

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

**AGREED-UPON PROCEDURES FOR
CORPORATION FOR NATIONAL
AND COMMUNITY SERVICE GRANTS
AWARDED TO THE
LOCAL INITIATIVE SUPPORT CORPORATION**

OIG REPORT 08-17 (REVISED)



Prepared by:

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This report was issued to Corporation management on June 4, 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 November 11, 2008 and complete its corrective actions by May 11, 2009. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



OFFICE OF INSPECTOR GENERAL

June 4, 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: Revised Final Report 08-17, *Agreed-Upon Procedures of Corporation for National and Community Service (Corporation) Grants Awarded to Local Initiatives Support Corporation (LISC)*

The LISC Agreed-Upon Procedures report issued on May 9, 2008 overstated questioned education awards by \$1000. The one thousand dollar reduction is because we removed the finding for one part-time Michigan member. We are reissuing the report to correct the overstatement.

The final management decision on the findings in this revised report is due by November 11, 2008. Notice of final action is due by May 11, 2009.

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

Attachment

cc: Michael Rubiniger, LISC, President and Chief Executive Officer
Pearl Jones, LISC, AmeriCorps Senior Program Director
William Anderson, Deputy Chief Financial Officer, Financial Management
Rocco Gaudio, Deputy Chief Financial Officer, Grants and Field Financial Management
Sherry Blue, Audit Resolution Coordinator
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CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GRANTS AWARDED TO THE
LOCAL INITIATIVE SUPPORT CORPORATION**

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EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Mayer Hoffman McCann P.C. (MHM) to perform agreed-upon procedures to assist the OIG in grant cost and compliance testing of Corporation-funded Federal assistance provided to the Local Initiative Support Corporation (LISC).

SUMMARY OF RESULTS

As a result of applying our procedures, we questioned claimed Federal-share costs of \$19,809, education awards of \$32,526 and an accrued interest award of \$270. A questioned cost is an alleged violation or provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of testing, such cost was not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable. The detailed results of our agreed-upon procedures on claimed costs are presented in the exhibit, Consolidated Schedule of Award Costs and supporting schedules.

Costs Claimed and Questioned

LISC claimed total costs of \$2,511,859 from April 1, 2005, through March 31, 2007. As a result of testing a judgmental sample of member files, we questioned costs of \$19,809 because members served hours before signing their contracts.

| Description | Grant Number | Questioned Costs | | |
|------------------------|--------------|------------------|-----------------|------------------------|
| | | Federal Share | Education Award | Accrued Interest Award |
| AmeriCorps National | 03NDHNY001 | \$10,199 | \$30,026 | \$270 |
| AmeriCorps National | 06NDHNY002 | <u>9,610</u> | <u>2,500</u> | <u>0</u> |
| Total Questioned Costs | | <u>\$19,809</u> | <u>\$32,526</u> | <u>\$270</u> |

We also found unallowable match costs of \$2,027 and \$1,695 on grant numbers 03NDHNY002 and 06NDHNY001, respectively. We did not question these match costs because LISC was on track to fulfill its match obligation, even after subtracting these costs. We were not able to make a final determination as both of the grants were open and LISC has until the submission of its final Financial Status Report (FSR) to provide the required match.

AmeriCorps members who successfully complete terms of service are eligible for education awards and awards to cover accrued interest on student loans, both funded by the National Service Trust. These award amounts are not funded by Corporation grants and thus are not costs claimed by LISC. As part of our agreed-upon procedures, however, we determined the effect of findings on education award and accrued interest award eligibility. Using the

same criteria described above, we questioned education awards of \$32,526 and an accrued interest award of \$270.

Details related to these questioned costs appear in the *Independent Accountants' Report on Applying Agreed-Upon Procedures* (page 4).

Compliance Issues

We found instances of non-compliance with requirements of grant provisions, regulations, or Office of Management and Budget (OMB) circulars, as detailed in the Compliance and Internal Control section of the *Independent Accountants' Report on Applying Agreed-Upon Procedures*. Following is a summary of the issues identified:

- Incorrect cost reported on one FSR and late submission of some FSR's;
- Late submission of member program forms;
- Lack of adequate procedures to ensure program compliance, including serving hours before signing member contracts, some instances of not paying living allowances in equal increments; and
- Lack of adequate procedures to ensure reporting program income.

AGREED-UPON PROCEDURES SCOPE

The agreed-upon procedures covered the allowability, allocability, and reasonableness of financial transactions claimed under funding provided by the Corporation for the following awards, as well as grant match costs. We also performed tests to determine compliance with grant terms and provisions. We performed our on-site agreed-upon procedures during the period November 12 through December 7, 2007.

| <u>Program</u> | <u>Award Number</u> | <u>Award Period</u> | <u>Testing Period</u> |
|---------------------|---------------------|----------------------|-----------------------|
| AmeriCorps National | 03NDHNY001 | 09/01/03 to 10/31/07 | 04/01/05 to 03/31/07 |
| AmeriCorps National | 06NDHNY002 | 09/01/06 to 08/31/09 | 09/01/06 to 03/31/07 |

The OIG's agreed-upon procedures program, dated February 2007, provides for understanding LISC's policies and practices; reconciling claimed and match costs to accounting records; testing member compliance with provisions of the grant; and testing the allowability of claimed and match costs. These procedures are described in more detail on Page 4 in the *Independent Accountants' Report*.

BACKGROUND

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

LISC is headquartered in New York City and employs approximately 350 persons, including employees at its 30 field offices throughout the United States. LISC assists community-based organizations in transforming distressed communities and neighborhoods into healthy places. By providing capital, technical expertise, training, and information, LISC supports the development of local leadership and the creation of affordable housing, commercial, industrial and community facilities, businesses and jobs. The community based organizations are program sites for the field offices.

LISC's headquarters staff performs all accounting functions (i.e., payroll, disbursements) for the field offices. Its accounting system segregates all costs under the Corporation grant between Federal and match and also by location. LISC's Senior Program Director completes the required FSRs using the cost data in the organization's general ledger. The FSRs submitted include information for all local offices, together with the information for the parent organization.

All member files are maintained both by the field offices and LISC headquarters. The original files are maintained by the field offices with copies submitted to headquarters. LISC's Senior Program Director conducts annual site visits to review the field offices' member files, to determine if the files contain required documentation and that the duplicate copied files kept by headquarters are complete.

As illustrated in the following table, LISC received about \$4.8 million in funding for the AmeriCorps National Program. The claimed and tested costs are approximately \$2.5 million. Of the amount of claimed costs, approximately \$2.0 million was used by the 14 field offices during the agreed-upon procedures of period April 1, 2005 through March 31, 2007.

| <u>Corporation Grants</u> | <u>Funding Authorized</u> | <u>Claimed Within Audit Period</u> |
|----------------------------------|-------------------------------|--|
| 03NDHNY001 – AmeriCorps National | \$3,572,108 | \$1,807,038 |
| 06NDHNY002 – AmeriCorps National | <u>1,272,328</u> | <u>704,821</u> |
| Total – Grants Administered | <u>\$4,844,436</u> | <u>\$2,511,859</u> |

Exit Conference

The contents of this report were discussed with the Corporation and LISC at an exit conference held in New York City on February 14, 2008. On March 12, 2008, the OIG provided a draft of this report to LISC and to the Corporation for their comment. LISC's response to the findings and recommendations in the draft report are summarized in this report and included as Appendix A. The Corporation responded to only one of the findings and recommendations. The Corporation's response has been summarized in this report and included as Appendix B.



Mayer Hoffman McCann P.C.
An Independent CPA Firm
Conrad Government Services Division

Inspector General
Corporation for National and Community Service

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

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

| <u>Program</u> | <u>Award Number</u> | <u>Award Period</u> | <u>Testing Period</u> |
|---------------------|---------------------|----------------------|-----------------------|
| AmeriCorps National | 03NDHNY001 | 09/01/03 to 10/31/07 | 04/01/05 to 03/31/07 |
| AmeriCorps National | 06NDHNY002 | 09/01/06 to 08/31/09 | 09/01/06 to 03/31/07 |

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

The procedures that we performed included:

- Obtaining an understanding of LISC's policies and its field office monitoring process.
- Reconciling grant costs claimed and match costs to LISC's accounting system.
- Testing field office member files to verify that the records supported member eligibility to serve and allowability of living allowances and education awards.
- Testing compliance of LISC and a sample of field offices on certain grant provisions and award terms and conditions.
- Testing claimed grant costs and match costs of LISC and a sample of field offices to ensure:
 - i. Proper recording of the AmeriCorps grants.
 - ii. Costs were properly matched; and

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

Testing resulted in questioned costs, questioned education awards, and instances of noncompliance with grant terms. The testing results for costs follow in the Cost and Awards Section and are summarized in the Consolidated Schedule of Award Costs and the exhibit and schedules. We also found instances of non-compliance with grant provisions, regulations, or OMB requirements, as shown in the Compliance and Internal Control section. Issues identified included:

- Incorrect cost reported on one FSR and late submission of some FSR's;
- Late submission of member program forms;
- Lack of adequate procedures to ensure program compliance, including serving hours before signing member contracts, some instances of not paying living allowances in equal increments; and
- Lack of adequate procedures to ensure reporting program income.

Cost and Award Results

The following schedules and exhibit provide the results of testing costs claimed.

Consolidated Schedule of Award Costs Corporation for National and Community Service Awards Local Initiative Support Corporation

April 1, 2005, to March 31, 2007

| <u>Award Number</u> | <u>Approved Budget</u> | <u>Claimed Costs</u> | <u>Questioned Costs</u> | <u>Questioned Education Awards</u> | <u>Reference</u> |
|-------------------------|----------------------------|--------------------------|-----------------------------|--|------------------|
| 03NDHNY001 | \$3,572,108 | \$1,807,038 | \$10,199 | *\$30,296 | Exhibit |
| 06NDHNY002 | <u>1,272,328</u> | <u>704,821</u> | <u>9,610</u> | <u>2,500</u> | Exhibit |
| | <u>\$4,844,436</u> | <u>\$2,511,859</u> | <u>\$19,809</u> | <u>\$32,796</u> | |

* This amount includes a \$270 questioned accrued interest award.

Notes to Consolidated Schedule of Award Costs

Basis of Accounting

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

Equipment

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

Inventory

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

EXHIBIT

**Schedule of Awards and Claimed Costs by Grant
Local Initiative Support Corporation
April 1, 2005, to March 31, 2007**

| <u>Awards</u> | <u>Claimed Costs</u> | <u>Questioned Costs</u> | <u>Questioned Education Awards</u> | <u>Reference</u> |
|--|--------------------------|-----------------------------|--|------------------|
| <u>03NDHNY001 – Subgrantees</u> | | | | |
| Boston LISC | \$116,469 | \$ - | \$ - | |
| Los Angeles LISC | 110,499 | - | - | |
| Houston LISC | 93,725 | - | - | |
| Jacksonville LISC | 111,336 | - | - | |
| Chicago LISC | 112,271 | - | - | |
| South Florida LISC * | 185,615 | 4,001 | 6,064 | Schedule A-1 |
| Rhode Island LISC | 55,042 | - | - | |
| Michigan LISC * | 284,409 | 1,320 | **8,245 | Schedule A-2 |
| Greater Newark / Jersey LISC | 44,193 | - | - | |
| Bay Area LISC * | 161,031 | 4,878 | 15,987 | Schedule A-3 |
| NAVASA | 45,887 | - | - | |
| Mid South Delta | 151,033 | - | - | |
| Sub-total | <u>\$1,471,510</u> | <u>\$10,199</u> | <u>\$30,296</u> | |
| <u>06NDHNY002 – Subgrantees</u> | | | | |
| Winston-Salem LISC | \$32,490 | \$ - | \$ - | |
| Boston LISC | 32,991 | - | - | |
| Los Angeles LISC | 43,830 | - | - | |
| Houston LISC | 40,620 | - | - | |
| Jacksonville LISC | 56,094 | - | - | |
| Chicago LISC | 45,475 | - | - | |
| South Florida LISC * | 56,372 | 4,119 | - | Schedule A-1 |
| Rhode Island LISC | 32,170 | - | - | |
| San Diego LISC | 41,932 | - | - | |
| Michigan LISC * | 125,331 | 686 | 2,500 | Schedule A-2 |
| Bay Area LISC * | 51,091 | 4,805 | - | Schedule A-3 |
| Sub-total | <u>\$558,396</u> | <u>\$9,610</u> | <u>\$2,500</u> | |
| Subgrantees' Total | <u>\$2,029,906</u> | <u>\$19,809</u> | <u>\$32,796</u> | |
| <u>Parent Awards</u> | | | | |
| AmeriCorps National (03NDHNY001) | \$335,528 | \$ - | \$ - | |
| AmeriCorps National (06NDHNY002) | 146,425 | - | - | |
| Parent's Total | <u>\$481,953</u> | <u>\$ -</u> | <u>\$ -</u> | |

*Selected for Application of Agreed-Upon Procedures.

** This amount includes a \$270 questioned accrued interest award.

Schedule of Award and Claimed Costs
South Florida - LISC

Awards 03NDHNY001 and 06NDHNY002

| | | <u>Reference</u> |
|--|------------------|------------------|
| Approved Budget (Federal Funds) | <u>\$380,477</u> | Note 1 |
| Claimed Federal Costs | <u>\$241,987</u> | Note 2 |
| Questioned Costs: | | |
| Living Allowance – Contract Signed After Start of Service | | |
| Program Year 2005-2006 (03NDHNY001) | \$4,001 | Note 3 |
| Program Year 2006-2007 (06NDHNY002) | <u>4,119</u> | Note 3 |
| Total Questioned Costs | <u>\$8,120</u> | |
| Questioned Education Awards: | | |
| Contract Signed After Start of Service | | |
| Program Year 2005-2006 (03NDHNY00) | <u>\$6,064</u> | Note 3 |

Notes

1. The amount shown above as Approved Budget represents the total funding to South Florida - LISC according to the subgrantee agreements.
2. Claimed Federal costs represent South Florida - LISC's reported expenditures for the period April 1, 2005, through March 31, 2007.
3. Member contracts were not always completed and signed prior to the member's start date, which resulted in questioned living allowances and education awards (see Finding 3).

Schedule of Award and Claimed Costs
Michigan - LISC

Awards 03NDHNY001 and 06NDHNY002

| | | <u>Reference</u> |
|---|------------------|------------------|
| Approved Budget (Federal Funds) | <u>\$716,948</u> | Note 1 |
| Claimed Federal Costs | <u>\$409,740</u> | Note 2 |
| Questioned Costs: | | |
| Living Allowance – Contract Signed After Start of Service | | |
| Program Year 2005-2006 (03NDHNY001) | \$1,320 | Note 3 |
| Program Year 2006-2007 (06NDHNY002) | <u>686</u> | Note 3 |
| Total Questioned Costs | <u>\$2,006</u> | |
| Questioned Trust Awards: | | |
| Education Awards - Contract Signed After Start of Service | | |
| Program Year 2005-2006 (03NDHNY001) | \$7,975 | Note 3 |
| Program Year 2006-2007 (06NDHNY002) | <u>2,500</u> | Note 3 |
| Total Education Awards | <u>\$10,475</u> | Note 3 |
| Accrued Interest Award – Contract Signed After Start of Service (03NDHNY001) | <u>\$270</u> | Note 3 |
| Total Trust Awards | <u>\$10,745</u> | |

Notes

1. The amount shown above as Approved Budget represents the total funding to Michigan - LISC according to the subgrantee agreements.
2. Claimed Federal costs represent Michigan - LISC's reported Federal expenditures for the period April 1, 2005, through March 31, 2007.
3. Member contracts were not always completed and signed prior to the member's start date, which resulted in questioned living allowances; education awards and an accrued interest award (see Finding 3).

**Schedule of Award and Claimed Costs
Bay Area - LISC**

Awards 03NDHNY001 and 06NDHNY002

| | | <u>Reference</u> |
|--|------------------|------------------|
| Approved Budget (Federal Funds) | <u>\$416,027</u> | Note 1 |
| Claimed Federal Costs | <u>\$212,122</u> | Note 2 |
| Questioned Costs: | | |
| Living Allowance – Contract Signed After Start of Service | | |
| Program Year 2005-2006 (03NDHNY001) | \$ 4,878 | Note 3 |
| Program Year 2006-2007 (06NDHNY002) | <u>4,805</u> | Note 3 |
| Total Questioned Costs | <u>\$9,683</u> | |
| Questioned Education Awards: | | |
| Contract Signed After Start of Service | | |
| Program Year 2005-2006 (03NDHNY001) | <u>\$15,987</u> | Note 3 |

Notes

1. The amount shown above as Approved Budget represents the total funding to the Bay Area - LISC according to the subgrantee agreements.
2. Claimed Federal costs represent the Bay Area – LISC’s reported Federal expenditures for the period April 1, 2005, through March 31, 2007.
3. Member contracts were not always completed and signed by prior to the member’s start date, which resulted in questioned living allowances and education awards (see Finding 3).

Compliance and Internal Control

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

Finding No. 1 – Incorrect Cost Reported on One FSR and Late Submission of some FSRs.

The first FSR for grant number 06NDHNY002 included costs from the last period of grant number 03NDHNY001. It was LISC's understanding that the 2006 grant was a continuation of the 2003 grant and it was appropriate to include the expenses from both grants in the FSR for grant number 06NDHNY002. As a result the FSR for the 2006 grant was overstated by \$108,332 and the FSR for the last period of the 2003 grant was not filed.

The LISC did not always submit FSRs by the required due dates as follows:

- 3 of the 5 FSRs were submitted late
- 1 of the 5 FSRs was not submitted

Reporting requirements specified in the AmeriCorps Provisions are not being followed. The Senior Program Director stated that due to the workload, LISC was unable to submit all of the required FSRs by the due date. The FSRs were submitted 1, 4 and 20 days late, respectively. For one of the FSRs, LISC requested and was granted a filing extension by the Corporation but was unable to meet the revised deadline. The non-submitted FSR is the 2003 grant costs that were included in the 2006 grant. We did not receive evidence during our fieldwork that the FSR was submitted for the 2003 grant, period ending March 31, 2007. Late submission of FSRs precludes the Corporation from receiving timely data on expended grant funds and match. Starting in October 2007, the Corporation sends out notices when FSRs are past due. When FSRs are 45 days late, the Corporation places a hold on grant funds.

Criteria

The Federal Government common rule for grants administered by universities and nonprofits, 45 C.F.R. § 2543.21 states:

Standards for financial management systems.

- (a) Federal awarding agencies shall require recipients to relate financial data to performance data and develop unit cost information whenever practical.
- (b) Recipients' financial management systems shall provide for the following:
 - (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in § 2543.51. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient shall not be required to establish an accrual accounting system. These recipients may develop such accrual data for its reports on the basis of an analysis of the documentation on hand.
 - (2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information

pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.

(3) Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

(4) Comparison of outlays with budget amounts for each award. Whenever appropriate, financial information should be related to performance and unit cost data.

(7) Accounting records including cost accounting records that are supported by source documentation.

AmeriCorps Provisions (2006 ed.), Section V.B.1., *General Provisions, Financial Management Standards*, states in part:

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

AmeriCorps Provisions (2006 ed.), Section IV.N.1., *AmeriCorps Special Provisions, N, Reporting Requirements*, states in part:

Financial Status and Progress Reports. Progress and Financial Status reporting requirements in these Provisions apply only to the grantee. Grantees are required to review, analyze, and follow up on progress and financial status reports they receive from AmeriCorps sub-grantees or operating sites. Each grantee must submit Progress and Financial Status Reports by the required due dates.

Requests for extensions of reporting deadlines will be granted when 1) the report cannot be furnished in a timely manner for reasons legitimately beyond the control of the grantee and 2) the Corporation receives a request explaining the need for an extension before the due date of the report.

Extensions of deadlines for FSRs (SF 269a) may only be granted by the Office of Grants Management, and extensions of deadlines for Progress Reports may only be granted by the AmeriCorps Program Office.

a. **Financial Status Reports.** The grantee shall submit semi-annual cumulative financial status reports, summarizing expenditures during the reporting period using eGrants (on the menu tree, click 'Financial Status Reports'). Financial Status Report deadlines are as follows:

| Due Date | Reporting Period Covered |
|-----------------|---------------------------------|
| April 30 | Start of grant through March 31 |
| October 31 | April 1 – September 30 |

Recommendations

We recommend that the Corporation:

- 1a. Instruct LISC on the differences between a new grant and the continuation of an existing grant.
- 1b. Ensure that LISC files the last FSR for the 03NDHNY001 grant and amends the FSR for grant number 06NDHNY002.
- 1c. Ensure LISC has sufficient personnel to submit FSRs by the due dates.

LISC's Response

LISC has received clarification on how to distinguish between a new grant and a continuing grant after it submitted the FSRs for the 03NDHNY001 and 06NDHNY002 grants. LISC requests that this topic be revisited and discussed formally and regularly at upcoming grantee conferences. LISC filed the amended FSR for Grant no. 06NDHNY002 on November 29, 2007. In addition, LISC does not expect there to be any difficulty in completing the FSRs by the deadlines and, if required, will provide additional staff to ensure the timely submission of the FSRs in the future.

LISC disagrees with the finding on late filing of the FSR for Grant no. 03NDHNY001. Due to the augmentation funding, and a change in the project end date, LISC stated that an FSR was not due for the period ending on March 31, 2007. The FSR due date to report expenditures for the period of October 1, 2006, through May 31, 2007, was extended by the Corporation to January 31, 2008. LISC met this deadline.

Auditor's Comment

The Corporation should follow up with LISC to determine whether the proposed actions were implemented and effective. However, no documentation was provided by LISC to support the events that had transpired for Grant no. 03NDHNY001. During our fieldwork, it was LISC's understanding that Grant no. 06NDHNY002 was a continuation of Grant no. 03NDHNY001, a fact that is not disputed in its response. This was LISC's stated reason why the FSR for the period ending March 31, 2007, the original grant end date, was not submitted by April 30, 2007. Based on an eGrants report submitted to us by LISC, it is clear that the Corporation extended the project end date to May 31, 2007, and the FSR due date was extended to January 31, 2008. However, we believe these events transpired based on the results of our fieldwork as no supporting documentation was provided during the fieldwork phase of this engagement.

Finding No. 2: Late Submission of Member Program Forms

Two of the field offices we tested did not always submit required reports by the dates due or did not perform required tasks as shown in the table below.

| <u>Field Offices</u> | <u>Description of Non-Compliance</u> |
|----------------------|---|
| Bay Area – LISC | <ul style="list-style-type: none">• 2 of 14 enrollment forms tested were submitted late• 3 of 14 end-of-term evaluations tested were not performed |
| South Florida – LISC | <ul style="list-style-type: none">• 2 of 14 enrollment forms tested were submitted late |

The Bay Area and South Florida - LISC field offices did not submit enrollment forms by the due dates because the appropriate personnel were not available to authorize the forms or the information needed to complete the forms were not available. In addition, the Bay Area Program Officer did not submit end-of-term evaluations to LISC headquarters; therefore, we were not able to determine if the evaluations were performed. The lack of an end-of-term evaluation could prevent a member from serving a second term or allow a member that did not complete a term of service to serve a second term. Member enrollment and exit forms are also required to be submitted on time to maintain the accuracy of National Service Trust records.

Criteria

AmeriCorps Provisions (2006 ed.), Section IV.N.2., *AmeriCorps Special Provisions, N, Reporting Requirements*, states:

AmeriCorps Member Related Forms.

- Enrollment Forms.*** Enrollment forms must be submitted no later than 30 days after a member is enrolled.
- Change of Status Forms.*** Member Change-of-Status Forms must be submitted no later than 30 days after a member's status has changed.
- Exit/End-of-Term-of-Service Forms.*** Exit/End-of-Term-of-Service Forms must be submitted no later than 30 days after a member exits the program or finishes his/her term of service.

AmeriCorps Provisions (2006 ed.), Section IV D.6.– *AmeriCorps Special Provisions, Sub-Section D – Training, Supervision, & Support, Part 6 – Performance Review* states in part:

“The grantee must conduct and keep a record of at least a midterm and end-of-term written evaluation of each member's performance for Full and Half Time members and an end-of-term written evaluation for less than Half-time members. The evaluation should focus on such factors as:

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

The Corporation's AmeriCorps, program regulation 45C.F.R. § 2522.220(c) *Eligibility for a second term.* States in part.

For purposes of determining a participant's eligibility for a second term of service or additional term of service and/or for an education award, each AmeriCorps program will review the performance of a participant mid-term and upon completion of a participant's term of service.

Recommendation

We recommend that the Corporation:

- 2a. Ensure and verify that LISC trains and monitors field offices for submission of enrollment forms in accordance with AmeriCorps provisions.
- 2b. Require and verify that LISC trains and monitors its field offices to ensure that all midterm and end-of-term evaluations are conducted and documented.

LISC's Response

LISC stated that processes have been put in place to train and monitor its field offices on all aspects of the AmeriCorps program. LISC will ensure that, when staff transitions take place in the field, new staff is provided with the tools, information and training necessary to ensure compliance with grant provisions. Finally, the materials used by LISC to train the field offices were provided to the Corporation during its December 2007 monitoring visit.

Auditor's Comment

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

Finding No. 3 –Lack of Adequate Procedures to Ensure Program Compliance, Including Serving Hours Before Signing Member Contracts and Some Instances of not Paying Living Allowances in Equal Increments

Member Contract. All three field offices tested permitted members to receive living allowances and to record service hours before member service agreements were signed.

| <u>Local Office</u> | <u>Description</u> | Questioned Costs | | |
|---------------------|--|-------------------------|------------------------|--|
| | | <u>Living Allowance</u> | <u>Fringe Benefits</u> | <u>Education and Accrued Interest Awards</u> |
| Michigan | 8 of 14 members tested did not sign service agreements prior to start of service | \$1,864 | \$142 | \$10,745 |
| Bay Area | 10 of 14 members tested did not sign service agreement prior to start of service | 8,993 | 690 | 15,987 |
| South Florida | 8 of 14 members tested did not sign service agreements prior to start of service | <u>7,542</u> | <u>578</u> | <u>6,064</u> |
| Totals | | <u>\$18,399</u> | <u>\$1,410</u> | <u>\$32,796</u> |

As a result, we questioned living allowances of \$18,399 and related fringe benefits of \$1,410 for living allowance payments disbursed prior to the member signing a service agreement. Education awards were questioned for members whose minimum service hours were not met as a result of the deduction of hours served prior to signing the agreement. Questioned education awards total \$32,526, of which \$30,026 was from grant no. 03NDHNY001 and \$2,500 from grant no. the 06NDHNY002. Additionally, a \$270 accrued interest award given to one of the members from Michigan was questioned.

Living Allowances. All three field offices tested did not always pay member living allowances in equal increments. The Senior Program Director stated that living allowances for full-time members were prorated when service hours were not met during a pay period. In addition, if a member started or ended service near the ending or beginning of a pay period, allowances were prorated to reflect the days served.

Criteria

AmeriCorps Provisions (2006 ed.), Section IV.C.1, *AmeriCorps Special Provisions, C., Member Enrollment*, states in part:

Member Enrollment Procedures.

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

* * * *

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

AmeriCorps Provisions (2006 ed.), Section IV.I.1, *AmeriCorps Special Provisions, Living allowances, Other In-Service Benefits and Taxes*, states in part:

Living Allowance Distribution. A living allowance is not a wage. Programs must not pay a living allowance on an hourly basis. Programs should pay the living allowance in regular increments, such as weekly or bi-weekly, paying an increased increment only on the basis of increased expenses such as food, housing, or transportation. 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.

Recommendations

As a result of the number of member issues found at all three of the sites tested we recommend the Corporation ensure that LISC:

- 3a. Review all member files to determine the number of hours served after the member contract was signed. Disallow education awards for all members that did not serve the required number of hours.
- 3b. Provide training to all of the field offices to ensure they are familiar with the living allowance requirements and provisions.
- 3c. Ensure living allowance payments conform to AmeriCorps provisions and that they adhere to policies on distributing living allowances in equal increments.

In addition we recommend the Corporation:

- 3d. Determine the allowability of the questioned living allowances, education and accrued interest awards and recover unallowable costs and applicable administrative costs.

LISC's Response

LISC stated that its understanding of the provisions was that the member contracts should be signed and on file and they were not clear on the timing of the signatures. LISC has instituted procedures and trained field staff to ensure that all member contracts are executed prior to the member's start date. However, LISC respectfully requests that the recommendations related to disallowing education awards be set aside because it believes it was acting in good faith, followed the guidelines as communicated to it by the Corporation, and its procedures provided reasonable evidence that members were eligible.

LISC stated that procedures have been implemented to restrict member start dates to coincide with the start of its payroll cycles, thereby eliminating the need to prorate living allowance payments.

Corporation's Response

The Corporation does not interpret the grant provisions as disallowing service hours solely because they were performed prior to signature of a member contract; therefore, it does not agree that the hours served before the member signed a contract should be deducted.

Auditor's Comment

The LISC Member Contract states, "Agreement of Participation, dated as of Start Date (this "Agreement"), between Local Initiatives Support Corporation, a New York not-for-profit corporation ("LISC"), and Member Name ("Member")." The only dates on the LISC agreement are the dates LISC and the member signed the contract. Thus, the start date is the date the member signed the contract. The 30-day regulation in the provisions refers only to the time period the grantee has to enter members' enrollment into WBRS.

Additionally, we believe that hours served prior to an executed contract containing the related required disclosures results in unreasonable and unnecessary risk for all parties involved.

Hours served before the start dates are not valid service hours. We continue to question the costs because, the members did not serve the required number of hours to complete their term of service when hours recorded before the start date are deducted from the total reported service hours.

Finding No. 4 – Lack of Adequate Procedures to Ensure the Reporting of Program Income

We found inadequate controls to determine and report program income. LISC Headquarters requires field offices to provide \$13,000 for each member for every program year. The field offices generate this match by contracting with local organizations such as not-for-profit entities. The local organizations pay a contractually agreed-upon amount to the field office for AmeriCorps member services. These payments are program income that should be reported to the Corporation on SF-269 (FSR long form). Additionally, the general ledger should identify program income separate from other match resources.

Criteria

The Federal Government common rule for grants administered by universities and nonprofits, 45C.F.R. § 2543.21, states in part:

Standards for financial management systems.

- (a) Federal awarding agencies shall require recipients to relate financial data to performance data and develop unit cost information whenever practical.
- (b) Recipients' financial management systems shall provide for the following:

- (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in § 2543.51. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient shall not be required to establish an accrual accounting system. These recipients may develop such accrual data for its reports on the basis of an analysis of the documentation on hand.
- (2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.
- (3) Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
- (4) Comparison of outlays with budget amounts for each award. Whenever appropriate, financial information should be related to performance and unit cost data.
- (7) Accounting records including cost accounting records that are supported by source documentation.

* * *

Recommendation

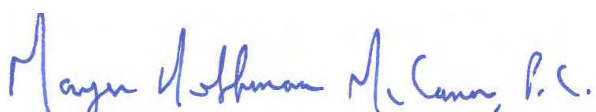
4. We recommend that the Corporation ensure that LISC implements procedures to properly account for program income on the general ledger and report the income on SF 269.

LISC's Response

LISC stated that it has separate budget centers for each site that track payments from placement sites as well as expenses, and this revenue is recorded within these budget centers. LISC does not disagree with the part of the recommendation to report the income on the SF 269. It requests guidance from the Corporation on how to report the revenue because SF 269 (long form FSR) is not available in E-grants, the Corporation's required reporting vehicle.

Auditor's Comment

Though LISC was able to provide a general ledger that separately reported the program income, this was not due to a procedure being in place, but more due to this revenue source being the only revenue being reported by the placement sites. LISC does not have a procedure in place to ensure that the payments received from these sites are used to offset Federal expenses if they exceed the claimed match. Therefore, our recommendation remains as previously stated.



Mayer Hoffman McCann P.C.
Woodbridge, Virginia
June 2, 2008

APPENDIX A

Local Initiative Support Corporation's Response to Draft Report



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

April 11, 2008

Dear Ms. Bates:

Thank you for the opportunity to provide comment on the draft report related to the Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Local Initiatives Support Corporation.

We look forward to working with the Office of Inspector General and other Corporation staff towards successful resolution of the recommendations in the report.

The detailed comments follow. Should you need additional information, please feel free to be in touch with me at (212) 455-9324

Sincerely,

A handwritten signature in black ink, appearing to read "Pearl M. Jones". The signature is written in a cursive, flowing style.

Pearl M. Jones, LISC AmeriCorps Senior Program Director
Cc: Lily Lim, Vice President and Controller Local Initiatives
Support Corporation



Responses to Recommendations

Recommendation 1a.

LISC agrees. After submission of the FSRs for the 03 and 06 grants, LISC received clarification on how to distinguish between a new grant and a continuing grant. LISC does request that topics such as these be revisited and discussed formally and regularly at upcoming grantee conferences, by way of financial management /grants management workshops.

Recommendation 1b.

(i) LISC believes the recommendation for filing the last FSR for the 03NDHNNY001 grant is not valid since we disagree with the underlying finding. The draft report indicates in part on page 11 that:

*The FSR for the last period of the 2003 grant was not filed
1 of the 5 FSRs was not submitted*

*We did not receive evidence during our fieldwork that the FSR was
submitted for the 2003 grant, period ending March 31, 2007*

For the 2003 grant, the report was not due for the period ended 3/31/07. Because of augmentation funding, and a change in the project end date, a report for the period 10/1/06-5/31/07 was due on 1/31/08. LISC met that deadline. This date was an extension approved by the Corporation. A copy of the FSR list from e-grants is attached.

(ii) Related to the amending of the FSR for 06NDHNY002, LISC filed the FSR on 11/29/07.

Recommendation 1c.

LISC agrees. Preparation of the FSR due on 4/30/08 has already begun. It is our expectation that there will be no difficulty in meeting this deadline. LISC will provide additional staff to ensure timely submission of FSRs in the future.

Recommendations 2a. and 2b.

LISC agrees with the recommendations. However, it is requesting a detailed list of the members who were the subjects of the finding. We would also like to note that members would not be denied the



opportunity to serve a second term of service if a final appraisal were not conducted. Offers to serve a second term are extended by the placement site, and are based on a simultaneous desire of the site and member to have them serve again. This is based on member achievement and the site's satisfaction with the service performed by the member, and member achievement related to meeting goals and objectives.

LISC notes that it already has processes in place to train and monitor its field offices on all aspects of the AmeriCorps program. Going forward, LISC will ensure that when staff transitions take place in the field, new staff is provided with the tools, information and training necessary to ensure compliance with grant provisions.

At the CNCS monitoring visit in December 2007, LISC provided CNCS with the materials it uses to train sites with respect to their responsibilities for submitting enrollment forms in accordance with AmeriCorps provisions and for insuring that mid-term and end of term evaluations are conducted and documented at a monitoring visit conducted by CNCS in December of 2007. LISC also provided copies of its desk audit and site visit protocols, tools and reports related to compliance with general AmeriCorps provisions.

Training already in place related to the above includes the following:

(i) LISC AmeriCorps Intranet Site is used by LISC field staff as an on-line reference manual. The site contains information about grant provisions related to timely filing of enrollment forms and the requirement to conduct mid-term and end of term evaluations.

(ii) LISC Staff Retreat/Back to Basics Sessions

Each year, parent organization staff attempts to hold an in-person staff retreat related to the basics of running an AmeriCorps program. This includes information related to closing out a program cycle and starting-up a new cycle. If scheduling or fiscal constraints prevent holding these in-person trainings, they are conducted via web-cast. The sessions cover compliance related topics including enrolling and exiting members timely and the need to conduct mid-term and final reviews. Staff is also provided with power point presentations to use as quick reference guides.



(iii) Local Orientation

Parent organization staff holds orientations at each operating site that sponsors AmeriCorps programs. Attendees include LISC staff, AmeriCorps members and placement site supervisors. Responsibilities related to the recommendation are covered, and are included in written materials that include supervisors' handbooks and power point presentations used to guide the orientation.

(iv) Internal Communication

The Program Director provides monthly updates to LISC AmeriCorps staff. The updates include advice and guidance on a number of topics including compliance with grant provisions. The updates are topical in that they are geared to provide reminders around key activities that should be taking place over the course of the year in a given month(s). This would include reminders about provisions related to timely enrollment of members (September-November), the completion of mid-term evaluations (February-April) and the completion of timely exits and final appraisals (June-October).

(v) Desk Audits/Site Visits

LISC conducts desk audits of its sites several times a year to determine which sites are in compliance with grant provisions including those indicated in the findings. These audits take place in October and January and again in July and September. The parent uses tracking sheets for the collection of documents and provides these sheets along with the audit results to sites. Sites also receive guidance on how to correct deficiencies. Similarly, the parent conducts field site visits (usually) during the spring to review among, other things, sites' recordkeeping as it relates to having on file documents proscribed by the grant provisions. The results of the visits are discussed in-person at the site as part of a debriefing, with a formal report (including action steps to be taken) being prepared and sent to the site after the visit has been concluded.

(vi) Operating Site Ratings

LISC also uses a rating sheet to score operating site applications to participate in its AmeriCorps program. Part of the scoring criteria is focused on how well or poorly sites comply with provisions



related to the timeliness of member enrollments and exits in WBRs, reporting and other issues. The scores related to compliance in prior years are one of the determining factors in whether or not sites are awarded all of the slots it requests, since ability to comply with the terms of the grant is a site management issue. In cases where sites have had repeated deficiencies in these areas, the slots finally awarded are reduced, until such time that performance improves. This system was used to reduce the slot awards (for 2008-2009) for the two field offices in the sample that are the subject of this finding.

Recommendations 3a. and 3d.

LISC respectfully requests that the Corporation set aside these recommendations.

At the Grantee Conference held in the summer of last year, LISC received training and clarification around the provision for member contracts. LISC then instituted procedures and trained field staff on this issue. As a result, member contracts for the 2007-2008 year were fully executed by members prior to, or on their start dates.

The recommendations refer to our understanding of the provisions prior to attending the training in 2007. Our understanding of the provision was that member contracts should be signed and on file. The timing of signatures on member contracts was not clear, nor had it been at issue during past monitoring visits conducted at the field level or at the parent by Corporation or State Commission Staff. Rather the emphasis had been on having the documents on file.

LISC had then and has now a practice of issuing commitment letters to prospective members (prior to the commencement of service) that confirms start dates, service type, service term, and placement site. LISC also has a process that assesses member eligibility to serve by reviewing the documents the Corporation has indicated are appropriate for verifying age and citizenship status.

We believe that we acted in good faith to insure that slots were available for those members who were accepted into the program, that members received from us a confirmation of our intent to

LISC

*Helping neighbors
build communities*



have them serve and that they were advised of the terms and conditions of their service by way of attendance at pre-service orientation and receiving and executing the member contract. It is our contention that the commitment letter, member contract, and the review and signing of timesheets by members and their supervisors are reasonable evidence that members were eligible to serve and therefore that the living allowance and education awards paid on those basis should not be disallowed.

Since LISC followed the guidelines as communicated to it during the time covered by the audit and since its procedure provided reasonable evidence that members were eligible, we do not believe disallowing member living stipends, fringe benefits, education awards and requiring the grantee to reimburse CNCS for those costs are warranted.

We would, however, like to request a list that provides individual details related to the members in question, the number of hours being questioned and the associated living allowances, stipends, fringe benefits, education awards and interest payments.

Recommendations 3b and 3c.

The grantee has already instituted the process of restricting member start dates to coincide with the start of its payroll cycles. This will eliminate the need to prorate living stipend payments so that an amount over the agreed upon stipend (\$18,000) does not result from paying members in equal installments even when beginning or ending service in the middle of a pay cycle.

Clarification:

The grantee would like to clarify that its field offices do not distribute living allowance payments to members. That function is handled at the parent organization level. However, field staff, placement site supervisors and members are all made aware of the provisions regarding payment of the living allowance. This is covered at length during local orientations and is included in both member and supervisor handbooks.

Guidance:

The grantee, however, does request guidance from the Corporation about how stipend payments can be adjusted in circumstances where full-time members are serving less than full-time, when



members have continued absences after exhausting paid leave and when it becomes necessary to recoup overpayments because of late notification about the above.

Recommendation #4. LISC disagrees with the recommendation. The part of the recommendation that states that “LISC impellents procedures to properly account for program income on the general ledger” is not valid. LISC has separate budget centers for each site that tracks payments from placement sites as well as expenses. The revenue is also recorded in those budget centers. It is a part of LISC’s financial statements and as such is audited by KPMG.

For GAAP purposes, LISC records the payments as revenue. For AmeriCorps purposes, these payments are seen by LISC as part of the match. We would like to request that the Corporation give consideration to clarifying distinctions between match, fee for service and program income, and discussing those distinctions more cohesively in the grant provisions and regulations, especially since the audit has revealed for us a difference in how we treat “match” and how the auditors view it as income.

It has been our experience that the emphasis for grantees has been on securing match as a condition for the grant, and as a result, it has been our practice to have field offices (internally) and AmeriCorps placement sites (externally) share the responsibility for the “match”, not in the context of fee for service, or program income, but as a means to meet the conditions of the grant and to insure that programmatic and operational costs related to sponsoring the program are covered. Collecting these payments has not been used as a means to generate revenue for LISC to use for other purposes.

LISC does not disagree with the part of the recommendation to report the income on the SF 269. However, LISC does request guidance from the Corporation on how it wishes for this to be implemented since the SF 269 (FSR long form) referred to in the draft report is not available in E-grants (which is the Corporation’s required reporting vehicle).

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eGRANTS

FSRS FOR EXISTING GRANTS

Grant #00ADNNY019 - AmeriCorps*National

Grant #03NDHNY001 - AmeriCorps*National

| Reporting Date | Due Date | Extension Date | Status |
|-------------------------|------------|----------------|--------------------------------|
| 10/01/2006 - 05/31/2007 | 01/31/2008 | | Review Financial Status Report |
| 04/01/2006 - 09/30/2006 | 10/31/2006 | 11/21/2006 | Review Financial Status Report |
| 10/01/2005 - 03/31/2006 | 04/30/2006 | 05/04/2006 | Review Financial Status Report |
| 04/01/2005 - 09/30/2005 | 10/31/2005 | | Review Financial Status Report |
| 10/01/2004 - 03/31/2005 | 05/01/2005 | | Review Financial Status Report |
| 04/01/2004 - 09/30/2004 | 10/31/2004 | | Review Financial Status Report |
| 10/01/2003 - 03/31/2004 | 04/30/2004 | | Review Financial Status Report |

Grant #06NDHNY002 - AmeriCorps*National

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eGRANTS

FSRS FOR EXISTING GRANTS

Grant #00ADNNY019 - AmeriCorps*National

Grant #03NDHNY001 - AmeriCorps*National

Grant #06NDHNY002 - AmeriCorps*National

| Reporting Date | Due Date | Extension Date | Status |
|-------------------------|------------|----------------|---------------------------------------|
| 04/01/2008 - 09/30/2008 | 10/31/2008 | | Financial Status Report Initial Entry |
| 10/01/2007 - 03/31/2008 | 04/30/2008 | | Financial Status Report Initial Entry |
| 04/01/2007 - 09/30/2007 | 11/30/2007 | | Review Financial Status Report |
| 09/01/2006 - 03/31/2007 | 04/30/2007 | | Review Financial Status Report |

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APPENDIX B

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

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

To: Gerald Walpin, Inspector General

From: Margaret Rosenberry, Director of Grants Management

Cc: Jerry Bridges, Chief Financial Officer
Frank Trinity, General Counsel
Kristin McSwain, Director of AmeriCorps
Carol Bates, Assistant Inspector General for Audit
Sherry Blue, Audit Resolution Coordinator

Date: April 14, 2008

Sub: Response to OIG Draft of Agreed-Upon Procedures of Grants Awarded to the Local Initiatives Support Corporation

Thank you for the opportunity to review the draft Agreed-Upon Procedures report of the Corporation's grants awarded to the Local Initiatives Support Corporation. We are addressing only one finding at this time. We will respond to all findings and recommendations in our management decision when the final audit is issued.

The auditors questioned living allowance payments made to members attributable to hours served before they signed their contracts. They also deducted the hours served before the contract was signed and questioned the education award if the hours served were insufficient to earn the education award after the deduction. The Corporation does not agree that the hours served before the members signed a contract should be deducted. The audit report does not provide any evidence that the members engaged in inappropriate service activities or that they served outside of the period of performance of the grant. The only issue raised by the audit report is whether service hours may be recorded prior to an individual signing a member contract.

The criteria referenced by the audit report are the grant provisions. We do not interpret the grant provisions as disallowing otherwise legitimate service hours solely because they were performed prior to signature of a member contract. The provision itself defines enrollment, not the service start date, and does not state that the member contract signature date must coincide with the term of service start date. In fact the provision, in B.8.d.i.(c) says that an individual may not be enrolled until "the individual has begun a term of service," and that such enrollment must be completed "within 30 days of the member's starting service." Thus, the provision itself describes enrollment as occurring subsequent to the beginning of the term of service. Read in its entirety, the criteria for

this finding is a requirement that the grantee be diligent in the overall enrollment process for its AmeriCorps members within a reasonable time after they have begun service. The provision itself states that non-compliance could result in possible sanctions to the program, such as re-assignment of unfilled AmeriCorps positions to other programs, or suspending or terminating the award. Thus, there is no indication that this provision in any way defines criteria attributable to an AmeriCorps member's ability to perform service toward their commitment. Therefore, we cannot concur that the performance of service prior to signing a member contract is an appropriate basis to question education awards.

The Corporation will address the remaining questioned costs and other findings during audit resolution after the audit is issued as final.