

# Office of Inspector General Corporation for National and Community Service

OFFICE OF INSPECTOR GENERAL  
AGREED-UPON PROCEDURES FOR  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE  
GRANTS AWARDED TO  
MONTANA OFFICE OF COMMUNITY SERVICE

**OIG REPORT 08-15**



Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

Prepared by:

Cotton & Company LLP  
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This report was issued to Corporation management on March 14, 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 10, 2008 and complete its corrective actions by March 14, 2009. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



## OFFICE OF INSPECTOR GENERAL

March 14, 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 08-15, *Agreed-Upon Procedures of Corporation for National and Community Service (Corporation) Grants Awarded to the Montana Office of Community Service (OCS)*

We contracted with the independent certified public accounting firm of Cotton & Company LLP (Cotton) to perform agreed-upon procedures in its review of Corporation grants awarded to OCS. The contract required Cotton conduct its review in accordance with generally accepted government auditing standards.

Cotton is responsible for the attached report, dated January 22, 2008, and the conclusions expressed therein. We do not express opinions on OCS's Consolidated Schedule of Awards, and Claimed and Questioned Costs; conclusions on the effectiveness of internal controls; or compliance with laws, regulations, and grant provisions.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by September 10, 2008. Notice of final action is due by March 14, 2009.

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

Attachment

Courtesy Copy Distribution: See next page



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Senior Corps ★ AmeriCorps ★ Learn and Serve America



cc: Linda Carlson, Executive Director, Montana Office of  
Community Service  
Scott Seacat, Montana Legislative Auditor  
William Anderson, Deputy Chief Financial Officer  
Sherry Blue, Audit Resolution Coordinator  
Michael Gillespie, CPA, Managing Partner, Cotton & Company, LLP

**OFFICE OF INSPECTOR GENERAL  
AGREED-UPON PROCEDURES FOR  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE  
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**CONTENTS**

<b>Section</b>	<b>Page</b>
Executive Summary .....	1
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	4
Exhibit A: Consolidated Schedule of Claimed and Questioned Costs .....	7
Schedule A: State Administrative Award No. 04CAHMT001 .....	8
Schedule B: State Administrative Award No. 07CAHMT001 .....	11
Schedule C: PDAT Award No. 05PTHMT001 .....	12
Schedule D: Montana Conservation Corps .....	13
Schedule E: Literacy Support Corps.....	14
Schedule F: University of Montana Campus Corps.....	22
Exhibit B: Compliance Results.....	26

**Appendices**

- A: Montana Office of Community Service's Response to Agreed-Upon Procedures Report
- B: Corporation's Response to Agreed-Upon Procedures Report

## EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Cotton & Company LLP to perform agreed-upon procedures to assist the OIG in grant cost and compliance testing of Corporation-funded Federal assistance provided to the Montana Office of Community Service (OCS).

### SUMMARY OF RESULTS

As a result of applying our procedures, we questioned claimed Federal-share costs of \$57,798, education awards of \$189,809, and student loan accrued interest awards of \$8,947. 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, includes costs not supported by adequate documentation. Detailed results of our agreed-upon procedures are presented in Exhibit A and the supporting schedules.

Participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards and in some cases accrued interest awards from the Corporation's National Service Trust. These award amounts are not funded by Corporation grants and thus are not included in claimed costs. However, as part of our agreed-upon procedures, and using the same criteria as claimed costs, we determined the effect of our findings on eligibility for education-awards and student loan accrued interest awards.

We summarized grant compliance results in Exhibit B. Following is a summary of those testing results.

1. OCS and its subgrantees claimed unallowable and unsupported costs.
2. OCS did not ensure that its subgrantees completed required member criminal background checks before members served with children.
3. All subgrantees tested had weaknesses in member timekeeping procedures.
4. Subgrantees did not always complete member enrollment and exit forms and enter them into the Web-Based Reporting System (WBRS) in accordance with AmeriCorps requirements.
5. Some member contracts were not signed before applicants started service, were missing, or did not include all required elements.
6. Subgrantees did not always document member attendance at orientation training.
7. Subgrantees did not always conduct member evaluations that met AmeriCorps requirements or document all evaluations.
8. Subgrantee financial management systems did not adequately account for and report grant costs in accordance with Federal requirements.

9. OCS and its subgrantees did not ensure the allowability of claimed match costs.
10. OCS did not ensure that subgrantees complied with AmeriCorps requirements for documenting compelling personal circumstances and living allowance payments.
11. OCS did not document all procedures performed during site visits and did not have procedures to obtain subgrantee audit management letters or perform necessary reconciliations.

**AGREED-UPON PROCEDURES SCOPE**

We performed the agreed-upon procedures detailed in the OIG’s Agreed-Upon Procedures (AUP) Program for Corporation Awards to Grantees (including Subgrantees), dated February 2007. Our procedures covered testing of the following grants:

<b>Program</b>	<b>Grant No.</b>	<b>Award Period</b>	<b>AUP Period</b>	<b>Total Award</b>
AmeriCorps-Competitive	03ACHMT001	09/03/03-12/31/06	08/01/05-12/31/06	\$1,890,319
AmeriCorps-Competitive	06ACHMT001	08/01/06-07/31/09	08/01/06-03/31/07	2,065,102
AmeriCorps-Formula	03AFHMT001	09/11/03-09/10/06	09/01/05-09/10/06	439,894
AmeriCorps-Formula	06AFHMT001	08/15/06-08/14/09	08/15/06-03/31/07	434,962
Administrative	04CAHMT001	01/01/04-12/31/06	07/01/05-12/31/06	398,020
Administrative	07CAHMT001	01/01/07-12/31/09	01/01/07-06/30/07	129,239
Disability	04CDHMT001	01/01/04-12/31/06	07/01/05-12/31/06	153,209
Disability	07CDHMT001	01/01/07-12/31/09	01/01/07-06/30/07	74,000
PDAT	05PTHMT001	01/01/05-12/31/07	07/01/05-06/30/07	322,500

The OIG’s agreed-upon procedures program included:

- Obtaining an understanding of the Commission and its subgrantee monitoring process.
- Reconciling claimed grant costs and match costs of the Commission and a sample of subgrantees to their accounting systems.
- Testing subgrantee member files to verify that the records support the eligibility to serve and allowability of living allowances and education awards.
- Testing compliance of the Commission and a sample of subgrantees on selected AmeriCorps Provisions, and award terms and conditions.
- Testing claimed grant costs and match costs of the Commission and a sample of subgrantees to ensure:
  - i. AmeriCorps grants, Administrative grants, Program Development and Training (PDAT) grants, and Disability Placement grants were properly recorded;

- ii. Costs were properly matched; and
- iii. Costs were allowable and supported in accordance with applicable Office of Management and Budget (OMB) circulars, grant provisions, award terms and conditions.

We conducted our fieldwork at OCS and three of its six subgrantee sites, Montana Conservation Corps (MCC), Literacy Support Corps (Literacy Support), and University of Montana Campus Corps (Campus Corps) from August through October 2007.

## **BACKGROUND**

The Corporation supports national and community service programs that provide full- and part-time opportunities for Americans to engage in service and provides educational opportunities to participants. The AmeriCorps program is one of the Corporation's three major service initiatives. Approximately three-quarters of all AmeriCorps grant funding goes to state service commissions, which award competitive grants to nonprofit groups that then recruit AmeriCorps members to respond to local needs.

The Montana Governor's Office of Community Service, a State agency that is the administrative arm of the Montana Commission on Community Service, administers Montana AmeriCorps programs. OCS is associated with the State Department of Labor and Industry (DLI) for administrative purposes only. OCS receives multiple awards from the Corporation including AmeriCorps, Administrative, Professional Development and Training, and Disability grants. The AmeriCorps grants are annual awards passed through OCS to eligible subgrantees that recruit and select members who then earn living allowances and education awards. OCS AmeriCorps grants funded 276 AmeriCorps members in Program Year (PY) 2005-2006 and 436 in PY 2006-2007.

## **EXIT CONFERENCE**

We conducted an exit conference with OCS representatives on January 24, 2008. Following that conference, we issued a draft report for comment to both OCS and the Corporation. OCS's response is in Appendix A and generally summarized in the body of the report. The Corporation did not have specific comments but intends to respond in its management decision at a later date (see Appendix B).



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January 22, 2008

Office of Inspector General  
 Corporation for National and Community Service

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

Cotton & Company LLP performed the procedures detailed in the OIG’s Agreed-Upon Procedures Program for Corporation Awards to Grantees (including Subgrantees), dated February 2007. These procedures were agreed to by the OIG solely to assist it in grant cost and compliance testing of Corporation-funded Federal assistance provided to OCS for the awards detailed below.

This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants (AICPA) 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, either for the purpose for which this report has been requested or any other purpose.

Our procedures covered testing of the following grants:

<b>Program</b>	<b>Grant No.</b>	<b>Award Period</b>	<b>AUP Period</b>	<b>Total Award</b>
AmeriCorps-Competitive	03ACHMT001	09/03/03-12/31/06	08/01/05-12/31/06	\$1,890,319
AmeriCorps-Competitive	06ACHMT001	08/01/06-07/31/09	08/01/06-03/31/07	2,065,102
AmeriCorps-Formula	03AFHMT001	09/11/03-09/10/06	09/01/05-09/10/06	439,894
AmeriCorps-Formula	06AFHMT001	08/15/06-08/14/09	08/15/06-03/31/07	434,962
Administrative	04CAHMT001	01/01/04-12/31/06	07/01/05-12/31/06	398,020
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Disability	04CDHMT001	01/01/04-12/31/06	07/01/05-12/31/06	153,209
Disability	07CDHMT001	01/01/07-12/31/09	01/01/07-06/30/07	74,000
PDAT	05PTHMT001	01/01/05-12/31/07	07/01/05-06/30/07	322,500



We performed testing at OCS and three of its six subgrantees sites, MCC, Literacy Support, and Campus Corps. We selected and tested:

- 80 Federal and 20 match-cost transactions at OCS
- 30 Federal and 21 match-cost transactions at MCC
- 40 Federal and 20 match-cost transactions at Literacy Support
- 42 Federal transactions at Campus Corps

We also tested certain grant compliance requirements by sampling the files of 75 subgrantee members. We performed all applicable testing procedures in the AUP Program on each sample transaction or member file. At the request of the OIG, we expanded testing at Literacy Support Corps to include timesheets for 23 additional members in PY 2005-2006 and 21 additional members in PY 2006-2007.

<b>Subgrantee</b>	<b>PY 2005-2006</b>	<b>PY 2006-2007</b>
MCC	7	25
Literacy Support Corps	8	7
Literacy Support Corps - Timesheets Only	23	21
Campus Corps	13	15

#### **RESULTS OF AGREED-UPON PROCEDURES**

The detailed results of our agreed-upon procedures on claimed costs are presented in Exhibit A and the supporting schedules. As a result of applying our procedures, we questioned claimed Federal-share costs of \$57,798, education awards of \$189,809, and student loan accrued interest awards of \$8,947. 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, includes costs not supported by adequate documentation.

Grant participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards and repayment of student loan interest accrued during the term of service from the National Service Trust. These awards amounts are not funded by Corporation grants and thus are not included in claimed costs. As part of our agreed-upon procedures and using the same criteria as claimed costs, we determined the effect of our findings on education and accrued interest award eligibility.

We summarized the results of testing grant compliance in Exhibit B. We were not engaged to, and did not perform an examination, the objective of which would be expression of an opinion on the subject matter. 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.

This report is intended solely for the information and use of the OIG, Corporation, OCS, and U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

A handwritten signature in black ink, appearing to read "M. W. Gillespie". The signature is fluid and cursive, with a prominent initial "M" and a long, sweeping underline.

Michael W. Gillespie, CPA, CFE  
Operations Managing Partner

**EXHIBIT A**

**MONTANA OFFICE OF COMMUNITY SERVICE  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS  
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

<b>Award</b>	<b>Awarded</b>	<b>Claimed</b>	<b>Questioned</b>	<b>Questioned Education Awards</b>	<b>Questioned Accrued Interest</b>	<b>Reference</b>
04CAHMT001	<u>\$398,020</u>	<u>\$193,535</u>	<u>\$15,608</u>			Schedule A
07CAHMT001	<u>\$129,239</u>	<u>\$52,377</u>	<u>\$300</u>			Schedule B
04CDHMT001	<u>\$153,209</u>	<u>\$77,295</u>				
07CDHMT001	<u>\$74,000</u>	<u>\$20,650</u>				
05PTHMT001	<u>\$322,500</u>	<u>\$204,997</u>	<u>\$525</u>			Schedule C
03ACHMT001						
Montana Conservation Corps	\$1,213,960	\$1,213,960	\$1,042			Schedule D
Literacy Support Corps	418,500	303,270	<u>13,160</u>	<u>\$63,124</u>	<u>\$2,227</u>	Schedule E
Others	<u>257,859</u>	<u>208,402</u>				
Total	<u>\$1,890,319</u>	<u>\$1,725,632</u>	<u>\$14,202</u>	<u>\$63,124</u>	<u>\$2,227</u>	
03AFHMT001						
Campus Corps	\$396,152	\$355,693	<u>\$3,126</u>	<u>\$23,514</u>	<u>\$759</u>	Schedule F
Others	<u>43,742</u>	<u>39,815</u>				
Total	<u>\$439,894</u>	<u>\$395,508</u>	<u>\$3,126</u>	<u>\$23,514</u>	<u>\$759</u>	
06ACHMT001						
Montana Conservation Corps	\$1,297,800	\$337,592				Schedule D
Literacy Support Corps	418,500	268,073	\$22,112	\$91,221	\$4,374	Schedule E
Campus Corps	<u>348,802</u>	<u>107,997</u>	<u>1,925</u>	<u>11,950</u>	<u>1,587</u>	Schedule F
Total	<u>\$2,065,102</u>	<u>\$713,662</u>	<u>\$24,037</u>	<u>\$103,171</u>	<u>\$5,961</u>	
06AFHMT001	<u>\$434,962</u>	<u>\$242,966</u>				
Total	<u>\$5,907,245</u>	<u>\$3,626,622</u>	<u>\$57,798</u>	<u>\$189,809</u>	<u>\$8,947</u>	

**MONTANA OFFICE OF COMMUNITY SERVICE  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS  
SCHEDULE OF CLAIMED AND QUESTIONED COSTS  
STATE ADMINISTRATIVE AWARD NO. 04CAHMT001**

	<b>Amount</b>	<b>Notes</b>
Claimed Federal Costs	<u>\$193,535</u>	
Questioned Federal Costs:		
Excess travel costs	\$857	1
Unmet match	<u>14,751</u>	2
Total Questioned Federal Costs	<u>\$15,608</u>	

1. OCS claimed \$1,497 of lodging expenses as Federal costs for OCS employees and commissioners for their attendance at the Board of Director’s meeting held in July 2005. OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, 43.b., *Lodging and subsistence*, states that costs incurred for travel, including costs of lodging, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by a governmental unit in its regular operations as the result of the governmental unit’s written travel policy. The 2004 State of Montana Travel Policy Section 1-0340.20, *In State-Lodging Reimbursement rates in General* states, “...except as provided in 1-0340.25, the maximum lodging reimbursement rate for in-state travel is the actual cost of lodging, not to exceed the federal per diem rate plus the applicable taxes on the allowable rate.” Section 1-0340.25, *In-State Travel-Lodging Reimbursement at Actual Cost (No Cap)* states that an agency director or designated approving authority may approve reimbursement of lodging at actual costs when applicable. Subsequent to the identification of this issue, OCS provided a blanket “Justification for Travel” form signed by the Commissioner of Montana Department of Labor for Commission travel. The lodging expenses were incurred in 2005 but the blanket form was not signed until November 2007. We questioned \$857 of lodging costs in excess of State limits.
  
2. We questioned \$14,751 of Federal costs from unmet match requirements. OCS was required to meet a matching requirement of 50 percent for this grant. We calculated questioned Federal costs as follows:

<b>Administrative Grant</b>	<b>Amount</b>	<b>Notes</b>
Total Claimed (Federal & Match)	\$796,040	
Less Questioned Costs:		
Excess travel costs claimed	\$857	1
Unallowable costs: VISTA lunch	1,450	a
Weatherization Services	<u>27,195</u>	b
Total Questioned Costs	\$29,502	
Net Allowable Costs	<u>\$766,538</u>	
Claimed Federal Costs	\$398,020	
Eligible Federal costs (\$766,538 x 50%)	<u>383,269</u>	
Questioned Federal Costs	<u>\$14,751</u>	

- a. OCS claimed as match \$1,450 for the cost of a picnic for VISTA members. OMB Circular A-87, Attachment A, Paragraph C.3., *Allocable costs*, states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objectives in accordance with relative benefits received. VISTA is a separate program from the AmeriCorps program and any costs associated with that program are not allowable under the State Administrative award. We questioned the \$1,450.
- b. OCS claimed as match \$27,195 of reimbursements to the Montana Department of Public Health and Human Services (DPHHS) for weatherization services and for materials purchased by the Human Resource Development Councils at the request of DPHHS. OCS entered into a memorandum of understanding with DPHHS to provide home weatherization after receiving a \$50,000 donation from a private entity. DPHHS then entered into an agreement with the MCC to perform the weatherization services. MCC was to receive \$216,000 to perform the weatherization services. Weatherization services were for program beneficiary's homes, not for OCS facilities and therefore does not benefit and is not allocable to the State Administrative award.

The Provisions for Program Development and Training, Disability Placement, and State Administrative Awards, 2006 Special Provisions, 3. *Purpose of the State Administrative Awards*, states that State Administrative grant funds are to support the operations of the Commission. In addition, OMB Circular A-87, Attachment A, Paragraph C.1., *Factors affecting allowability of costs*, states that costs must be necessary and reasonable for proper and efficient performance and administration of a Federal award. Further, Paragraph C.2., *Reasonable costs* states that in determining the reasonableness of a given cost, consideration must be given to whether the cost is a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award. We

questioned the \$27,195 of weatherization services because they were not performed for OCS facilities.

***OCS's Response:*** OCS believes the travel expenditure in Note 1 was approved and did not provide a response on the questioned costs in Note 2. a. and b. Under the State of Montana Travel Policy, the Montana Commission Executive Director is the designated approving authority and did approve the expenditure. OCS has made changes to procedures to be sure correct forms are used for documentation for travel claims.

***Accountants' Comments:*** OCS provided an "Accounts Payable General Voucher" signed by the former Executive Director and an email between the former Executive Director and DLI discussing how the costs for the trip should be allocated. Neither document included justification or approval for the excess travel costs.

**SCHEDULE B**

**MONTANA OFFICE OF COMMUNITY SERVICE  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS  
SCHEDULE OF CLAIMED AND QUESTIONED COSTS  
STATE ADMINISTRATIVE AWARD NO. 07CAHMT001**

	<b>Amount</b>	<b>Note</b>
Claimed Federal Costs	<u>\$52,377</u>	
Questioned Federal Costs:		
Unallowable costs: gift certificate	<u>\$300</u>	1

1. OCS claimed \$300 for the costs of a gift certificate to a resort. OCS provided correspondence from the resort explaining that OCS purchased a gift certificate; however, OCS did not provide an explanation as to why the gift certificate was purchased. OCS only indicated that the gift certificate was a program expense. OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, Paragraph C.1., *Factors affecting allowability of costs*, states that, to be allowable under an award, costs must be necessary and reasonable for proper and efficient performance and administration of Federal Awards. Further, OMB Circular A-87, Attachment B, Paragraph 14., *Entertainment Costs*, states that costs of entertainment, including amusement, diversion, and social activities, and any costs directly associated with such costs are unallowable. We questioned the \$300.

**OCS's Response:** OCS concurred with the questioned costs. OCS has corrected the policies and procedures for recording grant expenses and is working with its fiscal agent to ensure that this type of error will not occur again.

**MONTANA OFFICE OF COMMUNITY SERVICE  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS  
SCHEDULE OF CLAIMED AND QUESTIONED COSTS  
PDAT AWARD NO. 05PTHMT001**

	<b>Amount</b>	<b>Notes</b>
Claimed Federal Costs	<u>\$204,997</u>	
Questioned Federal Costs:		
Travel costs in excess of allowable limits	<u>\$525</u>	1

1. OCS claimed \$906 of lodging expenses for OCS employees and commissioners for attendance at the Board of Director’s meeting held in July 2005. OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, 43.b., *Lodging and subsistence*, states that costs incurred for travel, including costs of lodging, shall be considered reasonable and allowable only to the extent that such costs do not exceed charges normally allowed by a governmental unit in its regular operations as the result of the governmental unit’s written travel policy. The 2004 State of Montana Travel Policy Section 1-0340.20, *In State-Lodging Reimbursement rates in General* states, “...except as provided in 1-0340.25, the maximum lodging reimbursement rate for in-state travel is the actual cost of lodging, not to exceed the federal per diem rate plus the applicable taxes on the allowable rate. Section 1-0340.25, *In-State Travel-Lodging Reimbursement at Actual Cost (No Cap)* states that an agency director or designated approving authority may approve reimbursement of lodging at actual costs when applicable. Subsequent to the identification of this issue, OCS provided a blanket “Justification for Travel” form signed by the Commissioner of Montana Department of Labor for Commission travel. The lodging expenses were incurred in 2005 but the blanket form was not signed until November 2007. We questioned \$525 of lodging costs in excess of State limits.

**OCS’s Response:** OCS believes the travel expenditure was approved. Under the State of Montana Travel Policy, the Montana Commission Executive Director is the designated approving authority and did approve the expenditure. OCS has made changes to its procedures to be sure correct forms are used for documentation for travel claims.

**Accountants’ Comments:** OCS provided an “Accounts Payable General Voucher” signed by the former Executive Director and an email between the former Executive Director and DIL discussing how the costs for the trip should be allocated. Neither document included justification or approval for the excess travel costs.



**SCHEDULE D**

**MONTANA OFFICE OF COMMUNITY SERVICE  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS  
SCHEDULE OF CLAIMED AND QUESTIONED COSTS  
MONTANA CONSERVATION CORPS**

	<b>PY 2005-2006 Totals</b>	<b>PY 2006-2007 Total</b>	<b>Note</b>
Claimed Federal Costs	<u>\$1,213,960</u>	<u>\$337,952</u>	
Questioned Federal Costs	<u>\$1,042</u>		1

1. Sampled PY 2005-2006 expenditures included \$733 and \$309 for member graduation expenses. The \$733 of graduation expenditures was for a lunch buffet at the member graduation ceremony. The \$309 of graduation expenditures was for a member recognition and graduation dinner at a restaurant. Per the Corporation's June 2006 negotiation letter, graduation costs are unallowable. Graduation meals were included in MCC's approved budget under member training. Group recognition and morale boosters were included in the approved budget under match costs. Additionally, the AmeriCorps Application instructions (2005) Appendix E *Budget Instructions, I Other Operating Cost*, states gifts/or food in an entertainment event setting are not allowable costs. We questioned \$1,042 on the basis of the Corporation's June 2006 negotiation letter and the application instructions.

**OCS's Response:** OCS concurred with the questioned costs. The subgrantee has corrected the policies and procedures to reflect the correct category for this type of expenditure. OCS will be developing more detailed guidance to correct compliance issues.

**SCHEDULE E**

**MONTANA OFFICE OF COMMUNITY SERVICE  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS  
SCHEDULE OF CLAIMED AND QUESTIONED COSTS  
LITERACY SUPPORT CORPS**

	<b>PY 2005-2006 Totals</b>	<b>PY 2006-2007 Totals</b>	<b>Notes</b>
Claimed Federal Costs	\$303,270	\$268,073	
Questioned Federal Costs:			
Returning members without prior year final evaluation		\$14,528	1
Incremental living allowance	\$5,608	3,259	2
Member support costs paid to education award only members	5,096	3,719	3
Unallowable administrative costs	1,925		4
Unsupported costs, consultant services		525	5
Unsupported costs, orientation lunch	236		6
Unallowable costs, graduation lunch	195		7
Unsupported costs, gas stipends	<u>100</u>	35	8
Unallowable costs, entertainment costs		<u>46</u>	9
Total Questioned Federal Costs	<u>\$13,160</u>	<u>\$22,112</u>	
Questioned Education Awards:			
Holiday bonus hours and personal leave	\$49,681	\$42,608	10
WBRS hours discrepancies	10,450	16,675	11
Service after end of service term	1,000	9,450	12
Reading hours		9,450	13
Returning members without prior year final evaluation		9,450	1
Service before signed contract		<u>3,588</u>	14
Estimated service hours	1,250		15
Lack of compelling personal circumstances	<u>743</u>		16
Total Questioned Education Awards	<u>\$63,124</u>	<u>\$91,221</u>	
Questioned Accrued Interest	<u>\$2,227</u>	<u>\$4,374</u>	17

1. Literacy Support did not provide an end-of-term evaluation for two PY 2005-2006 members who served second terms. AmeriCorps Special Provisions 2005-2006, IV D.6., *Performance Reviews*, requires mid-term and end-of-year member performance evaluations. According to 45 CFR § 2522.220(c), *Eligibility for Second Term*, a participant is not eligible for a second or additional term of service and/or for an AmeriCorps education award without a satisfactory performance evaluation. We questioned the members' PY 2006-2007 Federal-share living allowance and fringe

benefits of \$14,528 and earned education awards of \$9,450 because, without a final evaluation at the end of their first term, the members were ineligible for a second term.

2. Literacy Support paid an incremental living allowance to members who started service late. For instance, one member who started service in August 2006 received a living allowance of \$530 twice per month and one member who started service in November 2006 received a living allowance of \$589 twice per month. Both members had each received a total of \$10,600 in living allowance by the conclusion of their service. In PY 2005-2006, ten Literacy Support members received incremental living allowance payments. In PY 2006-2007, five Literacy Support members received incremental living allowance payments. AmeriCorps Special Provisions (2005-2006), IV I.1., *Living Allowance Distribution*, states that programs should pay the living allowance in regular increments, such as weekly or bi-weekly, paying an increased increment only for increased living expenses, such as food, housing, or transportation. In addition, payments should not fluctuate based on the number of hours served in a particular period, and must cease when a member concludes a term of service. Further, if a member enrolls after the program's start date, the program may not increase the member's incremental payment. Literacy Support was unaware that a living allowance should only be paid while a member is serving and was unaware that increasing incremental amount of living allowance was not permitted. We questioned \$5,608 of PY 2005-2006 incremental living allowance payments for seven members and \$3,259 of PY 2006-2007 incremental living allowance payments for five members. We did not question the living allowance for three PY 2005-2006 members who started service prior to September 6, 2005, the date the AmeriCorps provision was updated.
3. Literacy Support claimed the living allowance of two PY 2005-2006 members and three PY 2006-2007 members that were identified in WBRS as Education Award Only members. Literacy Support believed that OCS changed the members' status from Education Award Only members to Living Allowance and Education Award members; however, Literacy Support was unable to provide documentation of the change. We questioned \$5,096 of living allowances and related benefits for the two PY 2005-2006 members and \$3,719 of living allowances and related benefits for the three PY 2006-2007 members.
4. Literacy Support claimed administrative expenses of \$19,147 for PY 2005-2006 that exceeded the allowable administrative percentages by \$1,925. In lieu of an indirect cost agreement, grantees may charge a fixed five percent of Federal funds expended for administrative costs. OCS passed on the fixed five percent to Literacy Support. Literacy Support was unaware that it had exceeded allowable administrative expenses because it claimed less administrative expenses than were budgeted. We questioned \$1,925 of administrative costs as calculated below:

<b>PY 2005-2006</b>	<b>Amount</b>
Claimed Corporation Expenditures	\$346,560
Less: Claimed Administrative (Section III) Expenditures	<u>19,147</u>
Total Claimed Section I&II Expenditures	<u>\$327,413</u>
Claimed Administrative Costs	\$19,147
Allowable Administrative Costs (\$327,413 x 5.26%)	<u>17,222</u>
Excess Administrative Costs	<u>\$1,925</u>

5. In PY 2006-2007, a contractor was paid \$525 for conducting training classes. The only documentation supporting the expenditures was an invoice typed on a Microsoft Word document. The individual that conducted the training did not sign the invoice. Literacy Support did not develop a written contract with the individual that performed the training to establish an agenda for the training or a compensation rate. OMB Circular A-122 *Cost Principles for Non-Profit Organizations*, Attachment A, Paragraph A.2., *Factors affecting allowability of costs*, states an award cost must be adequately documented to be allowable. Further, Attachment B, Paragraph 37, *Professional Services Costs*, states that one of the relevant factors in determining the allowability costs is the adequacy of the contractual agreement for the service. We questioned the \$525.
  
6. In June 2006, Literacy Support claimed \$236 for an orientation lunch. Literacy Support did not have documentation, such as an itemized bill from the restaurant, to support the claimed costs. The only documentation provided by Literacy Support was a check request form and a "Receipt" form summarizing the quantity and amount of items purchased. Without an itemized receipt or other documentation from the restaurant, we could not determine the allowability of claimed costs. Although Literacy Support identified the June 2006 lunch as an orientation lunch, its PY 2006-2007 members did not start their service until August 2006. OMB Circular A-122 *Cost Principles for Non-Profit Organizations*, Attachment A Paragraph A.2., *Factors affecting allowability of costs*, states an award cost must be adequately documented to be allowable. We questioned the \$236.
  
7. In June 2006, Literacy Support claimed \$195 for a graduation lunch. Literacy Support did not have documentation, such as an itemized receipt from the restaurant, to support claimed costs. The only documentation provided by the subgrantee was a "Guest Check" form that indicated \$195 of meals was purchased. Without an itemized receipt, we could not determine the allowability of the costs. OMB Circular A-122 *Cost Principles for Non-Profit Organizations*, Attachment A Paragraph A.2., *Factors affecting allowability of costs*, states an award cost must be adequately documented to be allowable. Further, per the Corporation's June 2005 negotiation letter with OCS, food costs are unallowable. Additionally, the AmeriCorps Application instructions (2005) Appendix E *Budget Instructions, I Other Operating Cost*, states gifts/or food in an entertainment event setting are not allowable costs. We questioned the \$195.

8. Sampled PY 2005-2006 and 2006-2007 expenditures included gas stipends provided to members. In December 2005, one member received a \$100 stipend and in October 2006 one member received a \$35 gas stipend. OMB Circular A-122 *Cost Principles for Non-Profit Organizations*, Attachment A, Paragraph A.2., *Factors affecting allowability of costs*, states an award cost must be adequately documented to be allowable. Further, Literacy Support financial policies states that mileage will be paid at published rates and will be reimbursed on an actual cost basis as defined by each program director. Literacy Support decided to provide its members with a monthly gas stipend because it would cost less than reimbursing members for actual mileage costs. Literacy Support was unable to provide any documentation to display the methodology used to calculate the stipends or the distance traveled by the two members. We questioned \$135 of sampled gas stipends.
  
9. In January 2007, Literacy Support claimed \$46 of food expenses for a staff bowling luncheon. OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, Paragraph 14, *Entertainment Costs*, states that costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable. Literacy Support considered these costs to be allowable as morale boosting costs. We questioned the \$46.
  
10. Sampled Literacy Support members recorded holiday bonus hours and personal leave on their timesheets. At the request of the OIG, we expanded member timesheet testing for 23 additional members in PY 2005-2006 and 21 additional members in PY 2006-2007. The following table identifies the number of members that had holiday bonus hours and personal leave recorded on their timesheets.

<b>Description</b>	<b>Instances</b>	<b>Education Awards Questioned</b>
Holiday Bonus Hours	43	16
Personal Leave	19	9
Holiday Bonus Hours and Personal Leave	1	1

The 2002-2003 Program Director's Handbook, *What are the requirements for earning an education award?*, *Minimum service requirements for AmeriCorps members* and the 2006-2007 Montana AmeriCorps Program Director's Guide, *AmeriCorps Selection, Terms of Service*, state that holidays, leave time, and other absences may not be counted toward service hours, but should be included in the programmatic year. Literacy Support believed that holiday bonus hours were allowable because it mirrored a VISTA program that gave members holiday and personal leave hours. PY 2006-2007 members were not provided with personal leave after the program director learned at a conference that personal leave could not be counted as service and the program director noticed that members were saving and using all of their leave at the end of the program year.

- We questioned the education awards of \$14,241 for six PY 2005-2006 members and education awards of \$42,608 for 10 PY 2006-2007 members who did not meet the minimum service hours required for education awards when we deleted holiday bonus hours. We also questioned the education awards for eight PY 2005-2006 members and six PY 2006-2007 members. The education awards for these members are included in the questioned education awards for personal leave below and in Notes 11, 12, 13, 14, and 15.
  - We questioned education awards of \$33,077 for nine PY 2005-2006 members who did not meet the minimum service hours required for education awards when we deleted personal leave hours. The education awards for two additional members are included in the education awards questioned in Note 13 and the education awards for two additional members included in the education awards questioned for holiday bonus hours above.
  - We questioned the education award of \$2,363 for one PY 2005-2006 member that did not meet the minimum service hours required for an education award when we deleted holiday bonus hours and personal leave hours.
11. Timesheets did not support hours recorded in WBRS for six of eight sampled members in PY 2005-2006 and four of seven sampled members in PY 2006-2007. As discussed in Schedule E, Note 10, we expanded WBRS member timesheet testing for 23 additional members in PY 2005-2006 and 21 additional members in PY 2006-2007. Timesheets did not support WBRS hours for these 13 additional members in PY 2005-2006 and 13 additional members in PY 2006-2007.

AmeriCorps Special Provisions (2005-2006), IV C.2., *AmeriCorps Member*, requires that grantees keep time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits. The Corporation uses time-and-attendance information in WBRS to track member status, which forms the basis for calculating education awards.

Literacy Support officials said calculation errors were made when they totaled timesheet hours and reported the hours in WBRS. We questioned education awards of \$10,450 for three PY 2005-2006 members and \$16,675 for five 2006-2007 members because they did not meet the minimum-hour requirements to earn an education award.

<b>Member</b>	<b>WBRS Hours</b>	<b>Timesheet Hours</b>	<b>Service Hours Required for Award</b>
1	1,708.00	1,699.00	1,700.00
2	1,714.50	1,692.00	1,700.00
3	351.50	261.50	300.00
4	451.25	368.25	450.00
5	1,702.75	1,685.75	1,700.00
6	1,703.50	1,613.50	1,700.00
7	452.50	435.00	450.00
8	1,702.50	1,695.00	1,700.00

12. Four members were exited from WBRS with certification of eligibility for full education awards without completing the minimum service required to earn an education award, (one member in PY 2005-2006 and three members in PY 2006-2007). The members needed additional time to complete their minimum service requirements. Literacy Support officials said they believed it would not be fair to deny the members' education awards since the members were dedicated volunteers and Literacy Support believed that members would complete their service requirements. We deducted the hours served by the members after the end of the members' term of term and questioned education awards of \$1,000 for one PY 2005-2006 member and \$9,450 for two PY 2006-2007 members. The education award for one additional PY 2006-2007 member is included in the questioned education awards in Note 11.
13. Members recorded time spent reading books as service and training hours. Reading books is inconsistent with the service and training activities specified in Literacy Support's application narrative. Literacy Support felt that reading hours would suffice as service hours because the required reading provided the members with a perspective on the type of people they would be interacting with during their service. We deducted the reading hours and questioned education awards of \$9,450 for two PY 2006-2007 members. The education award for one PY 2005-2006 member is included in the questioned education awards in Note 10. The education award for one additional PY 2006-2007 member is included in the questioned education awards in Note 11.
14. Members started service before signing member contracts (six in PY 2005-2006 and five in PY 2006-2007). AmeriCorps Special Provisions (2005-2006), C.1., *Member Enrollment Procedures*, states that an individual is enrolled as an AmeriCorps member when he or she signs a member contract. Literacy Support officials said they were unaware that the member contract had to be signed on or before the day that the members started service and believed that it had 30 days after the member started service to obtain the signed member contract.

We questioned the education awards for three PY 2005-2006 and three PY 2006-2007 members who did not meet the minimum service hours required for full-time, part-time,

and minimum-time education awards when we deleted hours for service performed before member contracts were signed, as detailed below:

Member	WBRS Hours	Timesheet Hours	Hours Before Signed Contract	Eligible Service Hours	Service Hours Required for Award	Questioned Education Award
1	222.75	221.50	27.50	194.00	222.75	Note 16
2	1,708.00	1,699.00	8.50	1,690.50	1,700.00	Note 11
3	1,701.25	1,701.25	9.00	1,692.25	1,700.00	Note 10
4	300.00	307.00	24.50	282.50	300.00	\$1,000
5	1,576.50	1,576.50	81.00	1,495.50	1,576.50	\$225
6	915.50	915.50	705.00	210.05	900.00	\$2,363

15. Estimated service hours were added to the last timesheet of one PY 2005-2006 member. AmeriCorps Special Provisions (2005-2006), IV C.2., *AmeriCorps Member*, requires that grantees keep time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits. Time and attendance records must be signed and dated both by the member and by an individual with oversight responsibilities for the member. At the end of the member's service, the member felt that she had failed to record the actual number of hours served. Therefore, the member calculated an estimate of the number of additional hours served and provided the estimate to the Program Coordinator. The Program Coordinator worked closely with the member, and felt that the estimate was accurate and added the hours to the last timesheet. We deducted the estimated service hours added to the last timesheet and questioned the member's education award of \$1,250.
16. One PY 2005-2006 Literacy Support member was exited from the program due to compelling personal circumstances and was awarded a partial education award. The member called Literacy Support to explain the circumstances for her departure. Literacy Support documented the circumstances explained by the member during the telephone conversation but did not obtain documentation from the member to support the compelling personal circumstances. According to 45 CFR §2522.230, *Under what circumstances may AmeriCorps participants be released from completing a term of service, and what are the consequences?*, an AmeriCorps program may release a participant from completing a term of service for compelling personal circumstances as demonstrated by the participant. Literacy Support did not have any documentation from the member. We questioned the member's partial education award of \$743.
17. Nine Literacy Support members whose education awards were questioned in Notes 10, 11, 13, and 14 had accrued interest payments made by the Corporation.

45 CFR §2529.10 (a) *Eligibility*, states that the Corporation will pay interest that accrues on an individual's qualified student loan only if the member successfully completes a term of service in an approved AmeriCorps position.



We questioned accrued interest payments made by the Corporation of \$6,601 (\$2,227 for five PY 2005-2006 members and \$4,374 for four PY 2006-2007 members) for members that did not successfully complete terms of service.

***OCS's Response:*** OCS concurred with the questioned costs in Notes 2 through 9 and did not provide a response to the questioned costs, questioned education awards, and questioned accrued interest payments in Notes 1, 10, 12, 13, 14, 16, and 17. OCS did not concur with the questioned costs and education awards in Notes 3, 11, and 16. Its responses are summarized below:

- **Note 3.** OCS believes that approval was given and will be working with the Corporation to provide that documentation.
- **Note 11.** OCS believes the WBRS and timesheet data presented by the auditors may have incorrect calculations.
- **Note 16.** OCS feels that the documentation provided in WBRS, members timecard and personal contract was correct documentation as 45CFR §2522.230 does not specify a type of documentation required.

***Accountants' Comments:*** Our specific comments on Notes 3, 11 and 16 follow:

- **Note 3.** As discussed above, WBRS indicated that the members were education award only members and Literacy Support did not provide any other documentation to support a change in member status.
- **Note 11.** The WBRS and timesheet data was emailed to the subgrantee on November 26, 2007. The January 24, 2008 exit conference was the first indication from the subgrantee that they believed the WBRS and timesheet data were incorrect. Neither OCS nor the subgrantee provided documentation to support their assertions.
- **Note 16.** As discussed above, 45CFR §2522.230 requires the participant to demonstrate compelling personal circumstances. Literacy Support did not have any documentation from the member to support compelling personal circumstances.

**SCHEDULE F**

**MONTANA OFFICE OF COMMUNITY SERVICE  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS  
SCHEDULE OF CLAIMED AND QUESTIONED COSTS  
CAMPUS CORPS**

	<b>PY 2005-2006 Totals</b>	<b>PY 2006-2007 Totals</b>	<b>Notes</b>
Claimed Federal Costs	\$355,693	\$107,997	
Questioned Federal Costs:			
Unallowable living allowance: 100% Federal share	\$1,457		1
Unallocable costs, annual report and conference	380	\$1,880	2
Unallowable living allowance: living allowance paid after member completed service	883		3
Unallocable costs, wrong program	310		4
Unallowable costs, entertainment	<u>96</u>	<u>45</u>	5
Total Questioned Federal Costs	<u>\$3,126</u>	<u>\$1,925</u>	
Questioned Education Awards:			
WBRS hours discrepancies	\$3,613	\$1,250	6
Service before signed contract	<u>19,901</u>	<u>10,700</u>	7
Total Questioned Education Awards	<u>\$23,514</u>	<u>\$11,950</u>	
Questioned Accrued Interest	<u>\$759</u>	<u>\$1,587</u>	8

1. Campus Corps claimed 100 percent of the living allowance for one member in PY 2005-2006. The 45 CFR §2522.240, *What financial benefits do AmeriCorps participants serving in approved AmeriCorps positions receive? (5) Limitation on Federal share*, states that the Federal share including, Corporation and other Federal funds, of the total amount provided to an AmeriCorps participant for a living allowance may not exceed 85 percent of the minimum required living allowance. Campus Corps officials stated that they erroneously claimed 100 percent of the members' living allowance as Federal costs. We questioned \$1,457, the 15 percent of excess Federal living allowance.
  
2. Campus Corps claimed \$380 of annual report printing costs in PY 2005-2006 and \$3,780 of conference costs in PY 2006-2007. The Building Engaged Citizens conference included participants from non-AmeriCorps programs, but the entire cost of the conference was allocated to the AmeriCorps Program. OMB Circular A-21, *Cost Principles for Educational Institutions*, Paragraph C.4., *Allocable costs* states a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assigned to such cost objective in accordance with relative benefits received. Campus Corps officials said they did not have a system for allocating costs and tried to allocate

expenses among programs as equitably and evenly as possible, but at times allocated all of the expenses for specific items to one cost objective. We could not determine the portion of annual report printing costs that were allocable to the AmeriCorps program. Of the \$3,780 conference costs, \$1,900 were allocable to the AmeriCorps program and \$1,880 were not allocable. We questioned the \$380 of annual report printing costs and \$1,880 of conference costs.

3. Campus Corps claimed \$883 of living allowance paid to a member after the member had ended their service. The member completed their service in July 2006, but was paid a living allowance through August 2006. AmeriCorps Special Provisions (2005-2006), IV I.1., *Living Allowance Distribution*, states that payments should not fluctuate based on the number of hours served in a particular time period, and must cease when a member concludes a term of service. The member was identified as a “contract professional” in the payroll system and Campus Corps did not have a system in place to notify the payroll office to end payments at the completion of the member’s service. We questioned \$883.
4. Campus Corps claimed \$310 of training costs for another Campus Corps program not affiliated with AmeriCorps. OMB Circular A-21, *Cost Principles for Educational Institutions*, Paragraph C.4., *Allocable costs* states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assigned to such cost objective in accordance with relative benefits received. Campus Corps erroneously claimed the training costs on the AmeriCorps grant. We questioned the \$310.
5. Campus Corps claimed \$141 of gifts and entertainment expenses as follows:
  - In PY 2005-2006, Campus Corps claimed \$40 for a sweatshirt purchased for a member as a welcome to campus gift and \$30 for thank-you gifts for Campus Corps team leaders.
  - In PY 2006-2007, Campus Corps claimed \$45 for a sweatshirt purchased for an individual that provided training at no cost.
  - Campus Corps also claimed an additional \$26 of entertainment expenses in PY 2005-2006. The expenses were recorded in the general ledger as entertainment expenses, but documentation identifying the type of entertainment expense was not provided.

AmeriCorps Application Instructions (2005), Appendix E *Budget Instructions, I Other Operating Costs*, states gifts and/or food in an entertainment/ event setting are not allowable costs. We question the \$40 and \$30 gifts to members based on the Application instructions.

OMB Circular A-21, *Cost Principles for Educational Institutions*, Paragraph J.15. *Donations and contributions* states 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 match requirements in accordance with 45CFR§2543.23 *Cost sharing and matching*. We question the \$45.

OMB Circular A-21, *Cost Principles for Educational Institutions*, Paragraph J.17. *Entertainment costs*, states costs of entertainment, including amusements, diversion, and social activities and any costs directly associated with such costs are unallowable. We question the \$26.

6. Timesheets did not support hours recorded in WBRs (four members in PY 2005-2006 and four members in PY 2006-2007). The timesheets for one PY 2005-2006 member were not in the member file at the time of the site visit, but were subsequently provided by the subgrantee.

AmeriCorps Special Provisions (2005-2006), IV C.2., *AmeriCorps Member*, requires that grantees keep time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits.

Campus Corps officials stated that calculation errors were made when program officials totaled timesheet hours and reported the hours in WBRs. We questioned education awards of \$3,613 for two PY 2005-2006 members and \$1,250 for one 2006-2007 member because they did not meet the minimum-hour requirements to earn an education award.

<b>Member</b>	<b>WBRs Hours</b>	<b>Timesheet Hours</b>	<b>Questioned Education Award</b>
1	900.00	898.00	\$2,363
2	463.00	440.00	\$1,250
3	450.25	431.25	\$1,250

7. Members started service before signing member contracts (nine in PY 2005-2006 and eight in PY 2006-2007). AmeriCorps Special Provisions (2005-2006) IV C.1., *Member Enrollment Procedures*, states that an individual is enrolled as an AmeriCorps member when he or she signs a member contract. The current program director could not explain why the member contracts were signed after the members started service.

We questioned education awards for seven members PY 2005-2006 and four members PY 2006-2007 who did not meet the minimum service hours required for full-time, part-time, and minimum-time education awards when we deleted hours for service performed before member contracts were signed, as detailed below:

Member	WBRS Hours	Timesheet Hours	Hours Before Signed Contract	Eligible Service Hours	Service Hours Required for Award	Questioned Education Award
1	900.00	898.00	34.00	864.00	900.00	Note 6
2	1,702.75	1702.75	30.50	1,672.25	1,700.00	\$4,725
3	905.00	905.00	15.00	890.00	900.00	\$2,363
4	902.50	902.50	46.50	856.00	900.00	\$2,363
5	303.00	303.00	303.00	0.00	300.00	\$1,000
6	1,701.00	1,701.00	21.50	1,679.50	1,700.00	\$4,725
7	1,700.75	1,700.75	5.50	1,695.25	1,700.00	\$4,725
8	1,707.50	1,707.50	36.00	1671.50	1,700.00	\$4,725
9	1,700.00	1,700.00	17.00	1,683.00	1,700.00	\$4,725
10	450.25	431.25	6.50	424.75	450.00	Note 6
11	450.00	449.50	21.00	428.50	450.00	\$1,250

8. Three Campus Corps members whose education awards were questioned in Note 14 had accrued interest awards paid by the Corporation.

45 CFR §2529.10 (a) *Eligibility*, states that the Corporation will pay interest that accumulates on an individual's qualified student loan if the member successfully completes a term of service in an approved AmeriCorps position.

We questioned accrued interest payments made by the Corporation of \$2,346 (\$759 for one PY 2005-2006 member and \$1,587 for two PY 2006-2007 members) because the members did not complete their term of service.

**OCS's Response:** OCS concurred with the questioned costs in Notes 1 through 6 and did not provide a response to the questioned education awards and questioned accrued interest payments in Notes 7 and 8.

**MONTANA OFFICE OF COMMUNITY SERVICE  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS  
COMPLIANCE RESULTS**

**1. OCS and its subgrantees claimed unallowable and unsupported costs.**

The notes to Schedules A through F describe questioned costs of \$57,798, which are summarized on Exhibit A. 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.

***Recommendations:***

- 1. a.** We recommend that the Corporation recover the disallowed costs.
- 1. b.** In addition, we recommend that the Corporation recover the administrative costs related to the disallowed costs.

***OCS's Response:*** OCS's specific comments on questioned costs are detailed in Schedules A through F.

***Accountants' Comments:*** We continue to make the recommendations as described above.

**2. OCS did not ensure that its subgrantees completed required member criminal background checks before members served with children.**

Literacy Support and Campus Corps did not complete background checks for some members until after the members began service with children. In addition, Literacy Support did not conduct any background checks for some members who performed service with children.

- Literacy Support did not conduct background checks on two PY 2005-2006 members serving second terms. Literacy Support officials said they did not think that background checks were required for returning members because they had undergone background checks during the prior program year.
- Literacy Support did not complete background checks for one PY 2005-2006 member and one PY 2006-2007 member until after the members started their service with children. The completion time for background checks were 97 and 159 days, respectively, after the start of service. The subgrantee attributed the delay to an oversight.

- Campus Corps did not complete background checks for six PY 2005-2006 members and for four PY 2006-2007 members until after the members started service with children. In addition, the results of the background check for one of the PY 2006-2007 members could not be determined because the background check was maintained offsite. Campus Corps officials said they were aware that background checks were required for members, but were unclear as to when the checks needed to be completed.

The AmeriCorps Special Provisions (2005-2006), IV C.7., *Criminal Background Checks*, requires that, to the extent permitted by state law, criminal record checks be conducted on members over the age of 18 who have access to children as part of the pre-service screening process.

Without background checks, members with criminal records could have contact with children, resulting in potential liability for the program’s young clients, the subgrantee, OCS, and the Corporation.

***Recommendations:***

2. a. We recommend that the Corporation require OCS to strengthen its subgrantee training to ensure that background checks are performed before members serve with children.
2. b. We recommend that the Corporation require OCS to strengthen its program monitoring to ensure that background checks are performed before members serve with children.
2. c. We also recommend that the Corporation follow up after additional training is provided, and monitoring procedures are in place, to ensure that all OCS subgrantees comply with background check requirements.

***OCS’s Response:*** OCS did not have specific comments on these recommendations. OCS intends to work with the Corporation during the resolution process to make necessary changes to resolve the findings and to implement the recommendations.

***Accountants’ Comments:*** We continue to make the recommendations as described above.

**3. All subgrantees tested had weaknesses in member timekeeping procedures.**

As discussed in Schedule E, we identified instances in which members recorded holiday bonus hours and personal leave as service, on their timesheets.

<b>Description</b>	<b>Instances</b>	<b>Education Awards Questioned</b>	<b>Questioned Education Awards</b>
Holiday Bonus Hours	43	16	\$56,849
Personal Leave	19	9	33,077
Holiday Bonus Hours and Personal Leave	1	1	2,363

The 2002-2003 Program Director's Handbook, *What are the requirements for earning an education award?*, *minimum service requirements for members*, and the 2006-2007 Montana AmeriCorps Program Director's Guide, AmeriCorps Selection, *Terms of Service*, states that holidays, leave time, and other absences may not be counted toward service hours, but should be included in the programmatic year. Literacy Support officials said they believed that holiday bonus hours were allowable because their program mirrored a VISTA program that gave members holiday and personal leave hours. PY 2006-2007 members were not provided with personal leave after the program director learned at a conference that personal leave could not be counted as service and the program director noticed that members were saving and using all of their leave at the end of the program year.

As discussed in Schedule E, we also identified instances where member hours spent reading books were counted as service, estimated hours were recorded on timesheets, and service hours were recorded after the end of the members' term of service:

- Members recorded time reading books on feminism as service and training hours. Reading books is inconsistent with the service and training activities specified in Literacy Support's application narrative. Literacy Support officials said they believed that reading hours would suffice as service hours because the required reading provided the members with a perspective on the type of people they would be interacting with during their service. We do not consider books on feminism or other reading necessary training for members serving in adult literacy and related educational programs. As a result of deducting reading hours for the total of service hours, we questioned the education awards for one PY 2005-2006 member and two PY 2006-2007 members.
- Estimated service hours were added to the last timesheet of one PY 2005-2006 member. At the end of the member's service, the member felt that she failed to record the actual number of hours served. Therefore, the member calculated an estimate of the number of additional hours served. The Program Coordinator worked closely with the member, and felt that the estimate was accurate and added the hours to the last timesheet for the member. We questioned the member's education award.
- One PY 2005-2006 member and three PY 2006-2007 members were exited from WBRS with full education awards without completing the minimum service hours required. Literacy Support believed the members would complete their service requirements and awarded the members their full education awards. We questioned the education awards for the members.

Literacy Support and Campus Corps timesheets did not support member eligibility for some education awards and, in some instances, timesheet hours were not always accurately recorded in WBRS. We initially tested timesheets for 75 members at MCC, Literacy Support, and Campus Corps. As noted in finding number three, we expanded the timesheet testing at the request of the



OIG by an additional 44 members. Service hours recorded in WBRS were not supported by member timesheets as follows:

Subgrantee	Tested	PY 2005-2006	PY 2006-2007	Totals
MCC	32	0	0	0
Literacy Support	15	6	4	10
Literacy Support - Timesheets Only	44	13	13	26
Campus Corps	28	4	4	8

In many cases, these differences affected member eligibility to earn an education award because the timesheet-supported service hours did not meet the Corporation's requirements. Specifically:

- In PY 2005-2006 and 2006-2007, eight Literacy Support members did not meet minimum service hours required for education awards. We questioned education awards of \$27,125.
- In PY 2005-2006 and 2006-2007, three Campus Corps members did not meet minimum service hours required for education awards. We questioned education awards \$4,863.

AmeriCorps Special Provisions (2005-2006), IV C.2., *AmeriCorps Members* requires that grantees keep time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits. AmeriCorps Special Provisions (2005-2006), IV E.1, *Program Requirements*, states that to be eligible for an education award, the member must complete the term of service and hours:

- Full-time members must serve at least 1,700 hours;
- Half-time members must serve at least 900 hours;
- Reduced half-time members must serve at least 675 hours;
- Quarter-time members must serve at least 450 hours; and
- Minimum-time members must serve at least 300 hours.

Literacy Support and Campus Corps did not have procedures in place to verify the accuracy of hours recorded in WBRS or to ensure that all member time was properly reported.

During testing, we noted some weaknesses in timekeeping procedures. A summary of timesheet discrepancies by subgrantee follows:

Subgrantee	Not Dated	Missing Signatures	Not Original	Prepared in Pencil	Whiteout Corrections	Changes Not Initialed	12 or More Service Hours Per Day
MCC	32	0	28	0	12	1	21
Literacy Support	43	27	25	27	25	47	17
Campus Corps	<u>8</u>	<u>5</u>	<u>5</u>	<u>11</u>	<u>8</u>	<u>19</u>	<u>4</u>
Total	<u>83</u>	<u>32</u>	<u>58</u>	<u>38</u>	<u>45</u>	<u>67</u>	<u>42</u>

- A Microsoft Word document with typed dates and service hours was provided as a timesheet for one PY 2005-2006 Literacy Support member. The document was initialed and dated by the supervisor but was not signed or dated by the member.
- One PY 2006-2007 Literacy Support member timesheet had service hours recorded on dates that did not exist. The member recorded 14 hours of service on November 31 and 6 hours of service on November 32.
- Some members at MCC, Literacy Support, and Campus Corps began their service before their WBRs enrollment date.
- Five Literacy Support and four Campus Corps members signed their timesheets before they completed all of the hours recorded on their timesheet for the period.

MCC, Literacy Support, and Campus Corps did not have adequate policies and procedures to ensure that members and/or supervisors date all timesheets, initial all corrections, and maintain original timesheets. Literacy Support and Campus Corps did not have procedures in place to ensure that members and/or supervisors sign all timesheets, refrain from the use of whiteout and pencil, record hours on official timesheets, sign timesheets after completing service hours, and check accuracy of recorded hours.

AmeriCorps requirements do not specifically address timesheet procedures. It is, however, good business practice to maintain original documents, initial changes, make corrections without pencil or whiteout, sign and date documents, and check the accuracy of hours recorded on timesheets. Without procedures to verify member activities or timesheet accuracy, the potential exists that members may perform prohibited activities or may receive education awards to which they are not entitled. By initialing changes, accountability is maintained that timesheets are consistent with member and management intentions.

***Recommendations:***

3. a. We recommend that the Corporation require OCS to strengthen its subgrantee training to ensure that subgrantees verify the accuracy and reasonableness of service hours recorded on timesheets, maintain member timesheets in member files, and have policies to ensure that timesheets are properly completed.
3. b. We recommend that the Corporation require OCS to strengthen program monitoring of timesheets and service hours.
3. c. We also recommend that the Corporation provide training to OCS and its subgrantees on appropriate member training activities.
3. d. We also recommend that the Corporation review results of OCS monitoring visits until the Corporation is confident that reported member service hours are for eligible service consistent with the grant application and the revised procedures are effective.
3. e. Our testing at Campus Corps found 28 percent of members sampled had service hours in WBRs that were not supported by the timesheets. We recommend the Corporation ensure testing of the remaining member timesheets for eligible service hours and disallow education awards for members with service hour deficiencies.

- 3. f. We further recommend that the Corporation disallow earned and used education awards, and recover education awards for members whose timesheets did not support their eligibility for an award.
- 3. g. We also recommend that the Corporation recover any accrued interest paid by the Corporation for those members and prevent the payment of accrued interest for all of the members with questioned education awards.

**OCS's Response:** OCS did not have specific comments on these recommendations. OCS intends to work with the Corporation during the resolution process to make necessary changes to resolve the findings and to implement the recommendations.

**Accountants' Comments:** We continue to make the recommendations as described above.

**4. Subgrantees did not always complete member enrollment and exit forms and enter them into WBRs in accordance with AmeriCorps requirements.**

We tested enrollment and exit forms for a total of 75 members at MCC, Literacy Support, and Campus Corps. These subgrantees did not enter member enrollment and exit forms into WBRs within the required 30-day timeframe, as follows:

Subgrantee	Enrollment	Exit
MCC	0	1
Literacy Support	2	4
Campus Corps	<u>14</u>	<u>16</u>
Totals	<u>16</u>	<u>21</u>

In addition, we noted that an exit form for one Literacy Support PY 2005-2006 member was approved in WBRs before the member completed service.

We further identified enrollment and exit forms that were missing, were not signed by members, were signed after the members started service, were signed before the members completed service, were signed in pencil, and had changes that were not initialed.

Subgrantee	Missing	Not Signed by Member	Signed After Service Start	Signed Before Service End	Signed in Pencil	Changes Not Initialed
MCC	0	2	0	0	1	0
Literacy Support	0	3	7	0	3	1
Campus Corps	<u>1</u>	<u>2</u>	<u>14</u>	<u>7</u>	<u>8</u>	<u>0</u>
Totals	<u>1</u>	<u>7</u>	<u>21</u>	<u>7</u>	<u>12</u>	<u>1</u>

AmeriCorps Special Provisions (2005-2006), IV E.2, *Notice to the Corporation's National Service Trust*, requires that grantees notify the Corporation within 30 days of a member's enrollment and/or completion of service. AmeriCorps General Provisions (2005-2006) V E., *Retention of Records*, requires grantees to retain all program records for three years from the date

of submission of the final Financial Status Report (FSR). Without timely completion and submission of enrollment and exit forms, the Corporation cannot maintain accurate member records.

AmeriCorps requirements do not specifically address procedures for preparing forms. It is, however, good business practice to prepare and sign documents in ink. When member forms are prepared with pencil, it is difficult to determine if unauthorized alterations have been made, and an audit trail does not exist to determine if changes were authorized.

**Recommendations:**

- 4. a. We recommend that the Corporation require OCS to strengthen its subgrantee training to ensure that member forms are properly completed.
- 4. b. We recommend that the Corporation require OCS to strengthen its subgrantee program monitoring to ensure that member forms are properly completed.

**OCS’s Response:** OCS did not have specific comments on these recommendations. OCS intends to work with the Corporation during the resolution process to make necessary changes to resolve the findings and to implement the recommendations.

**Accountants’ Comments:** We continue to make the recommendations as described above.

**5. Some member contracts were not signed before applicants started service, were missing, or did not include all required elements.**

AmeriCorps applicants become members only after signing a contract; therefore, service hours recorded before signing are not eligible to count toward earning an education award.

As discussed in Schedules E and F, we identified the following instances where service hours recorded subsequent to the contract signing date were insufficient to warrant an education award.

<b>Subgrantee</b>	<b>Signed After Service Start</b>	<b>Signature Date Changed</b>	<b>Questioned Education Awards</b>
Campus Corps	17	0	\$30,601
Literacy Support	<u>11</u>	<u>1</u>	<u>3,588</u>
Total	<u>28</u>	<u>1</u>	<u>\$34,189</u>

In addition, we noted that:

- Campus Corps was unable to provide a contract for one member.
- MCC’s member contracts did not include position descriptions (they were separate documents). MCC did not provide a position description for one member tested from PY 2006-2007.
- The member contract was not signed or dated by the Program Director for one of Literacy Support’s members in PY 2006-2007.

AmeriCorps Special Provisions (2005-2006), IV C.1.b., *Member Enrollment Procedures*, stipulates that AmeriCorps programs are required to sign a member contract with an individual or otherwise enter a legally enforceable commitment as defined by state law before enrolling a member. Further, members are not considered enrolled in a program until a contract is signed, and therefore service hours recorded before signing a member contract are not counted toward member education awards.

AmeriCorps Special Provisions (2005-2006), IV D.2., *Member Contracts*, requires members to sign contracts that stipulate responsibilities and rights, including position descriptions. Failure to sign member contracts that include all necessary stipulations could result in members being unaware of their rights and responsibilities.

***Recommendations:***

5. a. We recommend that the Corporation require OCS to strengthen its subgrantee training to ensure that a signed and dated contract stipulating all member responsibilities and rights is obtained before a member begins service and the contract is retained for each member for each year of service.
5. b. We recommend that the Corporation require OCS to strengthen its subgrantee program-monitoring of member contracts for compliance with AmeriCorps Provisions.
5. c. Our testing at Campus Corps found 60 percent of members sampled earned service hours before their contract was signed. We recommend the Corporation ensure testing of the remaining member timesheets for eligible service hours and disallow education awards for members with service hour deficiencies.
5. d. We also recommend that the Corporation disallow, and if already used, recover education awards made to members that did not serve the minimum required service hours.
5. e. We further recommend that the Corporation recover any accrued interest paid by the Corporation and if not paid, prevent the payment of accrued interest for members with questioned education awards.

***OCS's Response:*** OCS did not have specific comments on these recommendations. OCS intends to work with the Corporation during the resolution process to make necessary changes to resolve the findings and to implement the recommendations.

***Accountants' Comments:*** We continue to make the recommendations as described above.

**6. Subgrantees did not always document member attendance at orientation training.**

MCC, Literacy Support, and Campus Corps could not provide documentation to demonstrate that members received an orientation covering the AmeriCorps program and requirements before starting service, as follows:

- MCC did not provide documentation to show that three sampled members from PY 2006-2007 received orientation training. MCC officials explained that the

members received an orientation but believed that the members were unaware that they needed to record orientation hours on their timesheets.

- Literacy Support did not provide documentation to show that four members from PY 2005-2006 and five members from PY 2006-2007 received orientation training. Four of the members started the program late, and their sign-in sheets did not indicate that they received orientation.
- Campus Corps did not provide documentation to show that six members from PY 2005-2006 and six members from PY 2006-2007 received orientation training before starting service.

AmeriCorps Special Provisions (2005-2006), IV D. *Training, Supervision, and Support*, states that grantees must conduct an orientation for members and comply with any pre-service orientation or training required by the Corporation. In addition, grantees are required to provide members with training, skills, knowledge, and supervision necessary to perform tasks required in their assigned project positions, including specific training in a particular field and background information on the community served. Further, AmeriCorps General Provisions (2005-2006), V E., *Retention of Records*, requires grantees to retain all program records for three years from the date of submission of the final FSR.

***Recommendations:***

- 6. a.** We recommend that the Corporation require OCS to strengthen its subgrantee training procedures to ensure that subgrantees maintain and retain documentation to support member attendance at orientation.
- 6. b.** We also recommend that the Corporation require OCS to strengthen its subgrantee program monitoring procedures to include verification of documentation to support member attendance at orientation.

***OCS's Response:*** OCS did not have specific comments on these recommendations. OCS intends to work with the Corporation during the resolution process to make necessary changes to resolve the findings and to implement the recommendations.

***Accountants' Comments:*** We continue to make the recommendations as described above.

**7. Subgrantees did not always conduct member evaluations that met AmeriCorps requirements or document all evaluations.**

MCC, Literacy Support, and Campus Corps did not provide documentation that some members received mid-term and final evaluations, and some of the evaluations were missing either member or supervisor signatures. Missing and unsigned evaluations were as follows:

<b>Subgrantee</b>	<b>Mid-Term Evaluations</b>		<b>Final Evaluations</b>	
	<b>Missing</b>	<b>Unsigned</b>	<b>Missing</b>	<b>Unsigned</b>
MCC	1	0	7	6
Literacy Support	3	0	6	1
Campus Corps	<u>3</u>	<u>1</u>	<u>3</u>	<u>6</u>
Total	<u>7</u>	<u>1</u>	<u>16</u>	<u>13</u>

None of the final evaluations tested at MCC, Literacy Support, and Campus Corps indicated whether the member had completed the required number of service hours to be eligible for an education award.

AmeriCorps Special Provisions (2005-2006), IV D.6, *Performance Reviews*, states that grantees must conduct and keep a record of at least a mid- 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, to document that the member has:

- Completed the required number of hours;
- Satisfactorily completed assignments; and
- Met other performance criteria communicated at the beginning of the service term.

In addition, we noted that:

- The mid-term evaluation for one MCC member was signed at the end of the member's service. The member signed the mid-term evaluation on August 14, 2007, and the final evaluation on August 17, 2007.
- The mid-term evaluations for one PY 2005-2006 and one PY 2006-2007 Campus Corps member and the final evaluation for one PY 2005-2006 Campus Corps member were signed in pencil.
- One PY 2006-2007 Campus Corps member signed but did not date their mid-term evaluation.
- Two PY 2005-2006 and five PY 2006-2007 Campus Corps sampled members signed their final evaluation before completing their terms of service.

In our testing we found two Literacy Support members without a PY 2005-2006 final evaluation who returned for second terms of service in PY 2006-2007. Evaluations are necessary to ensure that members are eligible for additional service terms, and that grant objectives have been met. Without evaluations, members are not eligible to serve an additional term of service. We questioned the Federal share of the members' PY 2006-2007 living allowance of \$14,528 and education awards of \$9,450 as explained in Schedule E, Note 1. We also questioned the match share of the member's PY 2006-2007 living allowance of \$3,602.

***Recommendation:***

7. a. We recommend that the Corporation require OCS to strengthen its subgrantee training procedures to ensure that subgrantees conduct and document member evaluations that meet AmeriCorps program requirements.
7. b. We recommend that the Corporation require OCS to strengthen its program monitoring procedures to ensure that subgrantees conduct and document member evaluations that comply with AmeriCorps program requirements.
7. c. We also recommend that the Corporation disallow, and if already used, recover education awards awarded to members that did not receive final evaluations.
7. d. We further recommend that the Corporation recover any accrued interest paid by the National Service Trust for those members with questioned education awards and prevent the payment of accrued interest for all of the members with questioned education awards.

***OCS's Response:*** OCS did not have specific comments on these recommendations. OCS intends to work with the Corporation during the resolution process to make necessary changes to resolve the findings and to implement the recommendations.

***Accountants' Comments:*** We continue to make the recommendations as described above.

**8. Subgrantee financial management systems did not adequately account for and report grant costs in accordance with Federal requirements.**

Literacy Support, and Campus Corps were not accounting for and reporting grant costs in accordance with Federal requirements, as follows:

- Literacy Support timesheets did not comply with OMB Circular A-122. Staff timesheets were not after-the-fact documentation and were signed several days to several weeks prior to the end of the pay period. In addition, the program director did not complete a timesheet that accounted for all of the activities for which she is compensated. The program director only completed a leave slip that identified how many hours were worked or how many hours of personal and holiday leave were taken. Finally, the labor allocation for one employee was based on full-time equivalents instead of actual hours worked. OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, Paragraph 8.m., *Support of salaries and wages*, states that the distribution of salaries and wages to awards must be supported by personnel activity reports that reflect an after-the-fact determination of actual activity of each employee. In addition, budget estimates or estimates determined before services are performed do not qualify as support for charges to awards. We did not question labor costs because we performed alternative procedures by interviewing the staff and determined the costs are allocable to the grant.
- Literacy Support and Campus Corps did not submit FSRs and progress reports in accordance with subgrant requirements. AmeriCorps Special Provisions (2005-2006) IV N.1. a., *Financial Status Reports* and b., *Progress Reports*, states that



grantees are responsible for setting subgrantee reporting requirements, and that subgrantees must adhere to reporting requirements outlined and communicated by the grantee for the program year. OCS required semiannual FSRs and progress reports to be submitted in WBRs. We identified reports submitted after the subgrantee due dates as follows:

<b>Subgrantee</b>	<b>FSRs</b>		<b>Progress Reports</b>	
	<b>Number</b>	<b>Days Late</b>	<b>Number</b>	<b>Days Late</b>
Literacy Support	1	3	3	3, 6, 10
Campus Corps	4	3 to 8	2	3 and 11

The failure to submit subgrantee FSRs and progress reports on time can adversely affect OCS's ability to submit complete and accurate reports to the Corporation.

**Recommendations:**

- 8. a. We recommend that the Corporation require OCS to provide subgrantee training to ensure that timesheets comply with OMB circulars.
- 8. b. We recommend that the Corporation require OCS to provide training to ensure that subgrantees report grant progress in a timely manner.
- 8. c. In addition, we recommend that the Corporation follow up with OCS to determine whether the training was effective.

**OCS's Response:** OCS did not have specific comments on these recommendations. OCS intends to work with the Corporation during the resolution process to make necessary changes to resolve the findings and to implement the recommendations.

**Accountants' Comments:** We continue to make the recommendations as described above.

**9. OCS and its subgrantees did not ensure the allowability of claimed match costs.**

Sampled OCS, MCC, and Literacy Support match costs also included the following unallowable and unallocable match costs:

- As discussed in Schedule A notes 2.a. and 2.b., OCS claimed \$28,645 of unallowable match costs on State Administrative Award No. 04CAHMT001. In addition, OCS claimed as match State Administrative Grant Award No. 07CAHMT001 \$15,000 of Governor's Community Service Scholarships. The Governor's Community Service Scholarship program was created when the Corporation discontinued the Presidential Freedom Scholarship program. The Corporation's Presidential Freedom Scholarship program promoted student service and civic engagement. The Governor's scholarship program was not an AmeriCorps Program and the funds were not used in support of the administrative grant.
- In PY 2005-2006, MCC claimed \$1,708 of internal evaluation costs. The internal evaluation costs were based on estimates of the amount of labor spent by MCC

employees evaluating the program. OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, Paragraph 8.m. *Support for salaries and wages (2)(a)*, states that budget estimates do not qualify as support for charges to awards.

- In, PY 2006-2007, MCC claimed \$101 of member mileage costs from PY 2005-2006. OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Subpart C. 28., *Period of availability of funds*, states that, where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period.
- In PY 2005-2006, MCC claimed as match approximately \$23,100 of Service Awards provided to MCC's Youth Engaged in Service (YES) members. The YES program was a summer volunteer service program for teens operated by MCC. AmeriCorps members headed teams of teen volunteers. In addition to the YES Service Awards, MCC also claimed as match the costs associated with the teams. Per the Corporation's June 2005 negotiation letter for PY 2005-2006 programs, Youth Service Awards are not an allowable cost under the AmeriCorps grant. The Youth Service Awards were included in MCC's approved budget under Youth Recognition.
- In PY 2005-2006, MCC claimed \$4,902 of crew leader graduation costs. In PY 2005-2006, Literacy Support also claimed \$178 of graduation supplies. Per the Corporation's June 2006 negotiation letter, graduation costs are unallowable. MCC included crew leader graduation costs under member training. Graduation costs were not included in Literacy Support's approved budgets.
- In PY 2005-2006, Literacy Support claimed as match a \$4,000 payment to the Montana Campus Compact. The payment was for Literacy Support's cost share for the Montana Campus Compact VISTA member assigned to Literacy Support. The VISTA program is another Federal grant and may not be used as match. OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Subpart C. 23., *Cost Sharing or matching* states that all contributions shall be accepted as part of the recipients cost sharing or matching when the costs are not paid by the Federal Government under another award.
- Sampled Literacy Support match expenses included \$108 of expenses for staff gifts and Fun Day supplies in PY 2005-2006. Literacy Support also claimed \$70 of expenses for volunteer appreciation and staff celebration costs in PY 2006-2007. OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Subpart C. 23., *Cost Sharing or matching* states that all contributions shall be accepted as part of the recipients cost sharing or matching

when such contributions are necessary and reasonable for proper and efficient accomplishment of the project or program objective.

- In PY 2005-2006 and PY 2006-2007 Literacy Support claimed as match \$77,460 and \$56,790 of third party contributions from schools and organizations that hosted members. The Third Party Contribution reports used by Literacy Support summarized the amount of supervisor time, computer, phone, printing, photocopying, postage, supplies, and facility space that were provided by the host site. Literacy Support did not have procedures to verify that the expenditures listed on the reports were correct and did not obtain documentation such as general ledger accounting reports to support the amounts claimed on the contribution reports. OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Subpart C. 23., *Cost Sharing or matching* states that the basis for determining the valuation for personal service, material, equipment, buildings and land shall be documented.

Exceptions identified above resulted in overstated match costs claimed on OCS' FSRs. However, OCS had substantial overages in match requirements on the Competitive and Formula grants, and these offset the exceptions identified above. It appears that the match overages will enable OCS to meet its match requirement. As a result, we did not question overstated Competitive and Formula match costs here.

OCS claimed excess match on its State Administrative Grant Award No. 07CAHMT001, thus we did not question overstated Administrative match costs here.

***Recommendation:***

9. a. We recommend that the Corporation instruct OCS to review the applicable regulations and develop policies and procedures to ensure claimed match costs are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations.
9. b. Finally, we recommend the Corporation review claimed match costs for allowability prior to closing OCS grants.

***OCS's Response:*** OCS did not have specific comments on these recommendations. OCS intends to work with the Corporation during the resolution process to make necessary changes to resolve the findings and to implement the recommendations.

***Accountants' Comments:*** We continue to make the recommendations as described above.

**10. OCS did not ensure that subgrantees complied with AmeriCorps requirements for documenting compelling personal circumstances and living allowance payments.**

OCS did not ensure that subgrantees always complied with the following AmeriCorps provisions:

- Literacy Support exited a member from the program due to compelling personal circumstances and awarded a partial education award to the member. Literacy Support documented the compelling personal circumstances during a telephone conversation with the member, but not obtain documentation demonstrating the compelling personal circumstances from the member as required by 45 CFR §2522.230.
- Literacy Support provided members that started the program on time with an annual living allowance payable over 20 equal installments. Literacy Support increased the incremental amount of living allowance paid to members who started service late and would not receive 20 installments. Literacy Support officials said they were unaware that a living allowance should only be paid while a member is serving and were also unaware that increasing incremental amount of living allowance was not permitted.

AmeriCorps Special Provisions (2005-2006), IV I.1., *Living Allowance Distribution*, states that programs should pay the living allowance in regular increments, such as weekly or bi-weekly, paying an increased increment only for increased living expenses, such as food, housing, or transportation. In addition, payments should not fluctuate based on the number of hours served in a particular period, and must cease when a member concludes a term of service. Further, if a member enrolls after the program's start date, the program may not increase the member's incremental payment.

- Campus Corps provided certain members with living allowance payments after the members completed their service. Campus Corps officials said they were unaware that members were only allowed to receive a living allowance while serving. In addition, Campus Corps claimed 100 percent of the living allowance paid to certain members, even though no more than 85 percent of a member's living allowance can be paid with Federal funds. The member's profile in the payroll system was incorrectly set up to claim all of the member's living allowance as Federal costs.

***Recommendation:***

- 10. a.** We recommend that the Corporation require OCS to strengthen its subgrantee training to ensure that subgrantees comply with member exit and living allowance AmeriCorps requirements.
- 10. b.** We further recommend that the Corporation require OCS to strengthen its subgrantee program monitoring to ensure that subgrantees comply with member exit and living allowance AmeriCorps requirements.

***OCS's Response:*** OCS did not have specific comments on these recommendations. OCS intends to work with the Corporation during the resolution process to make necessary changes to resolve the findings and to implement the recommendations.

***Accountants' Comments:*** We continue to make the recommendations as described above.

**11. OCS did not document all procedures performed during site visits and did not have procedures to obtain subgrantee audit management letters or perform necessary reconciliations.**

**Subgrantee Site Visits**

The Montana Program Review Instrument (MPRI) used by the OCS did not include or document all of the monitoring activities that the Commission stated it performed during site visits. Additionally, some of the procedures included in the monitoring tool were not adequate. Specifically:

- Module B of the Montana Program Review Instrument (MPRI) did not include a step for reviewing member evaluations to determine compliance with AmeriCorps provisions and 45 CFR requirements.
- Module C (financial compliance) of MPRI includes a step for determining whether member time and attendance records had been signed by the individual and supervisor or oversight officials; however, the MPRI did not have a step for ensuring that hours accumulated for service were accurately reported on the timesheet and in WBRs.
- The MPRI did not have procedures for reviewing orientation agendas and sign-in sheets to ensure that members receive orientation and training.

We also noted the following:

- OCS did not perform site visits during PY 2005-2006. Site visits were not conducted due to a change in Executive Directors at OCS and because the Program Director was on family and medical leave and worked from home.
- During PY 2006-2007, OCS only assessed financial compliance at the Jobs for Montana Graduates Foundation (JMGMF) subgrantee. In addition, OCS did not document the samples selected to support OCS's assessment of fiscal compliance at JMGMF. OCS's program officer believed that financial assessment was not needed at the other subgrantees because the staff at the other subgrantees had been actively engaged in the programs for several years. OCS did not obtain copies of individual samples because the site visit was not an audit and site visit results were documented in a written report provided to the subgrantees.

The 45 CFR §2541.400 (a), *Monitoring by grantees*, states that Grantees are responsible for managing the day-to-day operations of grant- and subgrant- supported activities. Grantees must monitor grant and subgrant supported activities to ensure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.

## **Subgrantee A-133 Reports and Management Letters**

OCS did not have procedures in place to obtain management letters from the subgrantees or to perform reconciliations of subgrantee payments to report expenditures. We reviewed the monitoring files for all OCS subgrantees. OCS did not obtain management letters from the subgrantees until requested for this review. In addition, OCS did not perform reconciliations of subgrantee payments to the Schedule of Expenditures on Federal Awards.

OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, Subpart D.400 (d), *Pass-through Entity Responsibilities*, requires grantees to ensure that subrecipients undergo audits meeting requirements of the circular. According to 45 CFR § 2541.260(b)(4), recipients must consider whether subrecipient audits necessitate adjustment of the grantee's own records. OCS officials said they were unaware that they needed to obtain subgrantee management letters and relied on their review of subgrantee FSRs to verify expenditures.

### ***Recommendations:***

- 11. a.** We recommend that the Corporation require OCS to revise the procedures in its monitoring tool for the issues summarized in this report.
- 11. b.** We recommend that the Corporation require OCS to strengthen its subgrantee program monitoring procedures to ensure that all OMB Circular A-133 management letters are obtained, necessary reconciliations are performed, and results of these procedures are documented.

***OCS's Response:*** OCS did not have specific comments on these recommendations. OCS intends to work with the Corporation during the resolution process to make necessary changes to resolve the findings and to implement the recommendations.

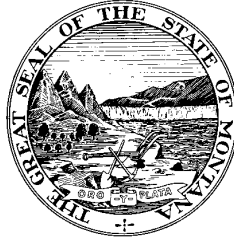
***Accountants' Comments:*** We continue to make the recommendations as described above.

**APPENDIX A**

**MONTANA OFFICE OF COMMUNITY SERVICE'S  
RESPONSE TO AGREED-UPON PROCEDURES REPORT**

**MONTANA COMMISSION ON COMMUNITY SERVICE**  
**OFFICE OF THE GOVERNOR**  
**STATE OF MONTANA**

BRIAN SCHWEITZER  
GOVERNOR



1301 LOCKEY AVENUE  
P.O. BOX 200801  
HELENA, MONTANA 59620-0801

February 11, 2008

Ms. Carol Bates  
Assistant Inspector General for Audits  
Corporation for National & Community Service  
Washington DC 29525

Dear Ms. Bates:

Thank you for the opportunity to comment on the draft report of the Office of Inspector General's *Agreed-Upon-Procedures for the Corporation for National and Community Service Grants Awarded to the Montana Office of Community Service* prepared by the contracted firm of Cotton & Company LLP, of Alexandria, Va.

The Montana Commission on Community Service is proud to be the administrator of the AmeriCorps Formula and Competitive grants, and other grant funding provided by the Corporation for National & Community Service. The Montana Commission feels a strong sense of pride in the difference AmeriCorps has made in Montana. We look upon the results of the agreed-upon procedures of the Commission as another learning opportunity and take seriously our responsibility to be a more effective Commission in working with our sub-grantees.

Please see the attached response which provides more detail on some of the questioned costs and findings in the report. All findings are not addressed as we will be working closely with the Corporation on National & Community Service during the audit resolution process to make necessary changes to resolve the findings and implement the recommendations in the report.

Not only the Montana Commission but our AmeriCorps sub grantees have already made substantial changes in the way we do business based on the audit recommendations. We appreciate the opportunity the audit gives us to strengthen our organizational procedures, keep our programs in compliance and be good stewards of tax payer dollars. The audit firm of Cotton & Company has been pleasant and very professional, as has Rick Samson of the OIG. As a new Executive Director for AmeriCorps programs in Montana, I very much appreciate the help that has been given from the staff at the Corporation for National and Community Service. We feel that the audit issues presented in the draft report can be successfully resolved and the Montana Commission appreciates the opportunity to move forward in the process. Please don't hesitate to contact us if you need further information.

Sincerely,

*Linda Carlson*

Linda Carlson  
Executive Director



# Montana Office of Community Service

Response to Findings of the OIG Agreed Upon Procedures

## **State Administrative Award No 04CAHMT001 Schedule A**

### Finding No 1 – Claimed Excess Lodging Expense of \$1,497 not approved

The Commission believes the expenditure was approved. Under the state of Montana Travel Policy, the Montana Commission Executive Director is the “designated approving authority” and did approve the expenditure. The Commission has made changes to procedures to be sure correct forms are used for documentation for travel claims.

### Finding No 2 – Questioned Costs for unmet match requirements

a. Questioned match of \$1,450. The commission will be working with CNCS during the audit resolution process, and may have other matching funds.

b. Questioned match of \$27,195. The commission will be working with the CNCS during the audit resolution process, and may have other matching funds.

## **State Administrative Award No 07CAHMT001 Schedule B**

### Finding No 1 – Questioned cost of \$300 for a gift certificate

The commission agrees that this expense was incorrectly paid by this grant. The Commission has corrected the policies and procedures to accurately record expenses in the correct grants and is working with the fiscal agent to be sure this error will not occur again.

## **PDAT Award No 05PTHMT001 Schedule C**

### Finding No 1 – Claimed Excess Lodging expense of \$525 not approved

The Commission believes the expenditure was approved. Under the state of Montana travel policy the Commission Executive Director is the “designated approving authority” and did approve the expenditure. The Commission has made changes to procedures to be sure the correct forms are used for documentation.

## **Montana Conservation Corp 03ACHMT001 Schedule D**

### Finding No 1 – Questioned Federal Cost of \$1,042

The Commission concurs with the auditors. The sub grantee has changed internal policies and procedures to reflect the correct category for this type of expenditure. The Commission will be developing more detailed guidance to correct compliance issues.

**Montana Literacy Support Corps 03ACHMT001, 06ACHMTOO1 Schedule E**Finding No 1 – Questioned Benefits of \$14,528 and Educational Award of \$9,450

The Montana Commission will be working with the CNCS during the audit resolution process.

Finding No 2 – Living Allowance of \$5,608 and \$3,259 Paid to Members

The Commission agrees with the auditors that the living allowance was paid incorrectly. The sub grantee was made aware during the audit process of the changed provisions and has implemented policies and procedures to correct the error. AmeriCorps Provisions will be reviewed with sub grantees on a timelier basis so that this error will not occur again.

Finding No 3 – Slot Status Change Approval for Living Allowance Paid of \$5,608 and \$3,259

The Commission believes that approval was given and will be working with the CNCS on the audit resolution process to provide that documentation.

Finding No 4 – Excess Administrative Costs of \$1,925

The commission concurs, the entries were recorded incorrectly. Correct recording of all entries to be in compliance with Federal requirements will be provided in additional training for sub grantees by the Commission.

Finding No 5 – Written Contract for Training questioned cost of \$525

The Commission concurs with the auditors that written contracts are necessary as documentation. Internal controls have been updated to be sure the issue has been clarified to have sub grantees in compliance.

Finding No 6 – Questioned Costs for Lunch \$237

The Commission agrees that the cost for this expense should have had more itemized documentation to clarify the expenditure. Changes to policies and procedures have been developed to be sure correct documentation is obtained for this type of expenditure.

Finding No 7 – Questioned Costs for Lunch \$195/ allowable expense

The Commission agrees that the cost for this expense should have had more itemized documentation to clarify the expenditure. Changes to policies and procedures have been developed to be sure the correct documentation is obtained for this type of expenditure. Policies and Procedures have also been developed to correctly designate allowable expenses.

Finding No 8 – Questioned Cost of \$135 Gas Stipend

The commission agrees that written documentation should have been provided for the methodology used in determining gas stipend expenses for members. Policies and Procedures have been changed to provide the documentation for actual recorded mileage at the Federal rate.

Finding No 9 – Questioned Costs of \$46

The Commission agrees with the auditors that funds were unallowable and should have been designated to a different source. Policies and Procedures have been corrected to reflect better monitoring of expenses.

Finding No 10 – Holiday Bonus Hours, and Personal Leave Questioned Costs

- a. Questioned awards of \$14,241 The Commission will be working with the CNCS during the audit resolution process.
- b. Questioned awards of \$33,077 The Commission will be working with CNCS during the audit resolution process.
- c. Questioned awards of 2,363 The Commission will be working with CNCS during the audit resolution process.

Finding No 11 – Questioned Educational Awards of \$10,450 and \$16,675

We believe the WBRS and time sheet data presented by the auditors may have incorrect calculations. We will work with CNCS during the audit resolution process.

Finding No 12 – Certification of Eligibility Questioned awards of \$1,000 and \$9,450

The Commission will be working with the CNCS in the audit resolution process.

Finding No 13 – Questioned Educational Awards of \$9,450

The Commission will be working with the CNCS during the audit resolution process.

Finding No 14 Questioned Educational Awards because of member contracts

The Commission will be working with the CNCS during the audit resolution process.

Finding No 15 – Estimated Service Hours for Educational Award of \$1,250

The Commission will be working with CNCS in the audit resolution process.

Finding No 16 – Documentation for Compelling Personal Circumstance \$743

The Commission feels that the documentation provided in WBRS, members timecard, and personal contact was correct documentation as 45CFR §2522.230 does not specify a specific type of documentation required.

Finding No 17 – Questioned Forbearance Payments \$6,601 and \$4,374

The Commission response will be based on the audit resolution process.

**Montana Campus Corp 03AFHMT001 06ACHMT001 Schedule F**

Finding No 1 – Questioned Living Allowance for \$1,457

The Commission concurs with the auditors and is strengthening internal controls to reflect correct procedures. The Commission will be developing a stronger training and monitoring system.

Finding No 2 – Printing Costs Questioned of \$380 and \$1,880 Conference

The Commission agrees with the auditors. Policies and Procedures have been corrected to ensure that all costs are allocated to the project directly in relation to benefits received by the program and its enrolled participants.

Finding No 3 – Living Allowance Paid Questioned of \$883

The Commission agrees with the auditors; however we believe the member in question completed her service in July 2006. The member did receive one month's living allowance in error, so the questioned cost amount is correct, but the time period the member worked is incorrectly stated.

Finding No 4 – Training Costs Questioned \$310

The Commission agrees with the auditors that the cost was incorrectly allocated to the grant, and has changed procedures to correct this error.

Finding No 5 – Questioned Costs of \$141

- a. The commission agrees with this questioned cost of \$40 and \$30, for gifts to members, Policies and Procedures have been changed to correct this error.
- b. The Commission agrees with this questioned cost of \$45 for and Policies and Procedures have been corrected to correct this error.
- c. The commission agrees with this questioned cost of \$26 for entertainment, and Policies and Procedures have been changed to correct this error.

Finding No 6 – Timesheet Questioned Ed Awards of \$3,613 and \$1,250

The Commission agrees with the auditors. Procedures were implemented in the 2007-2008 PY prior to the audit to correct timesheet errors.

Finding No 7 – Questioned Member Hours

The Commission will be working with the CNCS during the audit resolution process.

Finding No 8 – Interest Forbearance of \$2,346 and \$1,587

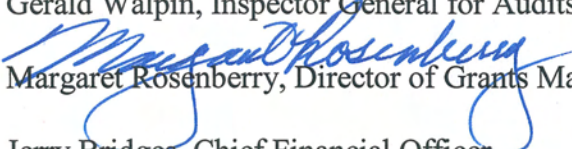
The Commission will be working with CNCS during the audit resolution process.

**APPENDIX B**

**CORPORATION'S RESPONSE TO AGREED-UPON PROCEDURES REPORT**



**To:** Gerald Walpin, Inspector General for Audits

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

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

**Date:** February 12, 2008

**Subject:** Response to OIG Draft Audit Report: Agreed-upon Procedures for Corporation Grants awarded to the Montana Office of Community Service

Thank you for the opportunity to review the draft audit report of the Corporation's grants awarded to the Montana Office of Community Service. We do not have specific comments at this time. We will respond to all findings and recommendations in our management decision when the final audit is issued.