

# Office of Inspector General Corporation for National and Community Service

## AGREED-UPON PROCEDURES OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO THE ARAB COMMUNITY CENTER FOR ECONOMIC AND SOCIAL SERVICES

**OIG REPORT 08-22**



*Corporation for*  
**NATIONAL &  
COMMUNITY  
SERVICE** 

Prepared by:

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This report was issued to Corporation management on August 8, 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 February 9, 2009 and complete its corrective actions by August 8, 2009. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



## OFFICE OF INSPECTOR GENERAL

August 8, 2008

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

Margaret Rosenberry  
Director, Office of Grants Management

FROM: Carol Bates /s/  
Assistant Inspector General for Audit

SUBJECT: Report 08-22, *Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the Arab Community Service Center for Economic and Social Services (ACCESS)*

We contracted with the independent certified public accounting firm of Mayer Hoffman McCann PC (MHM) to perform agreed-upon procedures in its review of Corporation grants awarded to the Arab Community Service Center for Economic and Social Services (ACCESS). The contract required MHM to conduct its review in accordance with generally accepted government auditing standards.

MHM is responsible for the attached report, dated August 4, 2008, and the conclusions expressed therein. We do not express opinions on the Schedule of Award and Claimed Costs; 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 February 9, 2009. Notice of final action is due by August 8, 2009.

If you have questions pertaining to this report, please call Stuart Axenfeld at (202) 606-9360 or Jim Elmore at (202) 606-9354.

### Attachment

cc: Hassan Jaber, Executive Director, Arab Community Center for Economic and Social Services  
William Anderson, Deputy Chief Financial Officer, Financial Management  
Rocco Gaudio, Deputy Chief Financial Officer, Grants and Field Financial Management  
Sherry Blue, Audit Resolution Coordinator  
Ronald E. Rolwes, CPA, CFE, Shareholder, Mayer Hoffman McCann P.C.,  
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**AGREED-UPON PROCEDURES OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE  
GRANTS AWARDED TO ARAB COMMUNITY CENTER FOR ECONOMIC AND SOCIAL SERVICES**

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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 on grant costs and compliance for Corporation-funded Federal assistance provided to the Arab Community Center for Economic and Social Services (ACCESS).

### Results

As a result of applying our procedures, we questioned claimed Federal-share costs of \$3,708, matching costs of \$257,672, education awards of \$56,700, and an accrued interest award (interest forbearance) of \$541. A questioned cost is an alleged violation of provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; or a finding that, at the time of testing, such cost is not supported by adequate documentation. The detailed cost results of our agreed-upon procedures are presented in the Schedule of Award and Claimed Costs.

ACCESS claimed total Federal costs of \$1,030,676 under grant No. 05NDHMI003 from October 1, 2005, through September 30, 2007. As a result of testing a judgmentally selected sample of transactions, we questioned costs claimed, as shown in the following table.

Description of Questioned Costs	Federal Share	Grant Match	Education Award	Accrued Interest Award
Inadequate Controls Over Cost Reporting	\$ 445	\$ 257,096	\$ -	\$ -
Living Allowances Paid Not In Accordance With AmeriCorps Provisions	2,051	362	-	-
Missing Member Timesheets	1,212	214	-	-
Service Hours Recorded in Wrong Program Year	<u>-</u>	<u>-</u>	<u>56,700</u>	<u>541</u>
Total	<u>\$ 3,708</u>	<u>\$ 257,672</u>	<u>\$ 56,700</u>	<u>\$ 541</u>

AmeriCorps members who successfully complete terms of service are eligible for education awards and accrued interest awards funded by the National Service Trust. These award amounts are not funded by Corporation grants and thus are not costs claimed by ACCESS. As part of our agreed-upon procedures, however, we determined the effect of audit findings on eligibility for education and accrued interest awards. Using the same criteria described above, we questioned education awards of \$56,700 and an accrued interest award of \$541 due to non-compliance with program requirements.

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

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

- Lack of controls or controls not implemented over reporting and recording of Federal–share and match costs;
- Lack of adequate procedures to ensure program compliance, including serving hours before signing member contracts and instances of paying living allowances after the member completed service;
- Late submission of some members' forms and missing timesheets for one member in the sample;
- Lack of adequate procedures to ensure member training hours were recorded on member timesheets and reported in the correct program year; and
- Lack of the financial management systems to enable ACCESS to compare actual costs to budgeted costs by cost category and to distinguish costs attributable to grant No. 05NDHMI003 from its prior grant; and ACCESS did not report member support match.

## **Background**

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

ACCESS is located in Dearborn, Michigan. It operates as a National Direct Grantee using grant funds awarded by the Corporation. ACCESS is a nonprofit, voluntary human service agency exempt from Federal income taxes under section 501 (C) (3) of the Internal Revenue Service Code. It has been subject to the Single Audit Act and received unqualified opinions on its financial statements and the audit of its Major Federal Awards.

ACCESS, networked with 13 other independent community-based organizations, collaboratively formed the Arab-American Resource Corps (ARC) to carry out the AmeriCorps program. ACCESS is the lead organization and each network organization is considered a sub-site. Its main mission is to provide social service delivery and referral, youth development, and cultural outreach.

All fiscal functions are performed in house at ACCESS, including preparing Financial Status Reports (FSRs), issuing living allowance payments to the AmeriCorps members, and maintaining adequate accounting records for Federal and match funds. ACCESS manages and assumes all financial responsibilities. Sub-sites have no financial responsibilities.

ACCESS performed annual onsite visits to each sub-site. The visits were either formal or informal. Formal visits included a review of program requirements, documentation, communication, match requirements, and member files. Informal visits involved attending workshops and conferences and touring the sub-site facilities.

ACCESS received grant funds of \$1,996,440 under grant No. 05NDHMI003 and claimed Federal costs of \$1,030,676 during the period we tested.

We compared the inception-to-date drawdown amounts with the amounts reported in the last FSR and determined that the drawdowns were reasonable. We have also determined that no administrative costs were claimed under grant No. 05NDHMI003.

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

We performed our agreed-upon procedures during the period March 25 through May 16, 2008. The agreed-upon procedures covered the allowability, allocability, and reasonableness of financial transactions claimed between October 1, 2005, and September 30, 2007, under grant No. 05NDHMI003, with an award period of September 3, 2005 to January 11, 2009. We also performed tests to determine compliance with grant terms and provisions.

The procedures performed, based on the OIG's agreed-upon-procedures program dated January 2008, have been included in the *Independent Accountants' Report on Applying Agreed-Upon Procedures* section of this report.

### **Exit Conference**

The contents of this report were discussed with the Corporation and ACCESS at an exit conference held in Dearborn, Michigan, on June 13, 2008. In addition, we provided a draft of this report to ACCESS and to the Corporation for comment on June 25, 2008. ACCESS disagreed with some findings and agreed with others; its response to the findings in the draft report are included in Appendix A and summarized in each finding. The Corporation did not respond to the individual findings and recommendations. Its response is in Appendix B.



**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 for costs claimed between October 1, 2005, and September 30, 2007. The procedures were agreed to by the OIG solely to assist it in grant-cost and compliance testing of Corporation-funded Federal assistance provided to ACCESS for grant No. 05NDHMI003, with an award period of September 30, 2005, to January 11, 2009. 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.

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 ACCESS and its sub-site monitoring process; reconciling Federal and match costs claimed to the accounting system; reviewing member files to verify that the records supported member eligibility to serve and allowability of living allowances and education awards; testing compliance with selected grant provisions and award terms and conditions; and testing claimed grant costs and match costs of ACCESS to ensure: (i) proper recording of grant costs; (ii) that the required match was met; and (iii) costs were allowable and supported in accordance with applicable regulations, OMB circulars, grant provisions, and award terms and conditions.

### **Results – Costs Claimed**

The testing results of costs are summarized in the Schedule of Award and Claimed Costs. The schedule also identifies instances of questioned education awards and an accrued interest award. These awards were not funded by the Corporation grant, and accordingly are not included in claimed costs. As part of our agreed-upon procedures, however, we determined the effect of member program hours and eligibility exceptions on these awards.

## SCHEDULE OF AWARD AND CLAIMED COSTS

### ACCESS

October 1, 2005 through September 30, 2007

		<u>Reference</u>
Approved Budget (Federal Funds) 05NDHMI003	\$ 1,996,440	Note 1
Claimed Federal Costs 05NDHMI003	\$ 1,030,676	Note 2
Questioned Federal Costs:		
Unsupported costs	\$ 445	Note 3
Living allowances paid to non-members	389	Note 4
Extra living allowance installments	1,662	Note 5
Missing timesheets (unsupported)	<u>1,212</u>	Note 6
Total Questioned Federal Costs:	<u>\$ 3,708</u>	
Questioned Match Costs:		
Overstated match costs	\$ 204,822	Note 7
Unsupported costs	761	Note 3
Inadequate cost allocation	51,513	Note 8
Living allowance paid to non-members	69	Note 4
Extra living allowance installments	293	Note 5
Missing timesheets (unsupported)	<u>214</u>	Note 6
Total Questioned Match Costs:	<u>\$ 257,672</u>	
Questioned Education Award:		
Hours recorded in wrong program year	<u>\$ 56,700</u>	Note 9
Questioned Accrued Interest Award:		
Hours recorded in wrong program year	<u>\$ 541</u>	Note 9

#### Notes

1. The amount shown above as Approved Budget represents the total funding to ACCESS according to the grant agreement.
2. Claimed costs are ACCESS's reported Federal expenditures for the period October 1, 2005, through September 30, 2007.



**SCHEDULE OF AWARD AND CLAIMED COSTS  
(CONTINUED)**

**ACCESS**

**October 1, 2005 through September 31, 2007**

3. ACCESS claimed \$445 of Federal share and \$761 of match which were unsupported (see Finding 1).
4. Four applicants began to perform service hours and received living allowances prior to becoming a member. Living allowance and related FICA in question are \$389 Federal and \$69 match (see Finding 2).
5. Four members received extra living allowance installments after the conclusion of their terms of service. Total living allowances and related FICA in question are \$1,662 Federal and \$293 match (see Finding 2).
6. One member did not have timesheets to support reported service and received a living allowance for the same period. Living allowance and related FICA in question are \$1,212 Federal and \$214 match (see Finding 3).
7. Match cost of \$204,822 was overstated due to a clerical error (see Finding 1).
8. Match costs allocated to the grant of \$51,513 were based on an improper allocation methodology (see Finding 1).
9. Eighteen '05-06 members attended the '06-07 orientation and recorded those hours as program service hours in program year '05-06. The AmeriCorps orientation should be performed for each term of service because it gives the member information they need to best serve in the upcoming program year. Also, relating this to accounting principles, a cost transaction made in one grant year cannot be applied to the previous grant or future grant year. We questioned \$56,700 of education awards and \$541 of interest forbearance for the members who did not meet the minimum service hour requirement after we deducted the orientation hours (see Finding 4).

## **Notes to Schedule of Award and Claimed Costs**

### **Basis of Accounting**

The accompanying schedule has been prepared to summarize the results of our agreed-upon procedures performed which comply with provisions of the grant agreements between the Corporation and ACCESS. The information presented in the schedule has been prepared from reports submitted by ACCESS to the Corporation and accounting records of ACCESS. The basis of accounting used in the preparation of these reports differs from accounting principles generally accepted in the United States of America.

### **Equipment**

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

### **Inventory**

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

## Results - Compliance and Internal Control

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

- Lack of controls or controls not implemented over reporting and recording of Federal–share and match costs;
- Lack of adequate procedures to ensure program compliance, including serving hours before signing member contracts and instances of paying living allowances after the member completed service;
- Late submission of some members' forms and missing timesheets for one member in the sample;
- Lack of adequate procedures to ensure member training hours were recorded on member timesheets and reported in the correct program year; and
- Lack of the financial management systems to enable ACCESS to compare actual costs to budgeted costs by cost category and to distinguish costs attributable to grant No. 05NDHMI003 from its prior grant; and ACCESS did not report member support match.

### **Finding 1. Lack of controls or controls not implemented over reporting and recording of Federal–share and match costs.**

#### **Unsupported Costs**

ACCESS overstated claimed General Operating match by \$200,000 and \$4,822, on its March 31, 2006, and September 30, 2007, FSRs, respectively. ACCESS found this overstatement when it was assembling data for the audit team. The errors were due to clerical input. The Grantee lacked a policy requiring the finance department to review and approve the compilation and reporting of costs claimed on its FSRs. As a result, errors were not discovered in a timely manner and may not have been found except when preparing for the agreed-upon procedures. However, our testing revealed that there were sufficient match costs to meet the minimum matching requirement even after we questioned the overstated amount. ACCESS indicated that the overstated amounts will be corrected in the next reported FSR.

In addition, during our other direct cost testing, we found \$445 of Federal share and \$761 of match that were unsupported. ACCESS indicated the supporting documentation had been misfiled and was unable to locate it.

#### *Criteria*

The 2004 AmeriCorps General Provisions, Section B.21.a. *Responsibilities under Grant Administration, Accountability of Grantee*, states that "[t]he Grantee has full fiscal and programmatic responsibility for managing all aspects of the grant and grant-supported activities, subject to the oversight of the Corporation."

OMB Circular No. A-110, *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, Subpart C, Post-Award Requirements, Paragraph .21 *Standards for financial management systems*, states:

- (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 Section \_\_\_\_ .52...
  - (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) Accounting records including cost accounting records that are supported by source documentation.

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

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

### **Inadequate Costs Allocation Methodology**

The portion of general operating match expenses, amounting to \$51,513 for such items as telephone, utilities, insurance, etc., was allocated to the AmeriCorps program using an unreasonable base. The allocation methodology was based on an estimate of 67 percent of the building occupancy. This is ACCESS' estimate of AmeriCorps space usage. However, our inspection and observation found that AmeriCorps occupied roughly one-third of the building, not the two-thirds allocated to it. The Grantee indicated that the allocation methodology was not based on AmeriCorps occupancy but rather National Outreach program occupancy. We note that AmeriCorps is one of the sub-programs under the National Outreach program.

## Criteria

OMB Circular No. A-122, *Cost Principles for Non-Profit Organizations* Attachment A., General Principles, Section A.4., *Allocable Costs*, states:

- a. A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:
  - (1) Is incurred specifically for the award.
  - (2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or
  - (3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.
  
- b. Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

OMB Circular No. A-122, Attachment A., General Principles, Section D, Allocation of Indirect Costs and Determination of Indirect Cost Rates, states:

### 1. General.

- a. Where a non-profit organization has only one major function, or where all its major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures, as described in **subparagraph 2**.
  
- b. Where an organization has several major functions which benefit from its indirect costs in varying degrees, allocation of indirect costs may require the accumulation of such costs into separate cost groupings which then are allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit. The indirect costs allocated to each function are then distributed to individual awards and other activities included in that function by means of an indirect cost rate(s).
  
- c. The determination of what constitutes an organization's major functions will depend on its purpose in being; the types of services it renders to the public, its clients, and its members; and the amount of effort it devotes to such activities as fundraising, public information and membership activities.

d. Specific methods for allocating indirect costs and computing indirect cost rates along with the conditions under which each method should be used are described in subparagraphs 2 through 5.

\* \* \*

### 3. Multiple allocation base method

\* \* \*

c. Allocation bases. Actual conditions shall be taken into account in selecting the base to be used in allocating the expenses in each grouping to benefitting functions. The essential consideration in selecting a method or a base is that it is the one best suited for assigning the pool of costs to cost objectives in accordance with benefits derived; a traceable cause and effect relationship; or logic and reason, where neither the cause nor the effect of the relationship is determinable. When an allocation can be made by assignment of a cost grouping directly to the function benefited, the allocation shall be made in that manner. When the expenses in a cost grouping are more general in nature, the allocation shall be made through the use of a selected base which produces results that are equitable to both the Federal Government and the organization. The distribution shall be made in accordance with the bases described herein unless it can be demonstrated that the use of a different base would result in a more equitable allocation of the costs, or that a more readily available base would not increase the costs charged to sponsored awards. The results of special cost studies (such as an engineering utility study) shall not be used to determine and allocate the indirect costs to sponsored awards.

### *Recommendations*

We recommend that the Corporation:

- 1a. Resolve the questioned costs and recoup any disallowed costs; and
- 1b. Ensure that ACCESS trains its personnel and establishes controls that specifically address the errors and weaknesses identified above. This effort should include developing a record-keeping system so that grant documentation is retained and readily accessible; establishing an equitable allocation methodology to assign facility costs to each cost objective; and implementing procedures requiring appropriate personnel to review FSRs before they are submitted. The reviews should include tracing reported amounts on the FSRs to accounting records.

### *ACCESS's Response*

ACCESS indicated that it has developed written policies and procedures to review FSRs but also indicated that its fiscal department did review and approve the FSRs. In addition, ACCESS advised that the over-reported match was corrected on the March 30, 2008, FSR, and it had acquired new accounting software that is able to break out match costs in a general ledger separate from Federal-share costs. ACCESS also stated that it had developed a new allocation method based on percentage of AmeriCorps staff time and the resulting calculations would be reflected on the next FSR.

### *Auditor's Comment*

ACCESS's proposed actions should correct the conditions noted. The Corporation should follow up with ACCESS to determine whether the proposed actions were implemented and effective. In light of ACCESS's disclosure that its fiscal department had reviewed and approved the erroneous FSRs, the Corporation should examine the new written policies to determine if the new procedures would prevent a recurrence of the condition. The Corporation should also review the March 30, 2008, FSR and its supporting documentation to ensure match costs were correctly reported.

**Finding 2. Lack of adequate procedures to ensure program compliance, including serving hours before signing member contracts and instances of paying living allowances after the member completed service.**

### **Pre-Contract Service Hours**

Member file testing found 4 out of 45 members in our sample recorded service hours while the individuals were applicants without a signed contract. The Grantee indicated that these members forgot to sign and submit the contract during the annual orientation. One of the four individuals' living allowance was questioned because the individual was a non-member for an entire pay period. The questioned living allowance and the related Federal Insurance Contribution Act tax (FICA) are \$389 Federal and \$69 match. The other three individuals became members in the middle of the first pay period and therefore, their living allowances were not questioned. We did not question education awards for these members because each member had sufficient hours to earn an award after eliminating non-member hours.

### *Criteria*

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

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

- a. An individual is enrolled as an AmeriCorps member when all of the following have occurred:

- i. He or she has signed a member contract;
- ii. The program has verified the individual's eligibility to serve;
- iii. The individual has begun a term of service; and
- iv. The program has approved the member enrollment form in WBRS.

### **Members Received Living Allowance Installments After Completing Terms of Service**

Our tests of member living allowances in program year '06-07 found that 4 of 45 members' received a living allowance payment after the conclusion of their service. ACCESS continued to pay the members after they concluded the terms of service due to delays in completing all paperwork. ACCESS did not have a system in place to check that member living allowances should stop when service ended. Total living allowances and the related FICA questioned for these 4 members are \$1,662 Federal and \$293 match.

#### *Criteria*

According to the 2005 AmeriCorps Special Provisions, Section IV.I.1., *Living Allowance Distribution* states:

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 living 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*

We recommend that the Corporation:

- 2a. Disallow and recoup the questioned living allowance costs and;
- 2b. Verify that ACCESS develops controls to ensure that member contracts are signed before members begin service; and
- 2c. Verify that ACCESS develops more effective policies and procedures to ensure living allowance payments conform to AmeriCorps requirements, including procedures to review and monitor living allowances so that payments are stopped at the conclusion of the member's term of service.



### *ACCESS's Response*

ACCESS indicated that it had procedures and controls in place to ensure a member's contract is signed before the member begins service. ACCESS believed the condition was due to the members who left orientation without signing the contract. ACCESS also indicated that it had implemented changes to its procedures to ensure that members' living allowance installments are reviewed.

### *Auditor's Comment*

Although ACCESS indicated that it had procedures and controls in place to ensure members sign contracts before AmeriCorps service begins, ACCESS should develop more effective procedures and controls to prevent a member from beginning service without a signed contract. The Corporation should follow up with ACCESS to determine whether the proposed actions were implemented and effective. The Corporation should consider the actions taken but disallow and recoup the questioned costs.

### **Finding 3. Late submission of some members' forms and missing timesheets for one member in the sample.**

#### **Late Submission**

Our testing found that the Grantee submitted required forms late, as shown below:

- 2 of 90 Enrollment Forms.
- 7 of 27 Change-of-Status Forms.
- 17 of 87 Member Exit Forms.

ACCESS was uncertain of the cause for this condition because the responsible personnel are no longer in its employ. It indicated that the late form submissions might be due to lack of oversight.

#### *Criteria*

The 2004 AmeriCorps Special Provisions, Section B.16. *Reporting Requirements*, states:

b. AmeriCorps Member Related-Forms. The Grantee is required to submit the following documents to the National Service Trust at the Corporation on forms provided by the Corporation. Grantees and Sub-Grantees may use WBRS to submit these forms electronically. Program using WBRS must also maintain hard copies of the forms ... Enrollment forms must be submitted no later than 30 days after a member is enrolled. Member Change of Status Forms must be submitted no later than 30 days after a member's status is changed ... Member Exit/End-of-Term-of-Service Forms must be submitted no later than 30 days after a member exits the program or finished his/her term of service.

## **Missing Member Timesheets**

Out of the 90 member files that we reviewed, the file for 1 member did not have timesheets to support the service hours reported. ACCESS believed that the timesheets might have been misplaced. Without a certified attendance record, the member might not have served during the period and should not have received a living allowance. As a result, we questioned the member's living allowance and applicable FICA. The Federal share questioned is \$1,212 and the match questioned is \$214. This member did not earn an education award.

### *Criteria:*

The 2005 AmeriCorps General Provisions, Section V.E. *Retention of Records*, states:

The grantee must retain and make available all financial records, supporting documentation, statistical records, evaluation and program performance data, member information and personnel records, for 3 years from the date of the submission of the final Financial Status Report (SF 269A). If an audit is started prior to the expiration of the 3-year period, the records must be retained until the audit findings involving the records have been resolved and final action taken.

### *Recommendations*

We recommend that the Corporation:

- 3a. Disallow and recoup the questioned living allowance costs and;
- 3b. Ensure that ACCESS develops more effective control procedures so that its staff (1) is familiar with program requirements and provisions for updating members' status in WBRS or other applicable systems, and (2) properly maintains grant documentation, including member timesheets.

### *ACCESS's Response*

ACCESS agreed with the finding. However, ACCESS indicated that late submission of forms was not due to lack of oversight and will upgrade its software systems to improve program staff's ability to track all required member forms. ACCESS also indicated that the missing timesheets were damaged during a flood and does not believe corrective action is necessary, since only one member's timesheets were missing.

### *Auditor's Comment*

We continue to believe that lack of adequate oversight prevented the timely detection and correction of submitting forms late. Software may improve tracking, but oversight is necessary for continuing effective control over the timely submission of forms.

Although only one member's timesheets from the sample were missing, we believe that a more effective control procedure should be developed to prevent losing documentation due to disaster or catastrophic events. Therefore, ACCESS should implement the recommended corrective actions and the Corporation should follow up with ACCESS to ensure the recommended corrective actions are implemented.

**Finding 4. Lack of adequate procedures to ensure member training hours were recorded on member timesheets and reported in the correct program year.**

#### **Training Hours Not Recorded on Member Timesheets**

Out of the 120 members, 37 members had zero training hours reported. Members did not follow ACCESS's policy, which required the members to track AmeriCorps hours they performed by service categories. The members recorded training hours as service hours. Supervisory review should have found this error. However, we were able to verify, through other supporting documentation, such as training and orientation sign-in logs, etc., that these members did receive training.

#### *Criteria:*

ACCESS's Arab-American Resource Corps Policies and Procedures, *Stipend and Timesheets*, states:

In order to receive the bi-monthly stipend in a timely manner, all members are required to complete and approve an electronic timesheet on time. The member electronic timesheet fulfills three important purposes:

1. It tracks the member's progress toward completion of their 1,700 hours;
2. It tracks the member's attendance for payroll (paychecks) purposes;
3. It tracks the number of hours performed by each member in the various service categories.

The 2005 and 2006 AmeriCorps General Provisions, Section V.A., *Responsibilities Under Grant Administration*, states:

1. Accountability of Grantee. The grantee has full fiscal and programmatic responsibility for managing all aspects of the grant and grant-supported activities, subject to the oversight of the Corporation. The grantee is accountable to the Corporation for its operation of the AmeriCorps Program and the use of Corporation grant funds. The grantee must expend grant funds in a judicious and reasonable manner, and **it must record accurately the service activities and outcomes achieved under the grant**. Although grantees are encouraged to seek the advice and opinion of the Corporation on special problems that may arise, such advice does not diminish the grantee's responsibility for making sound judgments and does not mean that the responsibility for operating decisions has shifted to the Corporation.

**Member’s Training Hours Reported in the Wrong Program Year**

Eighteen members enrolled in program year '05-06 had attended the '06-07 orientation toward the end of the '05-06 program year and recorded those hours as program hours in program year '05-06. The AmeriCorps orientation should be performed for each term of service because it gives the members information they need to best serve for the upcoming program year. Also, relating this to accounting principles, a cost transaction made in one grant year cannot be applied to the previous grant or future grant year. To receive member training at the end of the program year would not benefit the members in the current program year. ACCESS believed that even though it was a '06-07 orientation, it would provide the members training updates for the new program year and, since these members were still active in '05-06, the orientation would be helpful to them. The members and their respective hours are listed below:

Member Reference	'06-07 Orientation Hours	Total Reported Hours	Recalculated Hours	Questioned Education Award	Questioned Accrued Interest
A	43.30	1,717.20	1,673.90	4,725	None
B	44.00	1,720.70	1,676.70	4,725	None
C	45.50	1,758.60	1,713.10	-	N/A
D	32.00	1,732.00	1,700.00	-	N/A
E	25.10	1,700.10	1,675.00	4,725	None
F	37.00	1,700.10	1,663.10	4,725	None
G	22.50	1,700.50	1,678.00	4,725	None
H	29.00	1,745.80	1,716.80	-	N/A
I	35.50	1,703.79	1,668.29	4,725	None
J	31.25	1,711.50	1,680.25	4,725	None
K	43.50	1,706.00	1,662.50	4,725	None
L	8.00	1,703.90	1,695.90	4,725	None
M	12.00	1,722.80	1,710.80	-	N/A
N	45.00	1,782.00	1,737.00	-	N/A
O	43.00	1,701.05	1,658.05	4,725	541
P	45.00	1,702.80	1,657.80	4,725	None
Q	43.80	1,807.10	1,763.30	-	N/A
R	41.50	1,736.00	1,694.50	4,725	None
				<u>\$ 56,700</u>	<u>541</u>

*Criteria*

The AmeriCorps Special Provisions, Section IV.D. *Training, Supervision, and Support*, states:

3. Consistent with the approved budget, the grantee must provide members with the training, skills, knowledge and supervision necessary to perform the tasks required in their assigned project positions, including specific training in a particular field and background information on the community served.

The grantee must conduct an orientation for members and comply with any pre-service orientation or training required by the Corporation. This orientation should be designed to enhance member security and sensitivity to

the community. Orientation should cover member rights and responsibilities, including the Program's code of conduct, prohibited activities (including those specified in the regulations), requirements under the Drug-Free Workplace Act (41 U.S.C. 701 et seq.), suspension and termination from service, grievance procedures, sexual harassment, other non-discrimination issues, and other topics as necessary.

The AmeriCorps Special Provisions, Section IV.E. *Terms of Service*, states:

1. Program Requirements. Each Program must, at the start of the term of service, establish the guidelines and definitions for the successful completion of the Program year, ensuring that these Program requirements meet the Corporation's service hour requirements as defined below:

a. Full-Time Members. Members must serve at least 1700 hours during a period of not less than nine months and not more than one year.

Member Agreement between the Grantee and the member, Section III, *Terms of Services*, Section F. states:

The member understands that to successfully complete the term of services (as defined by the program and consistent with regulations of the Corporation of National Service) and to be eligible for the education award, he/she must complete at least 1700 hours of service, complete at least 10 months of service and satisfactorily complete pre-service training and the appropriate education/training that relates to the member's ability to perform service.

#### *Recommendations*

We recommend that the Corporation:

- 4a. Disallow and recoup, if used, education awards and any accrued interest awards (interest forbearance) for members that did not meet their minimum service hours;
- 4b. Ensure that ACCESS provides training to its program personnel so they are familiar with program requirements and provisions as to recording orientation hours in the appropriate program year; and
- 4c. Instruct ACCESS to strengthen controls and monitoring over member timesheet preparation.

#### *ACCESS's Response*

ACCESS indicated that the Arab American Resource Corps policies for timekeeping are for the 2007 program year. In addition, ACCESS's primary method for tracking training hours was through quarterly progress reports. ACCESS indicated that it will continue to provide training to members on how to report their activities correctly in its timekeeping system.

ACCESS also indicated that it can demonstrate that all members in question did meet their 1,700 hours for each term and provided related documentation to the Corporation. ACCESS indicated that the orientation provides training, and it tailors the training to the skills and experiences of the members that receive the training. Members go through leadership development training and discuss life after AmeriCorps, in addition to being trained on a range of program-related issues, such as policies and procedures. For members that have participated in previous ACCESS training, it creates opportunities to become mentors while deepening their skills. ACCESS believed that annual training is an efficient and effective method of training members.

*Auditor's Comment*

Prior to ACCESS's response, we reduced the number of members shown in the draft report from 30 to the 18 shown above because ACCESS provided new information that showed the other members did not attend the orientation. Related questioned costs for education awards were also reduced from that shown in the draft report.

For members' training hours not recorded in the timesheets, a majority of these members were enrolled in the 2006-2007 program year. Therefore, we believed ACCESS should follow its policies for member's recording training on its electronic timekeeping system. In addition, the quarterly progress reports only provide a summary of the training received during the quarter but do not reflect the actual training hours each member received. Without actual training hours recorded, ACCESS would not have a system to keep track of the 20 percent maximum training hours (in aggregate) requirement per AmeriCorps provisions.

For members whose training hours were recorded in the wrong program year, ACCESS did not justify how the 05-06' members, who attended the 06-07' orientation, would benefit from the training in the 05-06' program year. In addition, the 06-07' orientation was designed to prepare the member with adequate skills and updating policies and procedures in order to better serve in program year 06-07'. Therefore, relating this to accounting principles, a cost transaction made in one grant year cannot be applied to the previous grant or future grant year. Finally, a review of the 06-07' orientation agenda did not substantiate this type of training was provided. We also are concerned that training at the end-of-service does not benefit the AmeriCorps Program for the same program year completed and therefore would be unallowable.

ACCESS should implement the recommended corrective actions and the Corporation should follow up with ACCESS to ensure the recommended corrective actions are effectively implemented.

**Finding 5. Lack of the financial management systems to enable ACCESS to compare actual cost to budgeted cost by cost category and to distinguish costs attributable to grant No. 05NDHMI003 from its prior grant; and ACCESS did not report member support match**

**Lack of Financial Management Systems to Compare Actual versus Budget by Costs Categories and to Distinguish Costs Attributable to the Current and the Former Grant**

The grantee did not compare actual costs to budget limitations by cost category. ACCESS' old accounting software did not have the capability to check budget against actual and ACCESS was unaware of this program requirement.

In addition, ACCESS utilized the same departmental account to track costs for both the former and the current AmeriCorps grant. It indicated that the same departmental account was used because the funds were from the same funding streams. Therefore, ACCESS did not code it differently in its accounting software. However, based on our sample of cost transactions tested, we noted that ACCESS manually separated the costs between the former and current AmeriCorps grants by reviewing the cost transaction details and reported costs correctly in the FSRs.

*Criteria*

The 2005 AmeriCorps General Provisions, Section V.B. *Financial Management Standards* states:

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

**Member Support Match Was Not Reported**

ACCESS did not report any cash match for member support costs, and as such, did not meet the match requirement. The Grantee was unaware that member support match needs to be reported in the FSRs. We reviewed ACCESS's supporting documentation and noted that it did provide sufficient member support match to meet the 15 percent requirement. We did not question Federal share costs for this finding because ACCESS indicated the unreported member support match will be reported in the next FSR.

*Criteria*

45 C.F.R. § 2521.60 To what extent must my share of program costs increase over time?

Except as provided in paragraph (b) of this section, if your program continues to receive funding after an initial three-year grant period, you must continue to

meet the minimum requirements in §2541.45 of this part. In addition, your required share of program costs, including member support and operating costs, will incrementally increase to a 50 percent overall share by the tenth year and any year thereafter that you receive a grant, without a break in funding of five years or more. A 50 percent overall match means that you will be required to match \$1 for every \$1 you receive from the Corporation.

(a) Minimum Organization Share: (1) Subject to the requirements of §2521.45 of this part, and except as provided in paragraph (b) of this section, your overall share of program costs will increase as of the fourth consecutive year that you receive a grant, according to the following timetable:

Minimum Member Support 15%  
Minimum Operating Costs 33%

(2) A grantee must have contributed matching resources by the end of a grant period in an amount equal to the combined total of the minimum overall annual match for each year of the grant period, according to the table in paragraph (a)(1) of this section.

### *Recommendations*

We recommend that the Corporation:

- 5a. Instruct ACCESS to (1) compare actual versus budget by costs categories, and (2) ensure that the financial management system can distinguish costs attributable to each grant separately;
- 5b. Provide training to ACCESS personnel so that they are familiar with program requirements and provisions for reporting match; and
- 5c. Review the March 31, 2008 FSR to determine if ACCESS reported the required cash match for member support, and verify that the match claimed is reasonable, allowable, and allocable to the grant; and ensure that member support match is reported in the subsequent FSRs.

### *ACCESS Response*

ACCESS agreed to the finding and has taken corrective measures. ACCESS indicated that it acquired and is operating new accounting software which is capable of tracking budget versus actual costs. The new software is also capable of segregating costs by grant number. ACCESS also indicated that member support match was reported on the March 31, 2008 FSR.

### *Auditor's Comment*

ACCESS's proposed actions are noted. The Corporation should follow up with ACCESS to determine whether the proposed actions were implemented and effective. The Corporation



should also review the March 31, 2008, FSR and its supporting documentation to ensure member support match was correctly reported.

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

*Mayer Hoffman McCann P.C.*

Woodbridge, Virginia  
August 4, 2008

**APPENDIX A**

**Arab Community Center for Economic and Social Services' Response to Draft Report**



July 24, 2008

James B. Elmore, Audit Manager  
Office of the Inspector General  
Corporation for National and Community Service  
1201 New York Avenue, NW, Suite 830  
Washington, DC 20525

Dear Mr. Elmore:

I am pleased to submit the Arab community Center for Economic and Social Services (ACCESS) audit response to the Office of Inspector General. It has been a pleasure working with you and your team during this process. Please feel free to contact us if you need any additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read "Hassan Jaber", with a stylized flourish at the end.

Hassan Jaber  
Executive Director

# **ACCESS**

Arab Community Center for Economic and Social Services

## **APPENDIX A**

### **ACCESS Response to Draft Letter**

**July 24, 2008**

**Hassan Jaber, Executive Director**

**Finding 1. Lack of controls or controls not implemented over reporting and recording of Federal-share and match costs.**

ACCESS concurs with the audit that it lacked written policies and procedures over this process. However, the ACCESS fiscal department did review and approve the costs claimed on the FSR's.

We have directly addressed this issue by developing written policies and procedures. The policy states that a Senior Accountant will compile the information necessary to fill out the FSR, and the Fiscal Manager will check the numbers to actual financial data from the accounting software before the FSR is posted.

*Unsupported Costs*

For the March 31, 2006 and September, 30, 2007 FSR's, there was human error when entering the amounts of the matching dollars. These amounts were corrected on the FSR ending 3/30/08 and the supporting documentation has been forwarded to the Corporation. ACCESS has also invested in a new state of the art accounting software (Navision Serenic) that has been operational for the past year. We are able to program the software using the appropriate allocation method, in order to breakout these matching funds in separate general ledgers earmarked as matching funds for the Corporation.

*Inadequate Cost Allocation Methodology*

Based on the findings of the audit, Access will change d the allocation method that was used in the past. ACCESS will now use a more equitable allocation in its cost allocation plan. The allocation is now based on percentage of AmeriCorps staff time instead of square footage occupied by all staff. The calculation for the new allocation percentage has been forwarded to the Corporation. The correction for this difference in the allocation methods will be reflected on the next FSR.

**Finding 2. Lack of adequate procedures to ensure program compliance, including serving hours before signing member contracts and instances of paying living allowances after the member completed service.**

*Pre-Contract Service Hours*

*ACCESS has procedures and controls in place to ensure that all members have complied with the criteria set out in the AmeriCorps Special provisions under "Member Enrollment Procedures." We do concur with the finding that four members mistakenly left the annual pre-service training without signing their contracts. ACCESS requested and received the signed contracts by mail. The four members in question have met all their required hours.*

*Members Received Living Allowance Installments After Completing Terms of Service*

We concur with this finding. We have implemented changes in our procedures in order to address this issue. ACCESS' ARC Program Manager and Payroll Accountant will meet quarterly to go over each member payroll to insure that we are in agreement with the actual payroll journal and do not exceed any member pay.

**Finding 3. Late submission of some members' forms and missing timesheets for one member in the sample.**

ACCESS understands the requirements. We agree with the finding that the forms listed were submitted late, but this was not due to lack of oversight. ACCESS will address this issue by upgrading its software systems to improve program staff's ability to track all required member forms. ACCESS has already moved to an electronic timekeeping system for all members.

*Missing Member Timesheets*

Only one member was missing time sheets. ACCESS determined that the timesheets were damaged during a flood in that houses the program. We have documentation on the flood and have provided it to the Corporation. ACCESS does not agree that there should be corrective action.

**Finding 4. Lack of adequate procedures to ensure member training hours were recorded on member timesheets and reported in the correct program year.**

*Training Hours Not Recorded on Member Timesheets*

ACCESS does not agree with this finding. The Arab American Resource Corps policies and procedures cited are for the 2007 program year, after ACCESS switched to an electronic timekeeping system.

ACCESS does require members to report on service activities and outcomes achieved under the grant. Training is one of many activities that we monitor. Prior to moving towards an electronic timekeeping system, this was accomplished through information recorded on timesheets, monthly stories and quarterly progress reports submitted by members. The primary method access tracked training hours was through the member's quarterly progress reports. ACCESS agrees that there were paper timesheets that contained incomplete information under the "training" question. Our move towards an electronic time keeping system was an effort to improve our program monitoring systems and simplify the reporting process for members. We will continue provide training to members during the pre-service orientation on how to utilize the electronic system and report their activities to program staff.

*Member's Training Hours Reported in the Wrong Program Year*

ACCESS does not agree with this finding, all members were trained at the beginning of their service and some members were trained at the end of their service as well. ACCESS can demonstrate that all members in question did meet their 1,700 hours for each term. ACCESS has provided the Corporation with this documentation. ACCESS provides trainings and tailors it to the skills and experiences of the members that receive these trainings. Members go through a leadership development training and discuss life after AmeriCorps, in addition to being trained on a range of program related issues such as policies and procedures. For members that have participated in previous ACCESS trainings, it creates opportunities to become mentors while deepening their skills. We find that holding an annual training is an efficient and effective method of training members.

**Finding 5: Lack of the Financial management systems to enable ACCESS to compare actual cost by cost category; to distinguish costs attributable to grant no.05NDHM1003 from its prior grant; and to report match to meet the matching requirements.**

*Lack Financial Management Systems to compare Actual versus Budget by Costs Categories and Distinguish Costs Attributable to the Current and Former Grant*

ACCESS agrees with this finding. ACCESS has purchased and made operational a new state of the art accounting software. The software gives us the capability to input budgets per cost category. As we incur expenses the system will be able to give a snapshot at any time of actual cost to budgeted cost by cost categories. We will also be able to segregate costs by grant numbers using the new software.

*Member support match was not reported*

The member support matching costs were not reported on the FSR's. This has since been fixed on the FSR date ending 3/30/08 and the documentation has been forwarded to the Corporation.

**APPENDIX B**

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



Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

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

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

**Cc:** Jerry Bridges, Chief Financial Officer  
Rocco Gaudio, Deputy CFO for Grants and FFMC  
Frank Trinity, General Counsel  
Kristin McSwain, Director of AmeriCorps  
Sherry Blue, Audit Resolution Coordinator

**Date:** July 25, 2008

**Sub:** Response to OIG Draft of Agreed-Upon Procedures of Grants Awarded to the Arab Community Center for Economic and Social Services

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Thank you for the opportunity to review the draft Agreed-Upon Procedures report of the Corporation's grants awarded to the Arab Community Center for Economic and Social Services (ACCESS). We are working with ACCESS on its corrective action plan. We will respond with the management decision after we have reviewed the audit working papers and the ACCESS corrective action plan.