *	375,036	-	-	-	
Faribault Public Schools	1,506,677	-	-	-	
Minneapolis Public Schools	728,955	-	-	-	
Minnesota Literacy Council *	379,456	1,777	7,299	-	Schedule A-2
CommonBond Communities *	258,119	25	-	-	Schedule A-3
Neighborhood House	425,446	-	-	-	
Red Lake Band of Chippewa Indians*	536,006	3,246	-	9,450	Schedule A-4
Rise, Inc	670,333	-	-	-	
St. Paul Neighborhood Network *	603,609	39,743	65,910	-	Schedule A-5
St Cloud State University	356,172	-	-	-	
Twin Cities Habitat for Humanity	520,051	-	-	-	
Southern Minnesota Initiative Foundation	<u>163,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Sub-total	<u>\$ 7,148,404</u>	<u>\$ 44,791</u>	<u>\$ 102,015</u>	<u>\$ 9,450</u>	
<b><u>04AFHMN001 – Formula</u></b>					
Minneapolis Public Schools	\$ 150,362	\$ -	\$ -	\$ -	
Minnesota Literacy Council *	710,764	6,293	1,339	-	Schedule A-2
St. Cloud State University	99,607	-	-	-	
Twin Cities Habitat for Humanity	227,853	-	-	-	
Duluth Area Family YMCA *	445,439	411	1,294	1,000	Schedule A-1
Southern Minnesota Initiative Foundation	360,570	-	-	-	
Worthington ISD 518	285,236	-	-	-	
St. Croix River Education District	232,364	-	-	-	
City of Saint Paul	68,794	-	-	-	
Neighborhood House	<u>164,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Sub-total	<u>\$ 2,745,284</u>	<u>\$ 6,704</u>	<u>\$ 2,633</u>	<u>\$ 1,000</u>	
Subgrantee Total	<u>\$ 9,893,688</u>	<u>\$ 51,495</u>	<u>\$ 104,648</u>	<u>\$ 10,450</u>	

\* Subgrantee selected for application of agreed-upon procedures.

**Schedule of Award and Claimed Costs  
Duluth Area Family YMCA (YMCA)**

**April 1, 2005 through March 31, 2007**

		<u>Reference</u>
Approved Budget (Federal Funds)		
04AFHMN0010015	\$ 594,537	Note 1
06ACHMN0010003	<u>629,999</u>	Note 1
Total Approved Budget (Federal Funds):		<u>\$1,244,536</u> Note 1
Claimed Federal Costs		
04AFHMN0010015	\$ 445,439	Note 2
06ACHMN0010003	<u>375,036</u>	Note 2
Total Claimed Federal Costs:		<u>\$ 820,475</u> Note 2
Questioned Federal Costs:		
04AFHMN0010015 - Unsupported Costs		<u>\$ 411</u> Note 3
Questioned Education Awards:		
04AFHMN0010015 - Insufficient Member Hours		<u>\$ 1,000</u> Note 4
Questioned Match Costs:		
04AFHMN0010015 - Credits Not Applied		<u>\$ 1,294</u> Note 5

Notes

1. The amount shown above as Approved Budget represents the total funding to the YMCA according to subgrantee agreements.
2. Claimed Federal costs represent YMCA's reported expenditures for the period April 1, 2005, through March 31, 2007.
3. Federal share costs claimed of \$411 were unsupported due to clerical errors (*see* Finding 1).
4. One applicant recorded 11 AmeriCorps service hours prior to signing a member contract. As a result, the minimum service hour requirement was not satisfied, and we questioned the related \$1,000 education award (*see* Finding 4).
5. Credits of \$1,294 for match costs claimed were not applied (*see* Finding 1).

Schedule of Award and Claimed Costs  
Minnesota Literacy Council (MLC)

April 1, 2005 through March 31, 2007

		<u>Reference</u>
Approved Budget (Federal Funds)		
03ACHMN0010009	\$ 624,498	Note 1
04AFHMN0010005	328,601	Note 1
04AFHMN0010012	383,031	Note 1
04AFHMN0010016	<u>920,399</u>	Note 1
Total Approved Budget (Federal Funds):	<u>\$2,256,529</u>	Note 1
Claimed Federal Costs		
03ACHMN0010009	\$ 379,456	Note 2
04AFHMN0010005	20,577	Note 2
04AFHMN0010012	270,019	Note 2
04AFHMN0010016	420,168	Note 2
Total Claimed Federal Costs:	<u>\$1,090,220</u>	Note 2
Questioned Federal Costs:		
03ACHMN0010009 - Costs Claimed to Wrong Grant	\$ 1,600	Note 3
04AFHMN0010012 - Costs Claimed to Wrong Grant	(1,600)	Note 3
04AFHMN0010012 - Duplicate Living Allowances	417	Note 4
03ACHMN0010009 - Improper Allocation Method	177	Note 5
04AFHMN0010016 - Improper Allocation Method	7,476	Note 5
Total Questioned Federal Costs:	<u>\$ 8,070</u>	
Questioned Match Costs:		
03ACHMN0010009 - Costs Claimed to Wrong Grant	\$ 282	Note 3
04AFHMN0010012 - Costs Claimed to Wrong Grant	(282)	Note 3
04AFHMN0010012 - Duplicate Living Allowances	73	Note 4
03ACHMN0010009 - Unsupported Living Allowances	6,100	Note 6
04AFHMN0010016 - Insufficient support for In-Kind	1,548	Note 7
03ACHMN0010009 - Insufficient support for In-Kind	<u>917</u>	Note 7
Total Questioned Match Costs:	<u>\$ 8,638</u>	

Notes

1. The amount shown above as Approved Budget represents the total funding to MLC according to subgrantee agreements.
2. Claimed costs represent MLC's reported Federal expenditures for the period April 1, 2005, through March 31, 2007.
3. Living Allowance and related FICA costs incurred by various members totaled \$1,600 Federal share and \$282 match under the formula grant but were improperly claimed under the competitive grant. As a result, the living allowance and related FICA costs for the competitive grant were overstated and the formula grant was correspondingly understated (*see* Finding 1).
4. A duplicate charge was made in error because a replacement check was issued to a member who had lost the original living allowance check. As a result, we questioned \$417 Federal share and \$73 match for living allowances and related benefits (*see* Finding 1).
5. The non-salary/benefit-related common costs were allocated based on budgeted percentages. This method did not equitably distribute benefit costs. As a result, the subgrantee overstated the claimed costs on the competitive grant by \$177 and on the formula grant by \$7,476 (*see* Finding 1).
6. The subgrantee claimed \$6,100 in excess of members' living allowances match due to a posting error (*see* Finding 1).
7. In-kind supplies and space costs were claimed as match, but the supporting documentation did not include the basis of how the values for the match were determined. We questioned \$917 under the competitive grant and \$1,548 under the formula grant (*see* Finding 1).

**Schedule of Award and Claimed Costs  
CommonBond Communities (CBC)**

**03ACHMN0010010  
September 1, 2006 through March 31, 2007**

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$ 503,623</u>	Note 1
Claimed Federal Costs	<u>\$ 258,119</u>	Note 2
Questioned Federal Costs:		
Unallowable costs claimed	<u>\$ 25</u>	Note 3

Notes

1. The amount shown above as Approved Budget represents the total funding to CBC according to subgrantee agreements.
2. Claimed Federal costs represent CBC's reported expenditures for the period September 1, 2006, through March 31, 2007.
3. The subgrantee included \$25 in fines for parking violations as part of its claimed Federal share of expenditures (*see* Finding 2).



**Schedule of Award and Claimed Costs  
Red Lake Band of Chippewa Indians (Red Lake)**

**03ACHMN0010008  
April 1, 2005 through March 31, 2007**

	<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$ 944,986</u> Note 1
Claimed Federal Costs	<u>\$ 536,006</u> Note 2
Questioned Federal Costs: Not Approved in Budget:	<u>\$ 3,246</u> Note 3
Questioned Education Awards:	<u>\$ 9,450</u> Note 4

Notes

1. The amount shown above as Approved Budget represents the total funding to Red Lake according to subgrantee agreements.
2. Claimed costs represent Red Lake's reported Federal expenditures for the period April 1, 2005, through March 31, 2007.
3. Celebration costs of \$3,246 were claimed to promote AmeriCorps members, but these costs were not included in the approved budget and are, therefore, unallowable (*see* Finding 5).
4. Three members' timesheets did not have sufficient hours to meet the minimum requirement for an education award. As a result, we questioned education awards of \$9,450 (*see* Finding 4).

Schedule of Award and Claimed Costs  
St. Paul Neighborhood Network (SPNN)

03ACHMN0010007

April 1, 2005 through March 31, 2007

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$ 943,765</u>	Note 1
Claimed Federal Costs	<u>\$ 603,609</u>	Note 2
Questioned Federal Costs:		
Not Approved in Budget	\$ 16,665	Note 3
Unsupported Costs	8,365	Note 4
Unsupported Living Allowance	<u>14,713</u>	Note 5
Totalled Questioned Federal Costs:	<u>\$ 39,743</u>	
Questioned Match Costs:		
Not Approved in Budget	\$ 22,515	Note 3
Unsupported Costs	34,899	Note 4
Unsupported Living Allowance	2,596	Note 5
Claimed to the Wrong Grant	<u>5,900</u>	Note 6
Totalled Questioned Match Costs:	<u>\$ 65,910</u>	

Notes

1. The amount shown above as Approved Budget represents the total funding to SPNN according to subgrantee agreements.
2. Claimed costs represent SPNN's reported Federal expenditures for the period April 1, 2005, through March 31, 2007.
3. The subgrantee claimed costs of \$16,665 Federal share and \$22,515 match for contractual and consultant services, which were not included in the approved budget (*see* Finding 5).
4. Our reconciliation of SPNN's costs claimed and its accounting records found a difference of \$8,365 Federal share and \$34,899 match (*see* Finding 1).
5. Our reconciliation of living allowances claimed and accounting records found a difference of \$14,713 Federal share and \$2,596 match (*see* Finding 1).
6. SPNN claimed \$5,900 of match under the competitive grant; however, these expenses were for services provided to the subgrantee's CTC VISTA Project (*see* Finding 1).

Schedule of Award and Claimed Costs  
Admission Possible (AP)

April 1, 2005 through March 31, 2007

		<u>Reference</u>
Approved Budget (Federal Funds)		
03ACHMN0010005	\$ 529,189	Note 1
06ACHMN0010002	<u>554,397</u>	Note 1
Total Approved Budget (Federal Funds):		<u>\$1,083,586</u> Note 1
Claimed Federal Costs		
03ACHMN0010005	\$ 327,694	Note 2
06ACHMN0010002	<u>297,580</u>	Note 2
Total Claimed Federal Costs:		<u>\$ 625,274</u> Note 2
Questioned Match Costs (03ACHMN0010005):		
Unsupported Costs	\$ 14,064	Note 3
Unsupported Living Allowances	6,167	Note 4
Credits Not Applied	3,116	Note 5
Unallowable Costs	5,459	Note 6
Total Questioned Match Costs:		<u>\$ 28,806</u>

Notes

1. The amount shown above as Approved Budget represents the total funding to AP according to subgrantee agreements.
2. Claimed costs represent AP's reported Federal expenditures for the period April 1, 2005, through March 31, 2007.
3. Reconciliation between match costs claimed and the subgrantee's accounting records found \$14,064 of unsupported match costs (*see* Finding 1).
4. A comparison of AP's accounting records and its payroll records found a \$6,167 difference between the living allowance claimed as match costs and the amount in the books and records (*see* Finding 1).
5. Our match testing found \$3,116 of credits not applied (*see* Finding 1).
6. AP claimed \$5,459 of entertainment and fundraising costs as match expense (*see* Finding 2).

**Schedule of Award and Claimed Costs**  
**Administrative Grant**

**06CAHMN001**  
**January 1, 2006 through June 30, 2007**

		<u>Reference</u>
Approved Budget (Federal Funds)	\$ 494,949	Note 1
Claimed Federal Costs	\$ 376,443	Note 2
Questioned Costs:		
Lobbying Costs	\$ 1,049	Note 3
Recognition Awards	<u>57</u>	Note 4
Totaled Questioned Costs:	\$ <u>1,106</u>	

Notes

1. The amount shown above as Approved Budget represents the total funding to ServeMinnesota under the Administrative grants according to grantee agreements.
2. Claimed costs represent ServeMinnesota's reported Federal expenditures for the period January 1, 2006, through June 30, 2007.
3. ServeMinnesota claimed \$1,049 of lobbying costs as Federal share (*see* Finding 2).
4. ServeMinnesota allocated and claimed \$57 for recognition awards, in the form of gift cards, for individuals who donated professional services (i.e., peer reviewers) as Federal share (*see* Finding 2).

**Schedule of Award and Claimed Costs  
PDAT Grant**

**06PTHMN001  
January 1, 2006 through June 30, 2007**

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$ 311,500</u>	Note 1
Claimed Federal Costs	<u>\$ 225,597</u>	Note 2
Questioned Costs:		
Lobbying Costs	\$ 2,088	Note 3
Recognition Awards	<u>558</u>	Note 4
Totaled Questioned Costs:	<u>\$ 2,646</u>	

Notes

1. The amount shown above as Approved Budget represents the total funding to ServeMinnesota under the PDAT grants according to grantee agreements.
2. Claimed costs represent ServeMinnesota's reported Federal expenditures for the period January 1, 2006, through June 30, 2007.
3. ServeMinnesota claimed \$2,088 of lobbying costs as Federal share (*see* Finding 2).
4. ServeMinnesota allocated and claimed \$558 for recognition awards, in the form of gift cards, for individuals who donated professional services (i.e., peer reviewers) as Federal share (*see* Finding 2).

**Schedule of Award and Claimed Costs**  
**Disability Grant**

**06CDHMN001**  
**January 1, 2006 through June 30, 2007**

		<u>Reference</u>
Approved Budget (Federal Funds)	<u>\$ 326,410</u>	Note 1
Claimed Federal Costs	<u>\$ 227,768</u>	Note 2
Questioned Costs:		
Lobbying Costs	\$ 1,161	Note 3
Recognition Awards	<u>439</u>	Note 4
Totaled Questioned Costs:	<u>\$ 1,600</u>	

Notes

1. The amount shown above as Approved Budget represents the total funding to ServeMinnesota under the Disability grants according to grantee agreements.
2. Claimed costs represent ServeMinnesota's reported Federal expenditures for the period January 1, 2006, through June 30, 2007.
3. ServeMinnesota claimed \$1,161 of lobbying costs as Federal share (*see* Finding 2).
4. ServeMinnesota allocated and claimed \$439 for recognition awards, in the form of gift cards, for individuals who donated professional services (i.e., peer reviewers) as Federal share (*see* Finding 2).

## Results - Compliance and Internal Control

The results of our agreed-upon procedures also revealed instances of non-compliance with grant provisions, regulations, or OMB requirements, as shown below:

- Lack of controls or controls not implemented over reporting and recording of Federal and match costs;
- Costs questioned for allowability;
- Late and missing member forms, progress reports, expense reports, and FSRs;
- Lack of adequate procedures to ensure that members signed their contracts before starting service and that the subgrantees entered enrollment information into WBRS in a timely manner; and
- Costs claimed were not in the approved budget.

### **Finding 1. Lack of Controls or Controls Not Implemented Over Reporting and Recording of Federal and Match Costs**

Our agreed-upon procedures found inadequate controls over reporting and recording of ServeMinnesota's and subgrantees' Federal and match costs, or established controls that were not fully implemented.

#### ***Federal and match costs reported lack sufficient supporting documentation.***

#### AP

Reconciliation between match costs claimed and AP's accounting records found \$14,064 of unsupported match costs. In addition, a comparison of AP's accounting records and its payroll records found a \$6,167 difference between the living allowance claimed as match costs and the amount in the books and records. The condition is due to a combination of factors:

- Inadequate reconciliation of claimed costs to the books;
- Lack of a policy and operating procedures and clearly defined responsibilities;
- Clerical errors due to inexperienced staff with limited accounting skills, lack of adequate supervision, and an inadequate supervisory review process;
- Limitations of the subgrantee's accounting systems to separate certain expense accounts; and
- Costs claimed based on approximations that were not later adjusted to actual costs.

## YMCA

Our testing of YMCA found \$411 of Federal costs claimed was unsupported. The subgrantee claimed \$25 twice for the costs of the same member's training and also overstated personnel expenses by \$186 and living allowances by \$200 due to clerical errors.

The subgrantee made errors in aggregating claimed costs and did not have a documented process for reconciling reported costs to actual expenditures and reviewing claims before they are submitted. Instead, the subgrantee relies on an informal review to ensure that reported costs are accurate.

## MLC

Our testing of MLC found Federal and match costs claimed were unsupported. The subgrantee:

- Claimed \$6,100 in excess of members' living allowance match due to a posting error. A temporary accountant erroneously posted the amount to the living allowance account of the AmeriCorps grant and the mistake was not detected as part of the review process.
- Charged a member's FICA costs of \$567 as Federal share to Program Year (PY) 2005-2006, which were applicable to Program Year 2006-2007. These costs include \$250 for the AmeriCorps Formula Grant No. 04AFHMN001 and \$317 for the AmeriCorps Competitive Grant No. 03ACHMN001. During PY 2005-2006, the subgrantee's payroll system was not set up to identify living allowance payments by grant. The program representatives manually tracked living allowances on a spreadsheet but made errors, which resulted in charging \$567 to the wrong fiscal period.
- Claimed in-kind supplies and space costs as match but the supporting documentation did not include the basis of how the values for the match were determined. We questioned \$917 under the competitive grant and \$1,548 under the formula grant. The subgrantee did not have established policies to ensure reported in-kind donations were valued appropriately.

## SPNN

Our testing of SPNN found Federal and match costs claimed were unsupported, as follows:

- There was a \$8,365 Federal share and a \$34,899 match difference between the amounts claimed and the accounting records as detailed in the following schedule:



	PY 2004-2005	PY 2005-2006	PY 2006-2007	Total
Federal Share	\$ 2,200	\$ 4,199	\$ 1,966	\$ 8,365
Match Share	9,100	13,056	12,743	34,899
Total	\$ 11,300	\$ 17,255	\$ 14,709	\$ 43,264

SPNN did not have policies or operating procedures to adequately reconcile costs to its general ledger.

- Members' living allowances and related FICA costs claimed were unsupported by SPNN's payroll records, as follows:

	PY 2005-2006	PY 2006-2007	Total
Federal Share	\$ 5,117	\$ 9,596	\$ 14,713
Match Share	903	1,693	2,596
Total	\$ 6,020	\$ 11,289	\$ 17,309

SPNN did not adequately reconcile its subsidiary ledgers (i.e., payroll registers) to the corresponding general ledger balances.

### Criteria

AmeriCorps General Provision (2004), C.22.b., *Financial Management Provisions, 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.

AmeriCorps General Provision (2005), V.B.1., *Financial Management Standards*, states:

The grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures, as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this grant from expenditures not attributable to this grant. 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. For further details about the grantee's financial management responsibilities, refer to OMB Circular A-102 and its implementing regulations (45 C.F.R. § 2543) or A-110 and its implementing regulations (45 C.F.R. § 2541), as applicable.

The uniform common rule for grants administration by non-profits, codified in the Corporation's regulations at 45 C.F.R. § 2543, at subsection 21., *Standards for financial management systems*, states:

b. Recipients' financial management systems shall provide for the following:

....

(6) Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

***Costs Claimed to the Wrong Grant***

MLC

Our testing of MLC found costs claimed to the wrong grant and inequitable allocations, as follows:

- Living allowances for the formula grant were incorrectly claimed under the competitive grant due to a calculation error in the tracking spreadsheet. As a result, the competitive grant was overstated and the formula grant was understated by the following amount:

Type of Costs	Amount	FICA	Total Cost
Federal Share	\$ 1,486	\$ 114	\$ 1,600
Match Share	262	20	282
Total	\$ 1,748	\$ 134	\$ 1,882

- The non-salary/benefit related common costs were allocated based on budgeted percentages. This method did not equitably distribute benefit costs. As a result, MLC overstated the claimed reimbursements on the competitive grant by \$177 and on the formula grant by \$7,476.

SPNN

SPNN claimed \$5,900 of match expenses under the competitive grant; however, these expenses were for services provided to the subgrantee's CTC VISTA Project. SPNN did not have an adequate review process to ensure that costs were charged to the appropriate grant.

OMB Circular A-122, Cost Principles for Non-Profit Organizations, Attachment A. General Provisions, Section A.4. Basic Considerations, Allocable Costs, states:

- a. A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

- (1) Is incurred specifically for the award.
  - (2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or
  - (3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.
- b. Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

### *Credits not applied*

#### AP

During our match testing, we found that the following credits were not applied:

- A \$745 credit from Southwest State University to transport students to the campus;
- A \$100 voided check was not credited to match costs; and
- The costs of scholarships unrelated to the AmeriCorps Program were recorded as match. AP's original intention was to apply credits to these expenses because they were non-AmeriCorps related. However, no credit was applied. As a result, we questioned \$2,271 of match costs.

AP did not have established procedures for reviewing cleared checks and reducing claimed amounts when a check was voided. In addition, AP had not established procedures for tracking credits and ensuring that any credits received were applied against corresponding claimed costs.

#### YMCA

During our testing of match costs, we found that credits of \$1,294 were not applied, as follows:

- \$536 of member reimbursements for health insurance premiums; and
- A \$758 credit received from a vendor.

YMCA did not have a process to ensure that credits are applied as off-sets against recorded and claimed costs. Instead, YMCA relied on an informal review to ensure that credits are applied.

MLC

The subgrantee issued a replacement check to a member who had lost her original living allowance check; however, the accountant voided the first check, but inadvertently claimed both the voided amount and the new check. As a result, costs were questioned as follows:

	Living Allowance	FICA	Total
Federal Share	\$ 387	\$ 30	\$ 417
Match Share	68	5	73
Total	\$ 455	\$ 35	\$ 490

Criteria

OMB Circular A-122, Cost Principles for Non-Profit Organizations, Attachment A. General Provisions, Section A.5., Basic Considerations, Applicable Credits, states:

The term applicable credit refers to those receipts, or reduction of expenditures which operate to offset or reduce expense items that are allocable to awards as direct or indirect costs. Typical examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing or received by the organization relate to allowable cost, they shall be credited to the Federal Government either as a cost reduction or cash refunds, as appropriate.

Recommendations

We recommend that the Corporation:

- 1.a. Resolve the questioned costs and recoup any disallowed and applicable administrative costs; and
- 1.b. Ensure that ServeMinnesota trains and monitors its subgrantees in establishing controls that specifically address the errors and weaknesses identified above. This effort includes developing a record-keeping system such that grant documentation is retained and readily accessible; develop policies and procedures to ensure costs claimed are properly supported by its accounting records and source documentation; design controls to verify the accuracy of costs claimed; design proper allocation methodology for costs; and implement procedures requiring appropriate personnel to review FSRs before they are submitted. The reviews should include tracing reported amounts on the FSRs to supporting documentation and verifying the accuracy of the data through appropriately designed analysis.

ServeMinnesota's Response

ServeMinnesota stated that its subgrantees agree with this finding and have taken corrective actions. It also stated that some subgrantees had more match costs than required or had match costs not previously reported that could be substituted for match costs the auditors questioned. ServeMinnesota is reviewing these match costs.

Auditor's Comment

ServeMinnesota indicated that the subgrantees have taken corrective measures. Additional or replacement match provided by the subgrantees should be reviewed to ensure that it is reasonable, allowable, and allocable. The Corporation should consider the actions taken but disallow and recoup the questioned costs, plus applicable administrative costs, because ServeMinnesota stated that the subgrantees agree with the finding.

**Finding 2. Costs Questioned for Allowability**

ServeMinnesota

ServeMinnesota claimed as Federal share, the costs of gift cards provided to volunteers and lobbying costs, as follows:

- ServeMinnesota allocated costs, for gift cards with values that ranging from \$20 to \$25, for individuals who donated professional services (i.e., peer reviewers). We questioned these costs, as follows:

Grant	Grant #	Federal Share
Administrative	06CAHMN001	\$ 57
Disability	06CDHMN001	439
Progressive Development and Training (PDAT)	06PTHMN001	558
Total		\$ 1054

ServeMinnesota misinterpreted such costs to be “volunteer recognition” costs consistent with the 45 C.F.R. § 2520.30, *What capacity-building activities may AmeriCorps members perform?* This section provides authorization for AmeriCorps members to perform capacity-building activities, such as promoting the retention of volunteers by, for example, “planning a recognition event” for volunteers. It does not authorize monetary awards or gifts for volunteers.

We found no legal authorization to use Federal funds to pay for volunteer services furnished to an organization or to pay for associated recognition costs such as gift cards. Accordingly, such costs are not allowable as Federal share or match.

- ServeMinnesota allocated lobbying costs of \$4,298 as Federal share to the Administrative grant, Disability grant, and PDAT grant. These costs were for a consultant's fees and for catering services for legislative liaison activities. These activities included gathering information regarding legislation and analyzing the effect of legislation as a precursor to potential lobbying activities. ServeMinnesota believed that information gathering of this nature (e.g., potential legislation, candidate positions, etc.) was more educational in nature and was allowable if no direct lobbying activity was involved. The questioned costs by grant are:

Grant	Grant #	Questioned Cost
Administrative	06CAHMN001	\$ 1,049
Disability	06CDHMN001	\$ 1,161
PDAT	06PTHMN001	\$ 2,088
Total		\$ 4,298

AP

AP claimed \$5,459 of entertainment and fundraising costs as match expense, as follows:

- Invoices for mailing invitations and providing transportation to a corporate sponsored trip to a Minnesota Twins baseball game totaling \$4,198 were included as match costs; and
- Invoices for postage to mail fundraising letters totaling \$1,261 were included as match costs.

The subgrantee has not developed and implemented review procedures to ensure that unallowable types of costs are identified and excluded from Federal share and/or claimed match costs.

CBC

CBC claimed parking fines of \$25. CBC personnel did not identify this transaction as unallowable as part of its standard cost review process.

Criteria

OMB Circular A-122, Cost Principles for Non-Profit Organizations, Attachment B., Selected Items of Cost, Section 12.b.1. Donations and Contributions, Donated Services Received, states:

Donated or volunteer services may be furnished to an organization by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable either as a direct or indirect cost. However, the value of donated services may be used to

meet cost sharing or matching requirements in accordance with the Common Rule.

OMB Circular A-122, Attachment B, Cost Principles for Non-Profit Organizations, Selected Items of Cost, Section 25(a)(5) Lobbying, states:

Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.

OMB Circular A-122, Cost Principles for Non-Profit Organizations, Attachment B., Selected Items of Cost, Section 14. Entertainment Costs, states that “[c]osts of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.”

OMB Circular A-122, Cost Principles for Non-Profit Organizations, Attachment B., Selected Items of Cost, Section 17. Fund Raising and Investment Management Costs, states that “[c]osts of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable.”

OMB Circular A-122, Cost Principles for Non-Profit Organizations, Attachment B., Selected Items of Cost, Section 16. Fines and Penalties, states that “[c]osts of fines and penalties resulting from violations of, or failure of the organization to comply with Federal, State, and local laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of an award or instructions in writing from the awarding agency.”

### Recommendations

We recommend that the Corporation:

- 2.a. Disallow and recoup the questioned costs and applicable administrative costs;
- 2.b. Train ServeMinnesota and its subgrantees regarding applicable cost principles and grant regulations; and
- 2.c. Instruct ServeMinnesota to develop and implement procedures and controls to ensure that claimed costs are allowable and allocable in accordance with applicable costs principles, including thorough reviews of costs claimed on FSRs to supporting documentation to determine allowability. Once implemented, review costs claimed to ensure that the procedures are effective.

### ServeMinnesota's Response

ServeMinnesota stated that it believed it is important to provide recognition to volunteers willing to give significant time to ensure the success of AmeriCorps programming in Minnesota. Consistent with this belief, ServeMinnesota provided \$20 - \$25 dollar gift cards to individuals who served about 16 hours as peer reviewers.

In addition, ServeMinnesota continues to believe the costs questioned as lobbying activities were educational and not lobbying. However, ServeMinnesota does agree that the \$200.00 for catering services should not have been charged to Federal funds and is in agreement that this amount should be returned to CNCS.

ServeMinnesota believes the issue of allowability of expenses was not due to lack of training or understanding of cost principles but rather differences in interpretation. ServeMinnesota indicated that it does have procedures and controls and the audit has provided clarification on items where there is room for varying interpretations of cost principles.

ServeMinnesota indicated that AP has taken steps to increase its staff capacity in both grant management and grant accounting. Further, the subgrantee has made financial system enhancements that make class accounting easier to understand and apply. AP continues to place emphasis on ensuring that staff involved in grant management and accounting have a comprehensive understanding of the governing rules and its internal systems. It has developed systems whereby the assignment of an expense is reviewed by at least two staff members with appropriate skill and understanding to ensure compliance with the governing rules and regulations. It also indicated that AP has more match than required and, after removing the questioned match costs, it more than meets minimum match requirements.

For CBC, ServeMinnesota indicated that the \$25 fine was removed in program year 2006-2007 and any similar expenses will not be claimed in the future.

### Auditor's Comment

ServeMinnesota agreed that it did award gift cards to peer reviewers, but it did not address the lack of legal authorization to use Federal funds to pay for volunteer services furnished to an organization or to pay for associated recognition costs such as gift cards. It did not disclose the action it planned to take.

The Corporation should consider the actions taken by ServeMinnesota for its subgrantees and should follow up to ensure that ServeMinnesota's planned actions are implemented and effective. ServeMinnesota did not propose any specific planned actions to prevent CBC from claiming unallowable expenses in the future.

In addition, ServeMinnesota allocated costs for consultant's fees which included such activities as gathering information regarding legislation and analyzing the effect of legislation as a precursor to potential lobbying activities. These activities are lobbying costs as specified in OMB Circular A-122, which we quote in the finding. ServeMinnesota



believes the allowability of expenses was not due to lack of training or understanding of cost principles, but rather differences in interpretation. However, it provides no refuting information that would cause us to believe the effort was not lobbying. The Corporation should take the recommended actions.

**Finding 3. Late and Missing Member Forms, Progress Reports, Expense Reports, and FSRs**

**Late Submission.** Our sample found that the subgrantees did not submit required reports and forms by the dates due, as shown in the table below.

<u>Subgrantees</u>	<u>Description of Non-Compliance</u>
AP	<ul style="list-style-type: none"> <li>• 1 of 6 required progress reports was submitted late.</li> <li>• 1 of 3 required Final Closeout Forms was submitted late.</li> </ul>
CBC	<ul style="list-style-type: none"> <li>• 1 of 2 required FSRs was submitted late.</li> <li>• 1 of 2 required ServeMinnesota Expense Report Forms (SERF) was submitted late.</li> </ul>
YMCA	<ul style="list-style-type: none"> <li>• 4 of 37 enrollment forms were submitted late.</li> <li>• 5 of 37 exit forms sampled were submitted late.</li> </ul>
MLC	<ul style="list-style-type: none"> <li>• 4 of 21 enrollment forms under the Competitive grant were submitted late.</li> <li>• 6 of 26 enrollment forms and 1 of 26 exit forms under the Formula grant were submitted late.</li> <li>• 5 of 8 FSRs and 1 of 9 progress reports under the Competitive grant were submitted late.</li> <li>• 5 of 8 FSRs and 1 of 9 progress reports under the Formula grant were submitted late.</li> </ul>
Red Lake	<ul style="list-style-type: none"> <li>• 1 of 7 required progress reports was submitted late.</li> <li>• 2 of 8 required FSRs were submitted late.</li> </ul>
SPNN	<ul style="list-style-type: none"> <li>• 2 of 8 required FSRs were submitted late.</li> <li>• 1 of 8 required SERFs was submitted late.</li> <li>• 1 of 3 required Final Closeout Forms was submitted late.</li> <li>• 5 of 21 enrollment forms and 4 of 21 exit forms were submitted late.</li> </ul>

AP representatives indicated that the late progress report may have been due to a technology issue which prevented them from meeting the due date. AP also indicated that a staff member forgot to file the final closeout form.

CBC experienced delays in submitting its reports at the beginning of the program because it had not assigned responsibilities for approving the reports.

YMCA's existing administrative oversight controls did not operate effectively to ensure that the forms were filed in a timely manner.

MLC's enrollment forms were submitted late because of a delay in approval of slot conversions. For late submission of reports, there may have been a verbal extension granted by ServeMinnesota. However, this could not be verified because the involved parties are no longer employed by ServeMinnesota or MLC.

Red Lake representatives were unable to identify any specific reason for filing reports late but stated that the responsible individual was on medical leave.

SPNN lacked oversight controls and monitoring procedures to ensure that FSRs and SERFs were submitted on time. In addition, SPNN experienced a delay in receiving instructions from ServeMinnesota on how to report expenditures, and reports were not filed until that issue was clarified. Finally, SPNN submitted a final closeout form late because of a change of program officers.

The lack of compliance by subgrantees demonstrate an internal control weakness at ServeMinnesota, which needs to improve its monitoring to detect and correct instances that its subgrantees submit required reports late.

By submitting documentation late, ServeMinnesota may not receive information related to subgrantee activity in a timely manner. Accordingly, this may reduce ServeMinnesota's ability to identify potential issues in a timely manner and may also prevent ServeMinnesota from accurately reporting program and expenditure information to the Corporation in a timely manner.

### Criteria

The AmeriCorps Special Provisions (2004), Section B.16. Reporting Requirements, states in part:

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 Grantee for the program year.

The AmeriCorps Grant Agreement, the subgrant, for PY 2004-2005 between ServeMinnesota and its subgrantees, § IV (4) states:

In the performance of this project, the GRANTEE shall:

Submit all required fiscal and program reports according to the following deadline:

- a. A Financial Status Report (FSR) must be completed and approved in the Web-Based Reporting System (WBRS) each quarter according to the following schedule:
  - I. Quarter I (08/1/04-12/31/2004) due on January 15, 2005
  - II. Quarter II (01/01/2005-03/31/2005) due on April 15, 2005
  - III. Quarter III (04/01/2005-06/30/2005) due on July 15, 2005
  - IV. Quarter IV (07/01/2005-08/31/05) due on October 15, 2005
- b. A ServeMinnesota Expense Report Form (SERF) must be prepared and submitted to ServeMinnesota according to the aforementioned schedule.

The AmeriCorps Grant Agreement, the subgrant, for PY 2005-2006 between ServeMinnesota and its subgrantees, § IV (4) states:

In the performance of this project, the GRANTEE shall:

Submit all required fiscal and program reports according to the following deadline:

- a. A Financial Status Report (FSR) must be completed and approved in the Web-Based Reporting System (WBRS) each quarter according to the following schedule:
  - I. Quarter I (September 1 – December 31) due on January 13, 2006
  - II. Quarter II (January 1 – March 31) due on April 14, 2006
  - III. Quarter III (April 1 – June 30) due on July 14, 2006
  - IV. Quarter IV (July 1 – August 31) due on October 13, 2006
- b. A ServeMinnesota Expense Report Form (SERF) must be prepared and submitted to ServeMinnesota according to the aforementioned schedule.
- c. The GRANTEE must close out this grant according to appropriate Office Management and Budget (OMB) Circular After-the-Grant Policies and Serve Minnesota direction. Final Closeout Forms are due on October 14, 2005 (2006).

- d. A Quarter II Progress Report must be completed and approved in WBRS by April 14, 2006 for the period, 01/01/2006 – 03/31/2006.
- e. A Quarter I Progress Report must be completed and approved in WBRS by January 13, 2006 for the period, 9/1/05 – 12/31/05.

The AmeriCorps Grant Agreement, the subgrant, for PY 2006-2007 between ServeMinnesota and its subgrantees, § IV (4) states:

In the performance of this project, the GRANTEE shall:

Submit all required fiscal and program reports according to the following deadline:

- c. A Financial Status Report (FSR) must be completed and approved in the Web-Based Reporting System (WBRS) each quarter according to the following schedule:
  - I. Quarter I (September 1 – December 31) due on January 12, 2007
  - II. Quarter II (January 1 – March 31) due on April 13, 2007
  - III. Quarter III (April 1 – June 30) due on July 13, 2007
  - IV. Quarter IV (July 1 – August 31) due on October 12, 2007
- d. A ServeMinnesota Expense Report Form (SERF) must be prepared and submitted to ServeMinnesota according to the aforementioned schedule.

The 2004 AmeriCorps Special Provisions, Section B.16.b. Reporting Requirements, Member-Related Forms; and the 2005 and 2006 AmeriCorps Provisions, Section IV.N.2. AmeriCorps Member-Related Forms states:

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:

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

iii. 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.

**Missing Member Documentation:** We found the following instances of missing member documentation:

- YMCA did not maintain sign-in sheets or other documentation for member orientation.
- At Red Lake, of the 21 member files we sampled, 4 mid-term evaluations and 1 end-of-term evaluation were missing.

YMCA did not have a policy and procedure which required the enrollment councils to document member orientation. An established procedure to document orientation attendance was not developed and implemented until PY 2006-2007. Without proof of attendance, we could not determine whether individual AmeriCorps members received the required orientation.

Red Lake did not have a method for tracking completion of the member evaluations. In addition, the program manager who was responsible for performing the evaluations was not aware of the requirement for completing both a mid-term and an end-of-term evaluation for each member and performed only one of the two required evaluations for some members. Without documented evaluations, the subgrantee may not be able to determine 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. Finally, the member might not be eligible to perform services for a second term without a satisfactory end-of-term evaluation.

### Criteria

The 2004 AmeriCorps Special Provisions, B.7.c. Training, Supervision and Support, Training and; the 2005 and 2006 AmeriCorps Special Provisions, Section IV.D.3 Training, Supervision and Support, state:

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.

AmeriCorps Special Provisions, Section IV.D.6. Training, Supervision and Support, states in part:

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. The evaluation should focus on such factors as:

- a. Whether the member has completed the required number of hours;
- b. Whether the member has satisfactorily completed assignments; and
- c. Whether the member has met other performance criteria that were clearly communicated at the beginning of the term of service.

According to 45 C.F.R. § 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.”

### Recommendations

We recommend that the Corporation:

- 3.a. Verify that ServeMinnesota develops and implements more effective control procedures and closely monitors its subgrantees to ensure prompt and complete financial and programmatic reporting, as well as member evaluations, in accordance with the ServeMinnesota requirement;
- 3.b. Instruct ServeMinnesota to follow up with Red Lake to ensure that its members received an evaluation.
- 3.c. Instruct ServeMinnesota to provide a refresher course for its subgrantees on program compliance requirements, including report submissions, documenting member orientations, and the important role training and evaluations play in member development.

### ServeMinnesota's Response

ServeMinnesota indicated that all subgrantees understand the reporting requirements and will take appropriate corrective measures to ensure that future reporting remains in compliance. ServeMinnesota has implemented a new policy regarding timeliness of reporting and meeting deadlines.

ServeMinnesota has always provided training for its subgrantees on program compliance and member development at the start of each program year. ServeMinnesota has now implemented an enhanced monitoring system which requires programs to standardize their operations. This instrument consists of 14 systems, each tailored to a particular area of program or grants management. ServeMinnesota staff individually review all 14 systems for each subgrantee.

ServeMinnesota received from Red Lake copies of two of the four missing member evaluations. ServeMinnesota advised Red Lake that half-time members are required to have two evaluations.

Auditor’s Comment

The Corporation should consider the actions taken or proposed by ServeMinnesota, as it takes the recommended actions, and should also follow up to ensure those actions are implemented and effective.

**Finding 4. Lack of Adequate Procedures to Ensure That Members Signed Their Contract before Starting Service and that the Subgrantees Entered Enrollment Information into WBRS in a Timely Manner**

**Insufficient Hours:** Testing of member files at YMCA found 1 of 37 AmeriCorps members in our sample recorded service hours while the individual was an applicant without a signed contract. The member left the original orientation meeting early for personal reasons and did not sign the contract prior to leaving. YMCA did not take appropriate follow-up actions with the member to ensure that the contract was signed prior to recording service hours. The applicant recorded 11 service hours before becoming an AmeriCorps member. As a result, the member did not meet the minimum required hours to receive an education award, and we questioned the \$1,000 education award.

Member	Program Year	Hours per WBRS	Hours Served As A Member	Difference	Ed Award Questioned
Member A	2004-2005	306.50	295.50	(11)	\$ 1,000

At Red Lake, 3 of 21 sampled AmeriCorps member timesheets did not support hours reported in WBRS. The condition was due to calculation errors on the timesheets. Red Lake did not have monitoring procedures in place to ensure hours recorded on timesheets and entered in WBRS were accurate. As a result, two of the members sampled did not meet the minimum requirement for an education award, and we questioned \$9,450 of education awards, as follows:

Member	Program Year	Hours per WBRS	Hours Per Timesheets	Variance	Ed Award Questioned
Member A	2004-2005	1,705.90	1,650.50	(55.40)	\$ 4,725
Member B	2005-2006	1,723.60	1,673.00	(50.60)	4,725
Member C	2005-2006	291.50	272.25	(19.25)	Did not Earn an award
<i>Total:</i>					\$ 9,450

**Members Not in WBRS:** Three members at MLC, two members at Red Lake, and two members at SPNN were admitted to the AmeriCorps program but were not entered in

WBRS. These members exited the program within 30 days of enrollment and the program personnel responsible for updating WBRS and the member roster did not enter member information into WBRS as required. Red Lake was unaware that member information needed to be entered into WBRS when members exited the program early. The other two subgrantees did not follow their policies for updating WBRS. Without updating WBRS, the Corporation might not be able to rely on the reported program member information included in the system. In addition, controls over enrollment can be compromised and the subgrantee's member retention rate may be overstated and slot refill limitations may be affected.

### Criteria

PY 2004-2005: the 2004 AmeriCorps Special Provisions, Section B.d.i. Terms of Service, states:

Member Enrollment Procedures. An individual is enrolled as an AmeriCorps member when all of the following have occurred:

1. He or she has a signed member contract;
2. The program has verified the individual's eligibility to serve;
3. The individual has begun a term of service; and
4. The program has approved the member enrollment form in WBRS.

The 2004 AmeriCorps General Provisions, Section C.2.ii. Financial Management Provisions, 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.

The 2005 and 2006 AmeriCorps Special Provisions, Section IV.C.1 Member Enrollment - Member Enrollment Procedures states:

Member recruitment, selection and enrollment requirements are in the Corporation's regulations at 45 C.F.R. Part 2522. In addition, the following apply:

- a. An individual is enrolled as an AmeriCorps member when all of the following have occurred:
  - i. He or she has signed a member contract;
  - ii. The program has verified the individual's eligibility to serve;
  - iii. The individual has begun a term of service; and
  - iv. The program has approved the member enrollment form in WBRS.



- b. Prior to enrolling a member in AmeriCorps, programs make commitments to individuals to serve. A commitment is defined as signing a member contract with an individual or otherwise entering into a legally enforceable commitment as determined by state law.
- c. Within 30 calendar days of entering into a commitment with an individual, the grantee or sub-grantee will notify the Corporation of the commitment via WBRS by enrolling the individual as a member.
- d. Member Enrollment: Within 30 calendar days of the member's starting service, the program must complete and approve the enrollment form in WBRS.
- e. If a commitment does not result in a member actually being enrolled, the program must cancel the commitment in WBRS within 30 calendar days of the member's expected start date. If a grantee or sub-grantee does not complete an enrollment within 30 days of the member's expected start date, the grantee and sub-grantee will receive notification that the timeframe has expired. The program will then have 15 calendar days to complete the enrollment before the commitment is removed from WBRS.

### Recommendations

We recommend that the Corporation:

- 4.a. Disallow and recoup, if used, education awards and any accrued interest awards (interest forbearance) for members that did not complete their service;
- 4.b. Ensure that ServeMinnesota provides training to the subgrantees so they (1) are familiar with program requirements and provisions for updating members status in WBRS or other applicable systems, including members who exit the program early; and (2) do not include member service hours without a signed AmeriCorps contract; and
- 4.c. Instruct ServeMinnesota to strengthen controls and monitoring over member timesheet preparation.

### ServeMinnesota's Response

ServeMinnesota indicated that the two members at Red Lake have already served the additional hours needed or are working out a schedule to serve the necessary hours to earn the education awards. Its review showed a variance between hours in WBRS and timesheets to be 7.9 hours for one member and 32.4 hours for the other. The member who plans to serve the additional hours has accessed his award in the amount of \$3,714. For YMCA, the member is willing to make up the necessary hours to earn the award.

ServeMinnesota has always provided training for its subgrantees so that they are familiar with program requirements and provisions for updating each member's status in WBRS. In the near future, this will be done for the My AmeriCorps portal and ServeMinnesota's online reporting system, which are replacing many functions of WBRS.

ServeMinnesota has also implemented a new electronic timekeeping system which provides a secure (password protected) reporting system for member timesheets. Unique features of this system include: separate tracking of service hours, fundraising hours, and training hours and an automatic calculation of hours which eliminates mathematical errors.

Auditor's Comment

Although our review showed variances of over 50 hours per member, as indicated in the finding, ServeMinnesota advised that its review showed variances between timesheets and WBRS records of 7.9 hours and 32.4 hours for the Red Lake's full-time members. However, ServeMinnesota did not provide data to substantiate its calculations. The Corporation should determine the facts.

Although ServeMinnesota indicated that Red Lake and YMCA members have recently served or are willing to serve to make up the hours necessary to earn an education award, none of these members are authorized to earn hours outside their terms of service and can not now serve additional hours to earn an education award. The required service completion dates for the three members were:

Red Lake Member A	September 26, 2005
Red Lake Member B	September 25, 2006
YMCA Member A	January 31, 2006

Red Lake's full-time members were subject to Section 139(b)(1) of the National Service Trust Act of 1993, 42 U.S.C. § 12593(b)(1), which provides that a term of service shall run from "a period of not less than 9 months and not more than 1 year." The YMCA member served reduced hours of part-time service subject to 42 U.S.C. § 12593(b)(2), which states the member must serve "not less than 900 hours during a period of –

- (A) not more than 2 years; or
- (B) not more than 3 years if the individual is enrolled in an institute of higher education while performing all or a portion of the service."

It is beyond the period of time for these members to complete the required service hours. Our findings and recommendations remain unchanged. The Corporation should also follow up with ServeMinnesota to determine whether the enhanced monitoring system and electronic timekeeping system are implemented and effective.

## **Finding 5. Costs Claimed Were Not in the Approved Budget**

### Red Lake

Red Lake claimed \$3,246 Federal share costs for annual AmeriCorps celebrations and other holiday events in the Member Travel and Training budget line item. Although these costs were supported, there was no corresponding budget established for these costs. Red Lake misreported these costs so that the established budget for each line item would not be exceeded. This practice had the effect of circumventing the established budget. As a result, we questioned \$3,246 because these costs were not in the approved budget and therefore, not allowable.

### *Criteria*

The 2005, 2006, and 2007 Grant Agreements between ServeMinnesota and Red Lake, Section V. Consideration, states, “Federal CNCS AmeriCorps funding shall be used to pay budgeted expenditures for costs outlined in the approved budget.” In addition, Section X.a. Allowability of Costs, state:

For federal funds, allowability of costs incurred under this AGREEMENT shall be determined in accordance with the procedures and principles given in federal publications “Office of Management and Budget” (OMB). For all funds, no claim for materials purchased in excess of budget categories or program services not specifically provided for in this AGREEMENT by the Subgrantee will be allowed by ServeMinnesota unless approved in writing by ServeMinnesota and such approval shall be considered to be a modification of the AGREEMENT.

### SPNN

Our review of subgrantee expense reports found that costs claimed under the Personnel Expense Category included \$16,665 Federal share and \$22,515 match for contract and consulting expenses. Although these costs were supported, SPNN misclassified these services costs in the Personnel Expense Category. Instead of revising the budget, costs were misreported so that the established budget for each line item was not exceeded. This practice had the effect of circumventing the established budget. Although there was a line item in the approved budget for consultant services, there were no funding budgeted. As a result, we questioned \$16,665 of Federal share and \$22,515 of costs claimed.

### *Criteria*

The 2005, 2006, and 2007 Grant Agreements between ServeMinnesota and SPNN, Section V. Consideration, states, “Federal CNCS AmeriCorps funding shall be used to pay budgeted expenditures for costs outlined in the approved budget.” In addition, Section X.a. Allowability of Costs, states:

For federal funds, allowability of costs incurred under this AGREEMENT shall be determined in accordance with the procedures and principles given in federal publications “Office of Management and Budget” (OMB). For all funds, no claim for materials purchased in excess of budget categories or program services not specifically provided for in this AGREEMENT by the Subgrantee will be allowed by ServeMinnesota unless approved in writing by ServeMinnesota and such approval shall be considered to be a modification of the AGREEMENT.

### YMCA

YMCA misclassified and inaccurately reflected program costs under various budget line items within each budget category. Examples of misclassification include:

- Personnel expenses and fringe benefits were misclassified as program evaluation expenses; and
- Member’s living allowances and worker compensation costs were misclassified as members FICA.

YMCA personnel indicated that they were unaware that this was an improper practice. We did not question these costs because, once the amounts are correctly reclassified to the correct budget line items, YMCA will not have exceeded its budget category limitation.

### Criteria

The 2005, 2006, and 2007 Grant Agreements between ServeMinnesota and YMCA, Section X.b. Expense Records, states, “The Subgrantee shall maintain books, records, documents, and other evidence pertaining to the costs and expenses of implementing this Agreement to the extent and in such detail as will accurately reflect all gross costs, direct and indirect costs, of labor materials, equipments, supplies, and other costs and expenses of whatever nature.”

### Recommendations

We recommend that the Corporation:

- 5.a. Determine the allowability of the costs not approved in the budget and recoup any disallowed questioned costs and applicable administrative costs; and
- 5.b. Instruct ServeMinnesota to develop adequate procedures and monitoring controls to ensure its subgrantees claim costs in accordance with the approved budget and classify costs correctly so that the approved budget is not circumvented.

ServeMinnesota Response

ServeMinnesota indicated that Red Lake will follow the required procedure for a budget revision in the future if there are costs that do not fall in a specific approved budget line item. For SPNN, ServeMinnesota concurred that those contract costs should have been reclassified in the budget approval process, rather than entered as personnel costs in the first program year. For YMCA, accounting procedures have been adjusted to classify costs in the correct budget areas.

ServeMinnesota provides annual fiscal training for all subgrantees. This training includes a discussion of budget and approval requirements for budgetary changes. ServeMinnesota also has a 3<sup>rd</sup> quarter match review, where it examines the source documentation for one month that ties to the subgrantees' reports. Each year, ServeMinnesota makes fiscal site visits with its high-risk subgrantees to ensure that all of the supporting documentation is in order and is correctly classified in their reports.

ServeMinnesota has always had procedures and monitoring controls in place. The auditors review helped us to strengthen these procedures and controls.

Auditor's Comment

ServeMinnesota's planned actions with regard to the unbudgeted costs for Red Lake are unclear although it plans positive action to avoid incurring costs without a corresponding budget line item. The costs were questioned because they were not allocable/allowable in the approved budget. The Corporation should take the recommended actions.

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

*Mayer Hoffman McCann P.C.*

Woodbridge, Virginia  
March 6, 2008

**APPENDIX A**

**ServeMinnesota's Response to Draft Report**

**From:** Audrey Suker [audrey@serveminnesota.org]  
**Sent:** Wednesday, March 05, 2008 6:04 PM  
**To:** James B. Elmore  
**Subject:** Minnesota's Response to Draft IG Report

**Attachments:** Draft Recommendations Response (3).doc; Draft Report Errors.doc

Hello James,

I've attached Minnesota's response to the Draft Report as well as a document that describes some minor errors in the draft report.

Please let me know if you have questions about any of this or need any further information.

Audrey Suker  
Executive Director  
ServeMinnesota  
431 South 7th Street, Suite 2540  
Minneapolis, MN 55415  
Phone: 612-333-7738  
Fax: 612-333-7758  
audrey@serveminnesota.org

**ServeMinnesota is a catalyst for positive social change, working with AmeriCorps and community partners to meet critical needs in Minnesota. ~ [www.serveminnesota.org](http://www.serveminnesota.org)**

# OIG Recommendations

## Recommendations - Pages 19 – 24

We recommend that the Corporation:

- 1.a. Resolve the questioned costs and recoup any disallowed and applicable administrative costs; and
- 1.b. Ensure that ServeMinnesota trains and monitors its subgrantees in establishing controls that specifically address the errors and weaknesses identified above. This effort includes developing a record-keeping system such that grant documentation is retained and readily accessible; develop policies and procedures to ensure costs claimed are properly supported by its accounting records and source documentation; design controls to verify the accuracy of costs claimed; design proper allocation methodology for costs; and implement procedures requiring appropriate personnel to review FSRs before they are submitted. The reviews should include tracing reported amounts on the FSRs to supporting documentation and verifying the accuracy of the data through appropriately designed analysis.

## ServeMinnesota's Response

1.a.

### **Federal and match costs reported lack sufficient supporting documentation.**

#### **Admission Possible – Page 19 (match – 20,231)**

Admission Possible agrees with the audit findings and acknowledges the errors made in prior years. It should be noted that these variances and errors were not found in the program year just ended. The staff members responsible for journal entries during that time did not have accounting or finance backgrounds and had only limited accounting skills. Given the small size of the organization the role encompassed multiple office and administrative functions, not exclusively accounting. The organization continues to place an increasing emphasis on staff competency with regard to accounting functions. Current accounting staff members understand the importance and process of using source documentation to generate financial entries. In addition to staff changes, Admission Possible has also instituted financial system enhancements that provide more accurate financial reporting. In prior years, FICA was not differentiated from other payroll taxes. Today FICA is reported directly from payroll registers as a separate expense line item with clear distinction between FICA related to staff members and AmeriCorps members. Further, the organization has made financial system enhancements that allow for sub-accounts, e.g. sub-accounts in the transportation line item that track expenses related to staff members versus expenses for AmeriCorps members. The sub-account structure of the accounting system now provides a more sophisticated mechanism for reporting different forms of expenses. Admission Possible continues to place emphasis on ensuring that staff members involved in grant accounting have a comprehensive understanding of the governing rules and internal systems. The organization, as it grows, is increasing its capacity in the accounting area and audit findings at the end of the period under review demonstrate a noticeable improvement in that regard. The organization believes it has taken appropriate measures to prevent a recurrence of these errors.



Admission Possible had much more match than required, and even after removing these questioned match costs from their financial reports they are still above the minimum match requirements.

**Duluth Area Family YMCA – Page 20 (Fed Costs – 411)**

On two occasions of the overstated claims, numbers were reversed during clerical entry. The duplicate entry was also a clerical error. The accounting department and the program director do review the reports to try and minimize clerical errors

**Minnesota Literacy Council – Page 20**

(Match – 6,100)

MLC management agrees with this finding. In February of 2007 the payroll and general ledger systems were re-designed in a manner to eliminate the risk of errors like this in the future.

(Fed Costs – 567)

MLC management agrees with this finding. The payroll system was re-designed in February of 2007 to accurately capture member costs by grant so the intermediate spreadsheet is no longer needed to calculate costs. This will minimize the risk of errors.

This was a documented and allowable expense however it was in the wrong program year.

(Match – 2,465)

MLC management agrees with this finding. Management suggests replacing these costs with other in-kind match that had not previously been reported.

**St. Paul Neighborhood Network – Page 20-21**

(Fed Costs - 8,365, Match Costs – 34,899)

The Sub-Grantee has changed reporting procedures to verify General Ledger and Payroll Register amounts prior to reporting to the Commission.

After thorough review the program found they had additional match amounts for each program year:

Program Year 04-05: \$5250 in program management costs donated to the program

Program Year 05-06: \$6131 in Equipment donated to the program

Program Year 06-07: \$6600 in Supervisor costs donated to the program

ServeMinnesota is in the process of collecting and reviewing this documentation.

(Fed Costs – 14,713, Match Costs – 2,596)

Computation errors occurred when the payroll register records were transferred to the SERF. This was due to manually subtracting staff costs from the gross totals for the program in the register to derive living allowance amounts. Following this audit, the Sub-Grantee separated all staff costs from the register record to another department classification to ensure this computation error will not occur in future.

The unsupported living allowances and FICA costs for the 2006-2007 program year, in the amount of \$9,596 Federal costs and \$1,693 match costs have already been corrected. ServeMinnesota had instructed the subgrantee to reduce their expense by these amounts on their final report for that program year before the program year was closed.

**Costs claimed to the wrong grant.**

**Minnesota Literacy Council – Page 22** (Fed Costs – 1,600, Match costs – 282 over & short between grants)

MLC management agrees that the living allowance was incorrectly distributed, however the total costs were correct, and the net difference between the Formula and Competitive grants is zero. The payroll system was re-designed in February of 2007 to accurately capture member costs by grant so the intermediate spreadsheet is no longer needed to calculate costs. This will minimize the risk of errors.

(Fed costs – 7,653)

The non-salary/benefit related common cost for PY 2006-2007 were incorrectly allocated based on budgeted percentages of salaries. This was a departure from the PY 2004-2005 and PY 2005-2006 methodology which allocated these types of costs based on the number of members under each grant, and has since been corrected.

**St. Paul Neighborhood Network – Page 22-23** (Match – 5,900)

St. Paul Neighborhood Network management agrees with this finding, and it was corrected in subsequent years. The subgrantee had match over the required amount in sections 1 & 3, and even after removing this amount from their report they are still above the minimum match required in sections 1 & 3.

**Credits not applied.**

**Admission Possible – Page 23** (Match – 3,116)

Admission Possible acknowledges the errors in applying credits against reported expenses in prior years. It should be noted that the variances and errors were not found during the program year just completed. The organization has made efforts to build its accounting capacity. As the organization grows, the staff roles become more specialized. This role specialization allows for a more complete and comprehensive understanding of reporting and accounting requirements. Admission Possible has also taken steps to improve standard procedures to match credits with corresponding expenses. The organization more fully utilizes the functionality of its accounting software to aid in that effort. As an example, the reimbursement received from Southwest State University that was missed would not occur in the systems and procedures environment today. Today when a check is issued to pay the expense, immediately a receivable is generated for the college or university that will be reimbursing Admission Possible. We are no longer reliant on remembering that an applicable credit will be received at a future date.

Admission Possible had much more match then required, and even after removing these questioned match costs from their financial reports they are still above the minimum match requirements.

**Duluth Area Family YMCA – Page 23** (Match Costs – 1,294)

This issue resulted from the timing of payments, and getting them credited back to the correct line items. Our accounting system has been adjusted to make sure that credits are applied to the correct line items.

The subgrantee was above their minimum match requirements, and even after reducing the match costs by these amounts, they are still above their minimum match requirements.

**Minnesota Literacy Council – Page 24 (Fed Costs – 417, Match – 73)**

MLC management agrees with this finding. Since the payroll system was re-designed, it will be easier to compare YTD numbers from the payroll system to the general ledger to minimize the risk of errors of this sort.

1.b. ServeMinnesota provides an annual fiscal training for all of the subgrantees. This year that training included having the subgrantees bring the general ledgers from their accounting systems and their financial report (SERF) for that same time period and making sure that they knew both how these reports should tie together and that they did tie together. Also, making sure that if they did not tie together they must be able to explain any variances. We also have a 3<sup>rd</sup> quarter match review, where we examine the source documentation for one month that ties to the subgrantees reporting. Each year we also have fiscal site visits with our high risk subgrantees to make sure that all of there supporting documentation is in order. This year we also implemented an enhanced monitoring system that each of our subgrantees must complete which includes among others, systems on Financial Management, Documentation of Matching Funds, and Reimbursement. Completing these systems includes documenting their procedures for each of those items, and reporting who is responsible for those tasks. At the end of each program year all of our subgrantees must complete a close out form which includes telling us where the previous years documentation will be stored, and who the contact person will be if that documentation must be accessed.

For our sub-grantees, the total amount of Federal share questioned costs over the six organizations that were audited was \$51,495 for an average of \$8,583/grantee or .005 of the total amount audited. The audit also included examining the matching requirements of the federal awards. For us as an organization we had no questioned costs associated with our matching funds. Across our six sub-grantees there was a total of \$104,648 of matching funds that were questioned for an average of \$17,441/grantee or .011 of the total claimed costs.

**Recommendations - Pages 25-27**

We recommend that the Corporation:

- 2.a. Disallow and recoup the questioned costs and applicable administrative costs;
- 2.b. Train ServeMinnesota and its subgrantees regarding applicable cost principles and grant regulations; and
- 2.c. Instruct ServeMinnesota to develop and implement procedures and controls to ensure that claimed costs are allowable and allocable in accordance with applicable costs principles, including thorough reviews of costs claimed on FSRs to supporting documentation to determine allowability. Once implemented, review costs claimed to ensure that the procedures are effective.

**ServeMinnesota's Response**

2.a. In the spirit of promoting service and volunteerism ServeMinnesota believes it is important to provide recognition to volunteers willing to give significant time to ensure the success of AmeriCorps programming in Minnesota. Consistent with this belief, ServeMinnesota has provided \$20 - \$25 dollar gift cards to individuals who have served as peer reviewers and have provided approximately 16 hours of time to make a meaningful contribution to this process.

Regarding the auditors questioning of costs associated with lobbying ServeMinnesota continues to believe that the activities were educational and not lobbying. ServeMinnesota does agree that a \$200.00 expense that was for catering services should not have been charged to federal funds and is in agreement that \$200.00 should be returned to CNCS.

2.b. ServeMinnesota's findings regarding allowability of expenses were not due to lack of training or understanding of cost principles but rather differences in interpretation.

Management response from our subgrantees is as follows:

**Admission Possible – Page 26 (Match – 5,459)**

Admission Possible acknowledges with errors found in claiming unallowable match costs in prior years. It should be noted that those errors were not discovered in the program year just ended. The inclusion of unallowable entertainment costs was a result of a misinterpretation of the governing rule. The inclusion of unallowable fundraising costs was a result of an entry error into the financial software. Admission Possible understands the importance of grant management and application of governing rules. The organization has taken steps to increase its staff capacity in both the grant management and grant accounting functions. Further, the organization has made financial system enhancements that make class accounting easier to understand and apply. The class structure of the accounting system now provides clear distinction for expenses that are includible and allowable under the grant from expenses that are unallowable. Admission Possible continues to place emphasis on ensuring that staff involved in grant management and accounting have a comprehensive understanding of the governing rules and its internal systems. It has developed systems whereby the class assignment of an expense is reviewed by at least two staff members with appropriate skill and understanding to ensure compliance with the governing rules and regulations.

Admission Possible had much more match then required, and even after removing these questioned match costs from their financial reports they are still above the minimum match requirements.

**CommonBond Communities – Page 26 (Fed Costs – 25)**

CommonBond has already reduced its claimed reimbursable costs in the amount of \$25 for the identified unallowable costs in program year 2006-2007. We will not claim another cost like this for reimbursement.

2.c. As noted in 2 b. ServeMinnesota does have procedures and controls and the audit has provided clarification on items where there is room for varying interpretations of cost principles.

**Recommendations - Page 28-33**

We recommend that the Corporation:

3.a. Verify that ServeMinnesota develops and implements more effective control procedures and closely monitors its subgrantees to ensure prompt and complete financial and programmatic reporting, as well as member evaluations, in accordance with the ServeMinnesota requirement;

3.b. Instruct ServeMinnesota to follow up with Red Lake to ensure that its members received an evaluation.

3.c. Instruct ServeMinnesota to provide a refresher course for its subgrantees on program compliance requirements, including report submissions, documenting member orientations, and the important role training and evaluations play in member development.

### **ServeMinnesota's Response**

3.a. All subgrantees understand the reporting requirements and will take appropriate corrective measures to ensure that future reporting remains in compliance. ServeMinnesota has implemented a new policy regarding timeliness of reporting and meeting deadlines.

All programs are required to meet due dates for reporting, document submissions, SERFS, closeout forms, surveys, RSVPs for meetings and any additional requests made by both ServeMinnesota and CNCS.

Reasonable requests for extensions must be made in writing to subgrantee's Program Officer prior to the due date and will be granted on a case by case basis. Late reporting without written permission for an extension will result in withholding of the program's payment (until obligation is fulfilled) and will impact recommendations to CNCS for continued program funding.

3.b. On November 11, 2007 Red Lake program staff faxed copies of 2 of the 4 missing member evaluations as requested by the auditor. ServeMinnesota staff had a conversation with Red Lake clarifying that half time members are required to have 2 evaluations. This information was also reviewed by ServeMinnesota staff at a site visit on 12/11/07.

3.c. ServeMinnesota has always provided training for it's subgrantees on program compliance and member development at the start of each program year.

We have now implemented an enhanced monitoring system which requires programs to standardize their operations. This instrument consists of fourteen systems, each tailored to a particular area of program or grants management. ServeMinnesota staff individually reviews all 14 systems for each subgrantee.

This tool provides the following:

- A point of intervention whereby program and ServeMinnesota staff can address operational challenges pertaining to grants management.
- Identifies program operations to ensure standardization and in some cases program compliance of some AmeriCorps Provisions.
- Serves as a model for prospective programs to see the operational systems that are required to administer an AmeriCorps program.

### **Recommendations - Page 33-36**

We recommend that the Corporation:

4.a. Disallow and recoup, if used, education awards and any interest forbearance for members that did not complete their service;

4.b. Ensure that ServeMinnesota provides training to the subgrantees so they (1) are familiar with program requirements and provisions for updating members status in WBRS or other applicable systems, including members who exit the program early; and (2) do not include member service hours without a signed AmeriCorps contract; and

4.c. Instruct ServeMinnesota to strengthen controls and monitoring over member timesheet preparation.

**ServeMinnesota's response**

4.a. During the exit conference ServeMinnesota was encouraged to direct program staff to have members make up missing hours. We had 2 programs with questioned Ed awards; Red Lake and Duluth YMCA.

The auditor created a spreadsheet to reconcile Red Lake member timesheets with what was entered into WBRS. This spreadsheet indicated a variance in hours from the totals on the timesheets and the amounts reported in WBRS to the Corporation. The variance from the actual timesheet totals to the required 1700 hours were 7.9 hours for one member and 32.4 hours for another member

One member has already served the additional 7.9 hours at the Red Lake Head Start Site. There is a timesheet with the member's and supervisor's signature verifying this.

One member intends on making up these hours but is working with the program and a site to work out this schedule. He has accessed his award in the amount of \$3,714

Duluth YMCA had a member that left orientation early for personal reasons and served 11 hours prior to signing her contract. At the end of the year she had over served by 6.5 hours resulting in a shortfall of 4.5 hours. The member is willing to make up those hours to fulfill her term.

4.b. ServeMinnesota has always provided training for its sub grantees so that they are familiar with program requirements and provisions for updating member's status in WBRS. (moving forward this will be done for the My AmeriCorps portal and ServeMinnesota's online reporting system which is replacing many functions of WBRS)

We have also implemented an enhanced monitoring system which requires programs to standardize their operations. This instrument consists of fourteen systems, each tailored to a particular area of program or grants management. ServeMinnesota staff individually reviews all 14 systems for each sub grantee and provides feedback to ensure compliance.

4.c. ServeMinnesota has implemented a new electronic timekeeping system which provides a secure (password protected) reporting system for member timesheets. Unique features of this system include: separate tracking of service hours, fundraising hours and training hours and an automatic calculation of hours which eliminates mathematical errors.

**Recommendations - Page 36-38**

We recommend that the Corporation:

5.a. Determine the allowability of the costs not approved in the budget and recoup any disallowed questioned costs and applicable administrative costs; and

5.b. Instruct ServeMinnesota to develop adequate procedures and monitoring controls to ensure its subgrantees claim costs in accordance with the approved budget and classify costs correctly so that the approved budget is not circumvented.

**ServeMinnesota's Response**

5.a.

**Red Lake Band of Chippewa – Page 36 (Fed Costs – 3,246)**

If there are costs that do not fit in a specific line item, we will follow the prescribed procedure for a revision. We will ensure that this is not an issue in the future. The auditors did

acknowledge that there was proper documentation for these costs, and they were an allowable cost.

**St. Paul Neighborhood Network – Page 37** (Fed Costs – 16,665, Match – 22,515)

These contract costs should have been reclassified in the budget approval process rather than entered as personnel costs in the first year. This problem was due to starting up as a new program and the need to use contractors as staff. In the second program year, the budget categories were changed to reflect these categories. The contractors were functioning as staff, it was an allowable expenditure that would have been approved if a budget change had been requested.

**Duluth Area Family YMCA – Page 37**

This issue results from an effort to have expenses inline with the budget, and changes in staffing during the program year. Our accounting procedure has been adjusted to classify costs in the correct budget areas.

5.b. ServeMinnesota provides an annual fiscal training for all of the subgrantees. This training includes discussing the budget and when changes to budget require approval. We also have a 3<sup>rd</sup> quarter match review, where we examine the source documentation for one month that ties to the subgrantees reporting. Each year we also have fiscal site visits with our high risk subgrantees to make sure that all of there supporting documentation is in order and is correctly classified in their reporting. ServeMinnesota has always had procedures and monitoring controls in place, the inspector general audit has helped us to be stronger in implementing these procedures and controls.

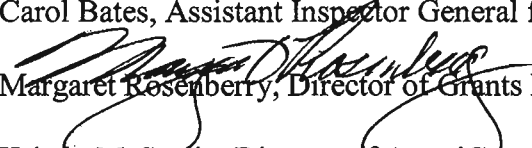
**APPENDIX B**

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



Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

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

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

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

**Date:** March 6, 2008

**Sub:** Response to OIG Draft of Agreed-Upon Procedures of Grants Awarded to Serve Minnesota

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

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.